ORIGINAL

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

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MAR 01 2011
PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

| | | |
|---|---|---|
| APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES | ) ) ) ) | Case No. 2011-00036 |

VOLUME 2 OF 3

APPLICATION EXHIBITS 35 THROUGH 47

FILED: March 1, 2011

ORIGINAL

**Filing Requirement**
**807 KAR 5:001 Section 10(6)(p)**
**Sponsoring Witness: C. William Blackburn**

**Description of Filing Requirement:**

*Prospectuses of the most recent stock or bond offerings.*

**Response:**

Attached hereto is the prospectus for the $83,300,000 County of Ohio, Kentucky Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project) dated May 27, 2010.

115.0.4.3

NEW ISSUE – BOOK-ENTRY ONLY

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code") and Title XIII of the Tax Reform Act of 1986, except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of calculating the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Interest on the Bonds is exempt from all present Kentucky personal and corporate income taxes. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."*

# $83,300,000
# COUNTY OF OHIO, KENTUCKY
## Pollution Control Refunding Revenue Bonds, Series 2010A
## (Big Rivers Electric Corporation Project)

**Dated: Date of Delivery** **Due: July 15, 2031**

The County of Ohio, Kentucky (the "County"), Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project) (the "Bonds") are limited obligations of the County, payable solely out of the Receipts and Revenues (as defined herein) of the County received under the Financing Agreement (as defined below) and certain other funds pledged therefor under the Bond Indenture (as defined herein), and do not constitute a debt of the County within the meaning of any constitutional or statutory limitation. The Bonds are not general obligations of the County and do not constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. The Receipts and Revenues received by the County include payments sufficient to pay in full the principal of and interest on the Bonds when due, to be made by,

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

The proceeds from the sale of the Bonds will be used to refund the entire outstanding principal amount of the County's Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Reset Securities (PARS[SM]) (the "Refunded Bonds"). The Refunded Bonds were issued to refund bonds previously issued by the County to finance a portion of Big Rivers' cost of certain pollution control and solid waste disposal facilities at Big Rivers' D.B. Wilson Plant Unit No. 1, a coal-fired steam electric generating plant located within the geographical boundaries of the County.

In connection with the issuance of the Bonds, the County and Big Rivers will enter into a loan agreement (the "Financing Agreement") with respect to the Bonds under which the County will loan to Big Rivers funds equal to the principal amount of the Bonds, and Big Rivers will be obligated to repay such loan in amounts equal to the principal and interest payments relating to the Bonds when due. Big Rivers' loan repayment obligations will be evidenced by a note of Big Rivers, which will be an obligation under Big Rivers' Mortgage Indenture (as defined herein), secured equally and ratably with other Mortgage Indenture Obligations (as defined herein) by a mortgage lien on substantially all of the owned tangible and certain of the intangible assets of Big Rivers, subject to certain exceptions and exclusions as described herein.

U.S. Bank National Association is the Trustee, Paying Agent and Registrar under the Bond Indenture, and the trustee under Big Rivers' Mortgage Indenture.

The Bonds are subject to optional redemption, as described herein.

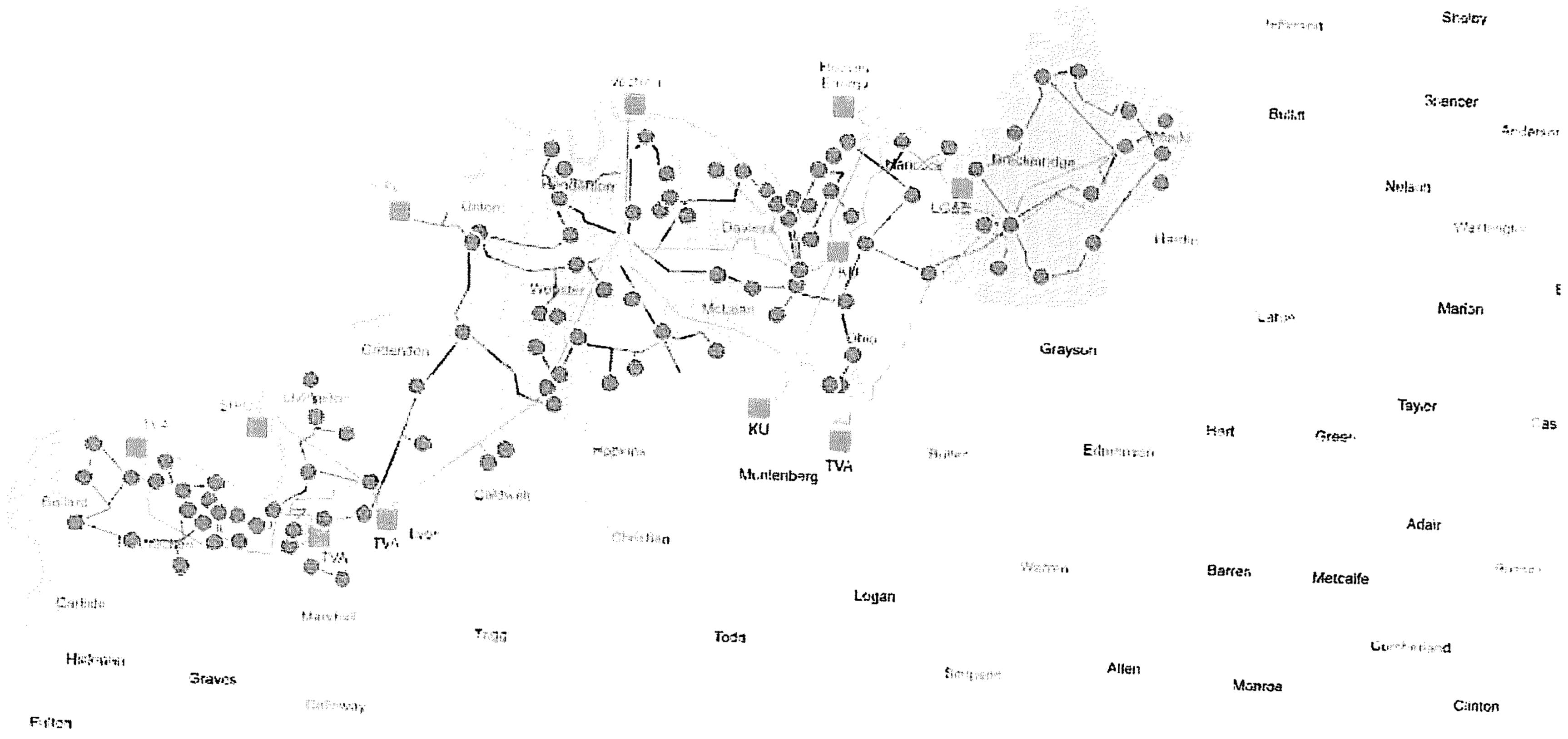
| Amount | Interest Rate | Price | CUSIP |
|---|---|---|---|
| $83,300,000 | 6.00% | 100.00% | 677288AG7 |

The Bonds will be issued in fully-registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds and purchases of beneficial ownership interests in the Bonds will be made in book-entry only form. The Bonds will be issued in initial denominations of $5,000 or in any integral multiple thereof. Actual purchasers of the beneficial ownership interests in the Bonds will not receive certificates representing their interest in such Bonds. Semiannual interest on the Bonds is payable on January 15 and July 15, commencing on January 15, 2011. So long as Cede & Co. is the registered owner, references herein to the holder or registered owner of the Bonds, including for the purpose of receiving notices under the Bond Indenture, shall mean Cede & Co., and shall not mean such beneficial owners. So long as Cede & Co. or another nominee of DTC is the registered owner of the Bonds, payments of the principal of and premium, if any, and interest on the Bonds will be made directly to DTC or its nominee. Disbursement of such payments to participants in DTC is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of those participants.

*The Bonds are offered, subsequent to prior sale, when, as and if issued and accepted by Goldman, Sachs & Co. (the "Underwriter"), subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters in connection with the Bonds are subject to the approval of Sutherland Asbill & Brennan LLP, Counsel to the Underwriter. Certain legal matters will be passed upon for Big Rivers by Sullivan, Mountjoy, Stainback & Miller PSC, General Counsel for Big Rivers. Certain legal matters for the County will be passed upon by Greg Hill, Esq., counsel to the County. It is expected that delivery of the Bonds will be made on or about June 8, 2010.*

**Goldman, Sachs & Co.**

**May 27, 2010**



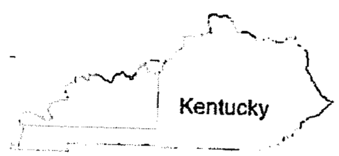

Jackson Purchase Energy
Kenergy Corp.
Meade County RECC

Reed Plant Unit 1
Green Plant Unit 1,2
HMP&L Station Two

Coleman Plant
Unit 1,2,3

D.B. Wilson
Unit 1

69 kV
138 kV
161 kV
345 kV
Interconnection
Power Plant
Substation



**Big Rivers Electric Corporation**
201 Third Street
Henderson, Kentucky 42420

**Officers**

Mark A. Bailey, President and Chief Executive Officer
C. William Blackburn, Senior Vice President of Financial & Energy Services and Chief Financial Officer

**Senior Staff**

Robert W. Berry, Vice President of Production
David G. Crockett, Vice President of System Operations
James V. Haner, Vice President of Administrative Services
Mark A. Hite, Vice President of Accounting
Albert M. Yockey, Vice President of Governmental Relations & Enterprise Risk Management

**Directors**

William C. Denton, Chair
James G. Sills, Vice Chair
Lee Bearden, Secretary-Treasurer
Paul Edd Butler
Larry F. Elder
Louis Wayne Elliott

**Members**

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

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**Counsel to Big Rivers**
Sullivan, Mountjoy, Stainback & Miller PSC
Owensboro, Kentucky

**Bond Counsel**
Orrick, Herrington & Sutcliffe LLP
New York, New York

**Independent Public Accountants**
Deloitte & Touche LLP
Chicago, Illinois

**Trustee**
U.S. Bank National Association
Hartford, Connecticut

**Counsel to Underwriter**
Sutherland Asbill & Brennan LLP
Atlanta, Georgia

No dealer, broker, salesperson or other person has been authorized to give any information or to make representations, other than as contained in this Offering Statement, and if given or made, such other information or representations must not be relied upon. This Offering Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by Big Rivers and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in Big Rivers' affairs or the affairs of the County. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The Underwriter has provided the following sentence for inclusion in this Offering Statement: The Underwriter has reviewed the information in this Offering Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND BIG RIVERS AND THE TERMS OF THE OFFERING OF THE BONDS, INCLUDING THE MERITS AND RISKS INVOLVED.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH OR RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, NO SUCH COMMISSION OR REGULATORY AUTHORITY HAS CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFERING STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS. IN THIS RESPECT, THE WORDS "MAY," "WILL," "FORECAST," "ESTIMATE," PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE BASED ON THE CURRENT EXPECTATIONS OF THE PARTY MAKING SUCH STATEMENTS AS WELL AS ASSUMPTIONS MADE BASED ON THE INFORMATION CURRENTLY AVAILABLE TO SUCH PARTY. A NUMBER OF IMPORTANT FACTORS AFFECTING OUR BUSINESS AND FINANCIAL RESULTS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD-LOOKING STATEMENTS ARE DISCLOSED IN THIS OFFERING STATEMENT. FOR ADDITIONAL FACTORS THAT COULD AFFECT THE VALIDITY OF OUR FORWARD-LOOKING STATEMENTS, YOU SHOULD READ THE SECTIONS ENTITLED "RISK FACTORS" AND "RATE AND ENVIRONMENTAL REGULATION" HEREIN. IN LIGHT OF THESE AND OTHER RISKS, UNCERTAINTIES AND ASSUMPTIONS, ACTUAL EVENTS OR RESULTS MAY BE MATERIALLY DIFFERENT FROM THOSE EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS IN THIS

OFFERING STATEMENT, OR MAY NOT OCCUR. NEITHER WE NOR THE COUNTY HAVE ANY OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENT, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

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## SUMMARY

***The following summary contains information about Big Rivers Electric Corporation ("Big Rivers"; as used in this Offering Statement, "we," "us" and "our" also refer to Big Rivers), the County of Ohio, Kentucky (the "County"), the offering and the terms of the Bonds (as defined herein) that we believe is important. You should read this entire Offering Statement, including our financial statements and the accompanying notes in Appendix A and our Members' (as defined herein) information in Appendix B, for a complete understanding of our operations, the offering and the Bonds.***

**County of Ohio** .......................................... The County, located in western Kentucky, is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky. The County was and is authorized and empowered by law, including particularly the provisions of the Industrial Building Revenue Bond Act (Sections 103.200 through 103.285, inclusive) of the Kentucky Revised Statutes, as amended (the "Act"), to finance certain pollution control and solid waste disposal facilities, including the Facilities as described below, and to enter into and perform its obligations under the Financing Agreement and the Bond Indenture (each, as defined herein). Except for the information in this paragraph and the information solely with respect to the County under the captions "COUNTY OF OHIO, KENTUCKY" and "LITIGATION – Litigation Involving the County" the County did not participate in the preparation of this Offering Statement and does not have or assume any responsibility as to the accuracy or completeness of any information herein, all of which information has been furnished by others.

**Big Rivers Electric Corporation** ............ We were formed in 1961 as a not-for-profit generation and transmission ("G&T") cooperative corporation. We are based in Henderson, Kentucky, and are principally engaged in the business of providing wholesale electric service to our three member electric distribution cooperatives. The Members (as defined herein) of Big Rivers are local consumer-owned distribution cooperatives providing retail electric service on a not-for-profit basis to their customers, who are their members. The customer base of our Members generally consists of residential, commercial and industrial consumers, including two large aluminum smelters (the "Smelters"), within specific geographic areas. The Members provide electric power and energy to customers located in portions of 22 western Kentucky counties. See "BIG RIVERS ELECTRIC CORPORATION," "THE SMELTER AGREEMENTS" and APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

Our principal office is located at 201 Third Street, Henderson, Kentucky 42420. Our telephone number is (270) 827-2561. Our website is www.bigrivers.com.

| | |
|---|---|
| **Facilities** | The pollution control facilities being refinanced are located at Big Rivers' D.B. Wilson Plant Unit No. 1 (the "Facilities"), a coal-fired steam electric generating plant located within the geographical boundaries of the County (the "Wilson Plant") . |

**The Offering**

| | |
|---|---|
| **Securities Offered** | Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project), due July 15, 2031, in the aggregate principal amount of $83,300,000 (the "Bonds").<br><br>The Bonds are limited obligations of the County, payable solely from amounts received by the County from us under the Financing Agreement and certain other funds pledged under the Bond Indenture, and do not constitute a debt of the County within the meaning of any constitutional or statutory limitation. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE." |
| **Interest Payment Dates** | The Bonds will bear interest at 6.00 percent per annum. We will pay interest on the Bonds semiannually on January 15 and July 15 of each year, commencing January 15, 2011. See "DESCRIPTION OF THE BONDS – General." |
| **Optional Redemption** | On or after July 15, 2020, we may redeem the Bonds, in whole or in part, prior to their stated maturity, at our option. See "DESCRIPTION OF THE BONDS – Redemption of Bonds – *Optional Redemption.*" |
| **Bond Indenture** | The Bonds will be issued under a Trust Indenture, dated as of June 1, 2010 (the "Bond Indenture"), between the County and U.S. Bank National Association, as trustee (the "Trustee"). See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE." |
| **Financing Agreement** | We and the County will enter into a Loan Agreement, dated as of June 1, 2010 (the "Financing Agreement"), with respect to the Bonds under which the County will loan to us funds equal to the principal amount of the Bonds. We will be obligated to repay such loan in amounts equal to the principal and interest payments relating to the Bonds when due. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT AND THE NOTE." |
| **The Note** | Our payment obligations under the Financing Agreement will be evidenced by a note (the "Note"), which will be an obligation under the Mortgage Indenture (as defined herein), secured equally and ratably by a mortgage lien on substantially all of our owned tangible and certain of our intangible assets, subject to certain exceptions and exclusions. See APPENDIX C – "SUMMARY OF CERTAIN |

PROVISIONS OF THE FINANCING AGREEMENT AND THE NOTE" and APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE."

**Use of Proceeds**........................................ The proceeds from the sale of the Bonds will be used to refund the entire outstanding principal amount of the County's Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Reset Securities (PARS$^{SM}$) (the "Refunded Bonds"). See "USE OF PROCEEDS."

**Tax Exemption**........................................ Under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, except that Bond Counsel has expressed no opinion as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of facilities financed or refinanced with the proceeds of the Bonds or by a "related person" within the meaning of 103(b)(13) of the Internal Revenue Code of 1954, as amended. Interest on the Bonds is exempt from all present Kentucky personal and corporate income taxes. See "TAX MATTERS."

**Big Rivers Electric Corporation**

**Cooperative Principles**........................... We are organized as a cooperative. A cooperative is a business organization owned by its members, which also are its customers. Cooperatives are created to provide goods or services to their members on a not-for-profit basis. See "BIG RIVERS ELECTRIC CORPORATION."

**Recent Changes in Business Structure**.. In July 2009, we terminated an arrangement under which Western Kentucky Energy Corp. ("WKEC"), a wholly-owned subsidiary of E.ON U.S. LLC ("E.ON"), had leased from us all of the power supply resources we owned. Under this arrangement, WKEC had assumed responsibility for the operation of our generating facilities and for the operation of Station Two ("Station Two"), two coal-fired units owned by the City of Henderson though Henderson Municipal Power & Light ("HMP&L") we previously operated. Under this arrangement we purchased power from LG&E Energy Marketing, Inc. ("LEM"), another wholly-owned subsidiary of E.ON, to serve our Member load.

In July 2009, we terminated these arrangements. We again operate all of our owned generating facilities and Station Two. Further, the power sales agreement under which we previously purchased power from LEM has been terminated. See "BIG RIVERS ELECTRIC CORPORATION – Bankruptcy and Subsequent Operation" and "GENERATION AND TRANSMISSION ASSETS." In connection with the termination of these arrangements, we assumed responsibility for supplying our Member, Kenergy Corp. ("Kenergy"), with approximately 850 MW of power that is necessary for Kenergy to supply a portion of its contractual obligations to the Smelters. See "THE SMELTER AGREEMENTS" and APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

**Power Supply Resources** .......................... Our power supply resources consist of 1,444 MW of owned generation resources and up to an additional 390 MW available to us under power purchase arrangements. See "GENERATION AND TRANSMISSION ASSETS."

Our generation resources consist of:

- 443 MW of net nameplate capacity from the Kenneth C. Coleman Plant, a three unit, coal-fired steam electric generating station located near Hawesville, Kentucky.
- 454 MW of net nameplate capacity from the Robert D. Green Plant, a two unit, coal-fired steam electric generating station located near Sebree, Kentucky.
- 417 MW of net nameplate capacity from the Wilson Plant, a single coal-fired, balanced draft steam electric generating unit, located near Centertown, Kentucky on the Green River.
- 130 MW of net nameplate capacity from the Robert A. Reid Plant (the "Reid Plant"), located near Sebree, Kentucky, which includes a 65 MW coal-fired steam electric generating unit and a 65 MW oil-or natural gas-fired combustion turbine generating unit.

Our long-term power purchase arrangements consist of:

- a power sales contract with HMP&L which entitles us to purchase up to 212 MW from HMP&L's Station Two through May 31, 2010, a coal fired generating plant, which we operate. Beginning June 1, 2010, our capacity share will decrease to 207 MW.
- a power purchase agreement with the Southeastern Power Administration ("SEPA") which entitles us to purchase up to 178 MW. We normally use our entitlement under this contract for peaking; however, as a result of problems with certain dams, our capacity entitlement has been suspended and we currently are receiving only energy under this arrangement.

**Our Members** .............................................. Our Members are Kenergy, Meade County Rural Electric Cooperative Corporation ("Meade") and Jackson Purchase Energy Corporation ("Jackson Purchase", and collectively with Kenergy and Meade, our "Members"). See "OUR MEMBERS."

**Wholesale Power Contracts** .................... Each of Meade, Jackson Purchase and Kenergy is party to a wholesale power contract with us (the "All Requirements

Contracts"). The All Requirements Contracts provide that we are obligated to sell and deliver to the Member, and the Member is obligated to purchase and receive from us, all the electric power and energy which the Member requires for the operation of the Member's system, except Kenergy's requirements for the Smelters, to the extent that we have power and energy and facilities available. Each contract extends through December 31, 2043.

**Smelter Agreements**................................ In addition to the All Requirements Contracts, we and Kenergy are parties to two wholesale electric service agreements (the "Smelter Agreements") under which we provide approximately 850 MW of power which is necessary for Kenergy to supply a portion of its contractual obligations to the Smelters. The Smelter Agreements terminate on December 31, 2023; however, they are terminable upon various conditions with one year's notice to Kenergy and us. Kenergy's obligations to purchase electric service from us to serve the Smelters are exceptions to the "all requirements" obligations in Kenergy's All Requirements Contracts. See "THE SMELTER AGREEMENTS" and APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

**Our Mortgage Indenture**

**Security for the Bonds**............................ The Note will be secured equally and ratably with all our other obligations issued under the Indenture dated as of July 1, 2009, as supplemented and amended (the "Mortgage Indenture"), between us and U.S. Bank National Association, as trustee (the "Mortgage Indenture Trustee"). Obligations are secured under the Mortgage Indenture by a mortgage lien on substantially all of our owned tangible and certain of our intangible properties, including our electric generation and transmission facilities and certain of our contracts relating to the purchase, sale or transmission of electricity of more than one year in duration and relating to the ownership, operation or maintenance of electric generation, transmission or distribution facilities owned by us, but excluding certain exceptions set forth in the Mortgage Indenture. The lien of the Mortgage Indenture also extends to revenue generated from the sale or transmission of electricity under certain of these contracts. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE."

**Rate Covenant**........................................... The Mortgage Indenture obligates us to establish and collect rates that, subject to any necessary regulatory approvals, are reasonably expected to yield "Margins for Interest" equal to at least 1.10 times our total "Interest Charges" for each fiscal year on debt secured under or prior to or on a parity with the lien of the Mortgage Indenture.

See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF

OPERATIONS – Cooperative Operations – *Coverage Ratios*." For the definitions of "Margins for Interest" and "Interest Charges," see APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants."

**Additional Obligations** .............................. As long as we are in compliance with the financial test required under the Mortgage Indenture relating to Margins for Interest, we may issue additional indebtedness or other obligations under the Mortgage Indenture. The amount of additional obligations we may issue is based on the amount of specified property additions that have been certified to the Mortgage Indenture Trustee, the principal amount of Mortgage Indenture Obligations previously retired or defeased, and deposits of cash and certain securities previously made with the Mortgage Indenture Trustee, among other things. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Additional Mortgage Indenture Obligations."

**Limitation on Distributions to Members** .............................................. The Mortgage Indenture prohibits us from making any distribution, including any dividends, or payments of, or retirements of, patronage capital to our Members if at the time of or as a result of such distribution:

- we are in default under the Mortgage Indenture;
- our aggregate margins and equities as of the end of our most recent fiscal quarter would be less than 20% of our total long-term debt and equities; or
- the aggregate amount expended for all distributions on or after the date on which our aggregate margins and equities first reached 20% of our long-term debt and equities shall exceed 35% of our aggregate net margins earned after such date. See "APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants."

Notwithstanding the foregoing and so long as we are not in default under the Mortgage Indenture, we may declare and make distributions at any time if, after giving effect thereto, our aggregate margins and equities as of the end of our most recent fiscal quarter would have been not less than 30% of our total long-term debt and equities as of such date.

As of December 31, 2009, our equity to total capitalization ratio was 31%, and we could have distributed approximately $21.8 million to our Members under the criteria described above.

## SUMMARY FINANCIAL DATA

The summary financial data below present selected historical information relating to our financial condition and results of operations. Summary financial data for the three months ended March 31, 2010 that are presented below are unaudited, and reflect all adjustments that we consider necessary (consisting of normal recurring accruals) for a fair presentation of such data. The Balance Sheet data as of December 31, 2009 and 2008 and the Statement of Operations data for years ended December 31, 2009, 2008 and 2007 were derived from our audited financial statements included in APPENDIX A. The Balance Sheet data as of December 31, 2007 and the Statement of Operations data for the years ended December 31, 2006 and 2005 were derived from our audited financial statements for those years. You should read the information contained in this table together with our financial statements, the related notes to the financial statements and the discussion of this information in "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" included in this Offering Statement.

| | Three Months Ended March 31, 2010 | Years Ended December 31, | | | | |
|---|---|---|---|---|---|---|
| | | 2009 | 2008 | 2007 | 2006 | 2005 |
| | (in thousands) | | | (in thousands) | | |
| **Statement of Operations Data:** | | | | | | |
| Operating Revenues | $137,194 | $373,360 | $273,181 | $329,870 | $258,588 | $248,955 |
| Operating Expenses | 115,642 | 317,668 | 178,542 | 231,836 | 170,260 | 168,196 |
| Electric Operating Margins | 21,552 | 55,692 | 94,639 | 98,034 | 88,328 | 80,759 |
| Interest Expense and Other | 12,123 | 63,207 | 79,578 | 70,954 | 70,370 | 68,872 |
| Non-operating margin | 102 | 538,845 | 12,755 | 20,097 | 16,584 | 14,456 |
| Net margin | $ 9,531 | $531,330 | $ 27,816 | $ 47,177 | $ 34,542 | $ 26,343 |

| | As of March 31, | As of December 31, | | |
|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 |
| | | (in thousands, except ratios) | | |
| **Balance Sheet Data:** | | | | |
| Assets: | | | | |
| Utility plant, net | $1,081,552 | $1,078,274 | $ 912,699 | $ 911,634 |
| Other assets | 407,563 | 427,209 | 161,737 | 402,524 |
| Total assets | $1,489,115 | $1,505,483 | $1,074,436 | $1,314,158 |
| Equities and Liabilities: | | | | |
| Capitalization | $1,204,808 | $1,213,759 | $ 832,747 | $1,032,099 |
| Current Liabilities | 66,863 | 67,165 | 78,091 | 68,187 |
| Deferred Credits and other | 217,444 | 224,559 | 163,598 | 213,872 |
| Total equities and liabilities | $1,489,115 | $1,505,483 | $1,074,436 | $1,314,158 |
| **Other Financial Data:** | | | | |
| Equity ratio(1) | 32% | 31% | -19% | -17% |
| Margins for Interest ratio(2)(3) | 1.78 | 9.87 | 1.45 | 1.64 |

(1) Our equity ratio is calculated by dividing total equity by total capitalization.

(2) Our Margins for Interest ratio is calculated by dividing our Margins for Interest by Interest Charges, both as defined in the Mortgage Indenture. We became subject to the Mortgage Indenture in 2009; prior to 2009, we did not have a required MFI Ratio (as defined herein). The Mortgage Indenture obligates us to establish and collect rates that, subject to any necessary regulatory approvals, are reasonably expected to yield Margins for Interest equal to at least 1.10 times our Interest Charges for each fiscal year. In addition, the Mortgage Indenture requires a showing of our having met this requirement for certain historical periods as a condition for issuing additional obligations under the Mortgage Indenture. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – *Covenants*" and "– Additional Mortgage Indenture Obligations."

(3) See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Financial Condition – *As of March 31, 2010*" for a discussion of our projected MFI Ratio for the year ending December 31, 2010.

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## INTRODUCTION

The purpose of this Offering Statement, which includes the cover page and Appendices hereto, is to provide information in connection with the issuance and sale by the County of Ohio, Kentucky (the "County") of its Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project) in the aggregate principal amount of $83,300,000 (the "Bonds"). The Bonds will be issued pursuant to the Constitution and laws of the Commonwealth of Kentucky, including particularly the provisions of Kentucky Revised Statutes Sections 103.200 through 103.285, inclusive (the "Act"). The Bonds will be issued under the terms and conditions of a Trust Indenture, dated as of June 1, 2010 (the "Bond Indenture"), between the County and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are being issued for the benefit of Big Rivers Electric Corporation ("Big Rivers"; as used in this Offering Statement, "we," "us" and "our" also refer to Big Rivers), a non-profit rural electrical cooperative corporation organized and existing under the laws of the Commonwealth of Kentucky.

## USE OF PROCEEDS

The proceeds from the sale of the Bonds will be used to refund the entire outstanding principal amount of the County's Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Reset Securities (PARS[SM]) (the "Refunded Bonds"). The Refunded Bonds were issued to refund certain bonds issued by the County to finance a portion of the costs of certain pollution control and solid waste disposal facilities (the "Facilities") located at our D.B. Wilson Plant Unit No. 1, a coal-fired steam electric generating plant located within the geographical boundaries of the County (the "Wilson Plant"). See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Liquidity and Capital Resources – *Debt and Lease Obligations*" for a discussion of the most recent auction of the Refunded Bonds.

## SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

### Pledge of Funds, Note and Financing Agreement

The Bonds are not general obligations of the County and do not constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. The Bonds shall not constitute an indebtedness of the County within the meaning of the Constitution of Kentucky, but shall be payable solely out of the amounts payable under the Financing Agreement (as defined herein) by us to the County, such amounts being equal to an amount sufficient to pay the principal and interest payments relating to the Bonds when due, and certain other funds pledged therefor under the Bond Indenture ("Receipts and Revenues"). See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE."

In connection with the issuance of the Bonds, we will enter into a Loan Agreement, dated as of June 1, 2010 (the "Financing Agreement"), with the County, under which the County will loan the proceeds of the Bonds to us for the purpose of paying the principal amount of the Refunded Bonds upon their redemption, and we will make loan repayments equal to the principal of and interest on the Bonds when due. To evidence and secure our obligation to repay such loan, we will issue a note with respect to the Bonds, dated the date of issuance of the Bonds (the "Note"). The Note will be issued as a parity obligation under our Indenture, dated as of July 1, 2009, as supplemented and amended (the "Mortgage Indenture"), between us and U.S. Bank National Association, as trustee (the "Mortgage Indenture Trustee"). For a description of certain material terms and conditions of the Mortgage Indenture, see

APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE." The Financing Agreement provides that we will make the payments under the Note directly to the Trustee for the account of the County.

The payment of principal of and interest on the Bonds will be secured by a pledge by the County to the Trustee, for the benefit of the holders of such Bonds, of (i) the amounts required to be deposited in the Bond Fund, established under the Bond Indenture, including investments made with such amounts and the proceeds thereof, (ii) the County's right, title and interest in and to the Note and payments thereon, (iii) the County's right, title and interest in and to the Receipts and Revenues, all subject to the provisions of the Bond Indenture permitting the application of funds for the purposes and on the terms and conditions set forth in the Bond Indenture and (iv) any and all property which may from time to time be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to, or deposited with, the Trustee as additional security under the Bond Indenture by the County or anyone on its behalf as such additional security.

**Security for Payment of the Mortgage Indenture Obligations**

The Note will be secured equally and ratably with all our other obligations issued under the Mortgage Indenture (each a "Mortgage Indenture Obligation," and collectively, "Mortgage Indenture Obligations") by a mortgage lien on substantially all of our owned tangible and certain of our intangible assets, including our electric generation and transmission facilities and certain of our contracts relating to the purchase, sale or transmission of electricity of more than one year in duration and relating to the ownership, operation or maintenance of electric generating, transmission or distribution facilities owned by us, but excluding certain exceptions set forth in the Mortgage Indenture.

The lien of the Mortgage Indenture is subject to certain permitted exceptions set forth in the Mortgage Indenture. The Mortgage Indenture contains provisions subjecting all of our after acquired property, other than certain exceptions set forth in the Mortgage Indenture, to the lien thereof. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE."

## RISK FACTORS

The following is a discussion of certain risks that could affect payments to be made with respect to the Bonds or the market value of the Bonds. This discussion is not exhaustive, should be read in conjunction with all other parts of this Offering Statement, and should not be considered a complete description of all risks that could affect such payments or the market value of the Bonds. Prospective purchasers of the Bonds should analyze carefully the information contained in this Offering Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Offering Statement. See "AVAILABLE INFORMATION."

***A significant portion of our anticipated gross revenues and retail load of one of our Members, Kenergy, is related to serving the Smelters***

Approximately 57% of our total retail load demand and 75% of the energy of one of our Members, Kenergy, is represented by two aluminum smelters: Alcan Primary Products Corporation ("Alcan"), an indirect subsidiary of Alcan Aluminum Corporation, and Century Aluminum of Kentucky General Partnership ("Century"), a wholly-owned subsidiary of Century Aluminum Company. Alcan and Century are referred to herein as the "Smelters." Kenergy supplies each Smelter under a retail electric service agreement and passes through the payments made thereunder to us, except for a retail fee that Kenergy retains. Such pass through payments by Kenergy are expected to comprise 61.5% of our gross revenue in 2010. Both retail electric service agreements provide that if a Smelter plans to discontinue its smelting operations, it may terminate the retail electric service agreement with one year notice. Alcan and Century typically use nearly 368 MW and 482 MW per hour, respectively, and operate 24 hours per day and seven days a week. One Century potline constituting approximately 100 MW is currently shut down and we have not been given a schedule for it returning to service. While we are not aware of any plan of either Smelter to discontinue its operations, if one or both were to do so, we would have a large amount of surplus energy that may be difficult to sell economically. This possibility is especially a concern until we complete our planned upgrade to our transmission lines as discussed herein to allow us access to a broader number of third-party purchasers. See "THE SMELTER AGREEMENTS" and APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

***Our rates and service and those of our Members are subject to state regulation***

Our rates and service and those of our Members are subject to regulation by the Kentucky Public Service Commission ("KPSC"). Among other powers, Kentucky law authorizes the KPSC to (i) approve our rates and those of our Members as "fair, just and reasonable," (ii) regulate construction of new generation and transmission facilities by issuing certificates of public convenience and necessity, (iii) approve changes in ownership or control of us through sales of assets or otherwise, (iv) approve the issuance or assumption of any securities or evidence of indebtedness, other than to the United States of America acting through the Rural Utilities Service ("RUS"), and (v) administer the state laws assigning each jurisdictional electric distribution utility the exclusive right to provide retail electric service within specified geographic boundaries. The KPSC has approved the issuance of the Bonds.

We and our Members may only charge rates that are approved by the KPSC. When we file a schedule stating new rates with the KPSC, the KPSC may suspend the effective date of that new rate schedule for five or six months, depending upon the methodology we employ to support the new rate schedule. If the proceeding to review the new rate schedule has not been concluded and an order made at the expiration of the suspension period, we may place the new rate schedule in effect, subject to refund if the rates eventually approved by the KPSC are lower than rates in the rate schedule we placed into effect. By law, the KPSC must issue a final decision not later than ten months after we file a new rate schedule. We are entitled to demand, collect and receive fair, just and reasonable rates for the services we render, although we and the KPSC may disagree about what constitutes fair, just and reasonable rates. If we are dissatisfied with an order of the KPSC, we may appeal that order through the Kentucky court system. Any denial by the KPSC or delay in recovery of any portion of our requested rates could have a material negative impact on our Members' or our future operating results, financial condition or liquidity.

***Regulations governing climate change may adversely affect our operations and financial performance***

Federal and state laws may be enacted that would limit or impose additional costs related to emissions of carbon dioxide ("$CO_2$") and other greenhouse gases ("GHG"). Several bills have been introduced in the current Congress to reduce GHG emissions, including imposing federal GHG emission caps and a federal renewable energy portfolio standard. One such bill was passed by the House of Representatives on June 26, 2009, and a separate bill is currently being considered by the Senate. Furthermore, the United States Environmental Protection Agency (the "EPA") has taken action to regulate GHG emissions under existing federal law. We cannot predict the outcome or potential impacts of pending climate change legislation or regulations, but it is generally expected that older conventional, fossil-fueled generation facilities, such as our facilities, would be more adversely affected by such laws or regulations than newer facilities or facilities generating electricity from nuclear or renewable fuels. In addition, some legislative proposals, such as the economic stimulus plan, may provide substantial incentives to alternative energy development or limit the construction and operation of conventional power generation facilities in ways that could adversely affect our business plans, revenues or operating costs. See "RATE AND ENVIRONMENTAL REGULATIONS - Global Climate Change." Substantially all of our power supply resources come from fossil-fueled generation facilities. During 2009, resources that we own and operate emitted 19,100 tons of sulfur dioxide ("$SO_2$"), 10,874 tons of nitrogen oxide ("$NO_x$") and 25,000 tons of $CO_2$.

***Regulations governing environmental issues may adversely affect our operations and future financial performance***

We are required to comply with numerous federal, state and local laws and regulations relating to environmental protection. These laws and regulations change regularly, and new laws and regulations could substantially increase our operating costs or require material capital expenditures. In response to regulatory changes, a substantial portion of our facilities have, in the past decade, been retrofitted with new pollution control equipment, including flue gas desulfurization and selective catalytic reduction equipment. We have $30 million of planned environmental additions through 2013. Although we believe that we have obtained all material environmental approvals currently required to own and operate our currently operating facilities, we may incur significant additional costs to comply with these requirements or with any new requirements that are added as laws change and new regulatory requirements are added. Failure to obtain and maintain all required permits or to comply with environmental laws, regulations and permits could have a material adverse effect on us, including potential civil or criminal liability and the imposition of fines or expenditures of funds to bring our facilities into compliance. Delay in obtaining or failure to obtain and maintain any environmental permits or approvals, or delay or failure to satisfy any applicable environmental regulatory requirements, could hinder the operation of our existing facilities or hinder the sale of energy from these facilities, all of which could result in significant additional cost to us. In addition, private parties may object to the issuance of environmental permits or challenge our operations under our permits. See "RATE AND ENVIRONMENTAL REGULATIONS - Environmental Regulations."

***National or state renewable energy standards may increase our costs of operation and adversely affect the utilization of current generation facilities***

Although various bills have been introduced in the Kentucky legislature and in the U.S. Congress that would require us to establish and obtain minimum amounts of electric energy from renewable resources, to date, no such legislation has been enacted. If we were required on the national or state level to establish and obtain minimum amounts of electric energy from renewable resources, we would have to purchase such energy and/or invest in renewable resources. Either alternative may result in higher costs to our Members.

***We must make long-term decisions involving substantial capital expenditures based on our current projections of future conditions***

Our decisions to develop new generation or transmission facilities, enter into long-term power supply arrangements, or pursue other projects are based primarily on long-term forecasts of our obligations to supply all or a portion of our Members' power and energy requirements. We rely on our forecasts to reliably predict factors affecting their requirements such as economic conditions, population trends and actions by others in the development of their generation or transmission facilities. Even though forecasts are less reliable the farther into the future they extend, we must make decisions today based on forecasts often extending a decade or more into the future due to the long lead-time necessary to develop and construct new generation and transmission facilities and the expected useful life of such facilities.

Our forecasts may vary significantly from actual events. As a result, we may fail to develop the appropriate number or type of generation facilities, rely on technology that becomes less competitive, or fail to install or upgrade transmission facilities in locations where they are needed. If we overestimate the growth in our obligations to supply all or a portion of our Members' power or energy requirements, there is no assurance that the price of any surplus power or energy from the excess resources would be economical or could be sold in the market without a loss. If we underestimate the growth in our Members' power or energy requirements, we may be required to purchase power or energy at a cost substantially above the cost we would have incurred to obtain the power or generate the energy from our facilities. Projections regarding the continued growth of our Members' power and energy requirements and the extent of our obligations to serve them increases the potential risks to us if actual events differ significantly from our forecasts.

***Future availability and cost of credit may affect our financial results***

We will need to access the credit and capital markets in the near future. Although we expect to finance our capital expenditures with internally generated funds, we have a series of pollution control bonds outstanding in the principal amount of $58.8 million maturing in 2013 that we expect to refinance. In addition to the generally level debt service on the RUS Series A Note, we are obligated to make additional principal payments of $60.0 million by October 1, 2012, and $200.0 million by January 1, 2016 on our debt outstanding with RUS. We expect to raise funds in the credit and capital markets in order to refinance this RUS debt and the pollution control bonds.

Market volatility and uncertainty in the financial markets, such as what occurred in the fall of 2008, could potentially affect our cost of capital and access to the credit and capital markets. In addition, if our ratings were lowered, we could be required to pay higher interest rates in future financings, our potential pool of investors and funding sources could decrease and our access to the credit or capital markets could be interrupted for all practical purposes. In the future, our investor base may be limited if we encounter investors who are reluctant to purchase our debt based on climate change or other industry-specific concerns.

***Our financial performance depends on the successful operation of electric generating facilities by us and the ability of our facilities and us to deliver electricity to our Members***

Operating electric generating facilities and delivery systems involves many risks, including:

- operator error and breakdown or failure of equipment or processes;
- operational limitations imposed by environmental or other regulatory requirements;
- inadequate or unreliable access to transmission and distribution assets;
- labor disputes;
- interruptions of fuel supply;
- compliance with mandatory reliability standards; and
- catastrophic events such as hurricanes, floods, earthquakes, fires, explosions, terrorist attacks, pandemic health events or other similar occurrences.

We depend on transmission facilities, including those operated by other parties, to deliver the electricity that we supply to our Members. If transmission is disrupted, or if capacity is inadequate, our ability to sell and deliver products and satisfy our contractual obligations may be hindered. Although the Federal Energy Regulatory Commission ("FERC") has issued regulations designed to encourage competition in wholesale market transactions for electricity, there is the potential that fair and equal access to transmission systems or transmission capacity will not be available to transmit our electric power. We cannot predict the timing of industry changes as a result of these initiatives or the adequacy of transmission facilities in specific markets.

The initial set of mandatory reliability standards was issued by the North American Electric Reliability Corporation ("NERC") in July 2007. We believe we are in compliance with all of the current NERC standards. We expect that as greater emphasis is placed on securing electrical grid infrastructure, these standards will become stricter over time. The financial impact of mandatory compliance with such standards cannot currently be determined. If mandatory reliability standards are increased in the future, a substantial effect on our operations and financial cash flows could result. In addition, failure to comply with the reliability standards could result in the imposition of fines and penalties.

A decrease in operational performance from our generating facilities and delivery systems or an increase in the cost of operating the facilities could have an adverse effect on our business and results of operations.

***Our Members may fail to satisfy their obligations to us***

We depend primarily on electric sales to our Members to satisfy our financial obligations. We do not control the operations or financial performance of our Members. Accordingly, we are exposed to the risk that one or more of our Members could default in the performance of their obligations to us, in particular their obligations under long-term wholesale power contracts with us extending through 2043. These defaults could result from financial difficulties at one or more Members or because of intentional actions by such Members. Our operating results and financial condition could be adversely affected if one or more of our Members default on their obligations to us or reject their contractual obligations to us in a bankruptcy proceeding or otherwise.

***We cannot assure you that an active trading market will develop for the Bonds***

There is no existing trading market for the Bonds. We do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be, nor can we make any assurances regarding the ability of holders of Bonds to sell their Bonds or the price at which the Bonds might be sold. Although the Underwriter has informed us that it currently intends to make a market in the Bonds, it is not obligated to do so, and any market making may be discontinued at any time without notice. The market price of the Bonds could be adversely affected as a result.

## *COUNTY OF OHIO, KENTUCKY*

The County, located in western Kentucky, is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky. The County was and is authorized and empowered by law, including particularly the Act to finance certain pollution control and solid waste disposal facilities, including the Facilities, and to enter into and perform its obligations under the Financing Agreement and the Bond Indenture. Pursuant to the Act, on May 4, 2010 the Fiscal Court of the County adopted a resolution which authorized the issuance of the Bonds and the execution and delivery of the Financing Agreement and the Bond Indenture by the County. Except for the information in this paragraph and the information solely with respect to the

County under the caption "SUMMARY – County of Ohio" and "LITIGATION – Litigation Involving the County," the County did not participate in the preparation of this Offering Statement and does not have or assume any responsibility as to the accuracy or completeness of any information herein, all of which has been furnished by others.

## BIG RIVERS ELECTRIC CORPORATION

### Introduction

#### *General*

We are an electric generation and transmission ("G&T") rural electric cooperative corporation. We were organized as a not-for-profit rural electric cooperative under the laws of Kentucky in June, 1961 to enable our Members to pool their resources and provide for the power and transmission needs of their combined service territories. We currently operate as a taxable cooperative. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Critical Accounting Policies – Accounting for Income Taxes." We provide wholesale electric service to our three Members under a number of wholesale power contracts which contracts, in the aggregate, supply the total wholesale power requirements of the Members (see "Wholesale Power Contracts"), except the requirements of Kenergy for service to the Smelters required by the Smelters Agreements.

We own 1,444 net MW of electric generating facilities, described herein under "GENERATION AND TRANSMISSION ASSETS – Generation Resources" and approximately 1,262 miles of transmission lines and 22 substations, described herein under "GENERATION AND TRANSMISSION ASSETS – Transmission."

In addition to our owned electric generation and transmission facilities, we operate the 312 net MW Henderson Municipal Power and Light ("HMP&L") Station Two Generating Facility ("Station Two") in accordance with a Power Plant Construction and Operation Agreement dated August 1, 1970 between HMP&L and us (the "Station Two Operation Agreement"), and we purchase all the power and energy from Station Two not used by HMP&L to serve the needs of the City of Henderson, Kentucky, in accordance with a Power Sales Contract between HMP&L and us dated August 1, 1970 (the "Station Two Power Sales Contract"). See "GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources – *Station Two Facility*."

In 2009, our average wholesale revenue per kWh to our Members, including amounts withdrawn from the economic reserve, was \$.03983 or \$.04113 for rural loads and \$.03668 per kWh for large industrial loads (exclusive of the Smelter loads served by Kenergy). Our average wholesale revenue per kWh to Kenergy to serve the two Smelter loads in 2009 was \$.04754 per kWh on sales of 3.5 million MWh. Our average wholesale revenue per kWh to Kenergy to serve the Smelter loads pre-Unwind was \$.05412 on sales of .6 million MWh. Our average wholesale revenue per kWh to Kenergy to serve the two Smelter loads after the closing of the Unwind was \$.04622 on sales of 2.9 million MWh. For the first six and one-half months of 2009, we supplied only a portion of the load of the Smelters. During this period, Kenergy purchased 3.5 million MWh for the Smelters from other sources. Had we supplied the entire load for the Smelters for all of 2009, our sales to Kenergy to serve the Smelters for 2009 would have been 7.0 million MWh. Excluding the Smelters, sales to our Members were 3.2 million MWh in 2009; 2.2 million MWh for rural loads and 1.0 million MWh for large industrial loads. Member Non-Smelter MWh sales in 2009 have decreased by 4.6% from 2008, 6.2% for rural loads and .7% for large industrial loads. To the extent surplus capacity and energy are available, we may sell electricity to non Member utilities and power marketers ("Non-Members"). During 2009, we sold approximately 1.2 million MWh to Non-Members

*Cooperative Structure*

In general, a cooperative is a business organization owned by its members, which are also its customers. Cooperatives provide goods or services to their members on a not-for-profit basis, in part by eliminating the need to produce profits or a return on equity in excess of required margins. Generally, electric cooperatives design rates on an overall basis to recover cost-of-service and collect a reasonable amount of revenue in excess of expenses (i.e., margins). Margins are typically repaid to the members in subsequent years on the basis of their patronage during the years the margins were earned.

A G&T cooperative is a cooperative engaged primarily in providing wholesale electricity to its members, which may be either wholesale or retail power suppliers. Electricity sold by a G&T cooperative is provided from its own generating facilities or through power purchase agreements with its wholesale power suppliers. A distribution cooperative is a local membership cooperative whose members are the individual retail customers of an electric distribution system.

*The Members*

Our Members are Kenergy, Meade County Rural Electric Cooperative Corporation ("Meade") and Jackson Purchase Energy Corporation ("Jackson Purchase"). The Members of Big Rivers are local consumer-owned distribution cooperatives providing retail electric service on a not-for-profit basis to their customers, who are their members. The customer base of the Members generally consists of residential, commercial and industrial consumers within specific geographic areas. The Members provide electric power and energy to customers located in portions of 22 western Kentucky counties. As of December 31, 2009, the Members served approximately 112,000 member-customers (meters). Kenergy has approximately 55,000 retail members, Meade County has approximately 28,000 retail members and Jackson Purchase has approximately 29,000 retail members. See APPENDIX B – MEMBER FINANCIAL AND STATISTICAL INFORMATION.

*Bankruptcy and Subsequent Operation*

In September 1996, we filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. The filing was precipitated largely by our inability to sell our capacity in excess of that required to serve our Members at prices sufficient to cover all of our costs, which shortfall was exacerbated by long-term coal contracts under which prices had escalated well above market prices. In July 1998, a bankruptcy court-approved Plan of Reorganization (the "Plan of Reorganization") became effective. The Plan of Reorganization fundamentally changed our operations and resulted in the restructuring of our long-term debt. Such long-term debt was owed primarily to RUS and was incurred primarily to finance our generating assets.

In accordance with the Plan of Reorganization, we leased all of our generating facilities to Western Kentucky Energy Corp. ("WKEC"), a wholly-owned subsidiary of LG&E Energy Corp., now E.ON U.S., LLC ("E.ON"). We also assigned to WKEC all of our intangible assets, including our rights under real property leases, equipment leases, permits, intellectual property and contracts used or held exclusively by us in connection with the operation of our generating facilities. WKEC assumed and agreed to perform and discharge all of our obligations under these assets that first arose or accrued on or after the effective date of the Plan of Reorganization. In addition to assuming responsibility for operation of our generating facilities we own, WKE Station Two Inc. ("WKE Station Two"), another wholly owned subsidiary of E.ON, assumed responsibility for the operation of Station Two and our obligation to purchase power from Station Two under the Station Two Power Sales Contract. This assignment and assumption was effected in accordance with an Agreement and Amendments to Agreements by and among HMP&L, WKE Station Two, LG&E Energy Marketing Inc. ("LEM"), WKEC and us dated as of

July 15, 1998 (the "Station Two Agreement"). Pursuant to the Plan of Reorganization, WKEC and WKE Station Two (which was subsequently merged into WKEC) became responsible for our prior responsibilities to operate and maintain the generating facilities we own and Station Two. Capital costs for these generating facilities were shared by WKEC and us in several different ratios depending upon whether or not the capital expenditure was incurred in order to comply with a state law enacted after the effective date of the Plan of Reorganization or a revision or change of an existing law enacted after such date. We were responsible for 20% of the capital costs required in order to comply with such a change in law or regulation. Our responsibility for the capital costs required to maintain the existing capacity of the generating facilities we own and Station Two and not required by changes in law or regulation was generally limited to stipulated annual amounts, which never exceeded $6.8 million. We were not required to contribute to the cost of capital improvements made to a generating facility owned by us or to Station Two in order to increase its generating capacity. Operation and maintenance costs, including fuel, were, for the most part, the responsibility of WKEC.

The Plan of Reorganization (the "LG&E Arrangements") also included a power purchase agreement (the "LEM Power Purchase Agreement") between us and LEM. The LEM Power Purchase Agreement established minimum hourly and annual power purchase amounts that we were required to take and certain maximum hourly and annual power purchase amounts that LEM was required to make available to us. We paid specified fixed rates for power purchased under the LEM Power Purchase Agreement that were not dependent upon market prices for electric power and energy nor the costs associated with power and energy generated by the generating facilities we own and operated by WKE Station Two. In addition to power and energy purchased from LEM under the LEM Power Purchase Agreement, during the duration of the LG&E Arrangements we continued to dispatch our Members' 178 MW Southeastern Power Administration ("SEPA") allocations of hydroelectric power and associated energy (the "SEPA Power") in accordance with a contract with the SEPA (the "SEPA Contract").

If we did not purchase an amount of power from LEM equal to or in excess of a minimum annual amount during a calendar year, the LEM Power Purchase Agreement provided that we were deemed to have received a certain percentage of the difference in the amount of power actually purchased from LEM and the minimum annual amount we were required to purchase under the LEM Power Purchase Agreement. LEM billed us for such percentage of the shortfall as if we had purchased it. We had the right to purchase only our minimum obligation of power and energy under the LEM Power Purchase Agreement and purchase additional power to meet our Member's loads from other suppliers without penalty. This arrangement essentially permitted us to arbitrage the LEM base power requirement. These arbitrage opportunities were available in any hour in which our power purchase rate from the market plus any applicable hourly LEM penalty was less than the amount that we would be charged by LEM at the specified base power rates or in any hour which we could resell our base power under the LEM Power Purchase Agreement to Non-Members at a profit. Most of the earnings we realized from such arbitrage activities were used by us to increase our equity.

Throughout the duration of the LG&E Arrangements we received lease payments from WKEC of approximately $31 million annually. These lease payments were subject to adjustment for certain environmental costs and changes in the amount of power available to us from LEM. We were responsible for 70% of all property taxes on the generating facilities leased to WKE Station Two during the LG&E Arrangements and WKEC paid 30%.

The Plan of Reorganization required LEM to pay us an average of approximately $18 million annually, which amount corresponded to the estimated margins we had anticipated to realize from sales to our Members to supply the loads of the Smelters. The Plan of Reorganization also required the transfer of responsibility for providing the wholesale power and energy to Kenergy necessary to serve the needs of the Smelters from us to LEM.

We provided transmission service to our Members and Non-Members pursuant to our Open Access Transmission Tariff ("OATT"). Under the LG&E Arrangements, LEM paid us a minimum $5 million annually for transmission service.

*Leveraged Lease Transactions*

In April, 2000, we entered into five separate leveraged lease transactions involving undivided interests in both units of our Robert D. Green Generating Plant (the "Green Plant") and our Wilson Plant (the "Leveraged Lease Transactions"). The Leveraged Lease Transactions were structured as a long-term lease of an undivided interest under a head lease to limited liability companies created on behalf of an equity investor. Such undivided interests were leased back to us by such limited liability companies for a shorter term. Part of each equity investor's cost for its acquisition of its head lease interest was supplied by non-recourse loans to the limited liability company. We used most of the proceeds of the equity investors' one-time payments of rent for their head lease interests to purchase guaranteed investment contracts, the payments under which were sufficient to discharge all of our rental obligations under each of the leases of the undivided interests back to us.

*Unwind of LG&E Arrangements and Termination of Leveraged Lease Transactions*

In March 2007, we executed a Transaction Termination Agreement (the "Termination Agreement") among LEM, WKEC and us setting forth the term and conditions upon which we and E.ON agreed to terminate the LG&E Arrangements (the "Unwind"). Protracted negotiations with creditors, governmental agencies, the Smelters and others followed the execution of the Termination Agreement. The closing of the Unwind took place on July 16, 2009.

As a result of the turmoil in the credit markets commencing in 2007, and in order to facilitate the Unwind, we terminated the Leveraged Lease Transactions prior to their maturities. We terminated some of the Leveraged Lease Transactions in June, 2008 and others in September, 2008. Funds to terminate the Leveraged Lease Transactions were provided by the proceeds of the early termination of the guaranteed investment contracts used for the economic defeasance of the leases, funds provided by E.ON as part of the consideration in the Unwind, and our own funds. As part of the termination of the Leveraged Lease Transaction, all property interests and security interests in any of our property of all parties to the Leveraged Lease Transactions were terminated.

*Summary of Major Provisions of Unwind*

In connection with the closing of the Unwind, E.ON compensated us with approximately $864.6 million and we took certain other actions as set forth below:

- E.ON made a cash payment to us of approximately $506.7 million. This amount represented (1) a termination payment by WKEC to us to compensate us for the risks associated with assuming responsibility for the operation of our owned generating facilities and Station Two and (2) the netted amount of various payment obligations by both WKEC and us contemplated by the Termination Agreement.

- WKEC waived the requirement in the LG&E Arrangements that we make a payment at the expiration or early termination of the LG&E Arrangements in respect of the residual value of WKEC's capital contributions to our owned generating facilities and Station Two. Additionally, WKEC conveyed to us certain utility plant assets used in connection with the operation of our owned generating plants previously leased to WKEC. The value of these items was approximately $188.0 million.

- We established three reserves, (1) an economic reserve with an initial principal amount equal to $157 million (the "Economic Reserve"), (2) a second economic reserve with an initial principal amount equal to $60.9 million (the "Rural Economic Reserve"), and (3) a transition reserve with an initial principal amount equal to $35 million (the "Transition Reserve"). The Economic Reserve and Rural Economic Reserve accounts were established to help us cushion the effect of any potential future rate increases for fuel, environmental, and purchase power expenses on our rates to our Members for service to their non-Smelter members. The Transition Reserve Account was established as a financial reserve account that would help us mitigate financial costs, if any, associated with the termination of the Smelter Agreements by a Smelter.

- WKEC conveyed to us a flue gas desulphurization ("FGD") system which had recently been constructed at our Kenneth C. Coleman Plant (the "Coleman Plant"). The value ascribed to the flue gas desulphurization facility was approximately $98.5 million.

- WKEC conveyed to us personal property and inventories of coal, petroleum coke, fuel oil, lime, limestone and spare parts, and materials and supplies. The value of these items was approximately $55.0 million.

- WKEC forgave a promissory note of approximately $15.4 million we owed to LEM.

- WKEC conveyed to us 14,000 $SO_2$ allowances allotted by the EPA with a fair market value of approximately $1.0 million on July 16, 2009.

- The lease of the generating facilities to WKEC and all the other property interests of WKEC and LEM in the generating facilities previously leased to WKEC were terminated.

- The Station Two Agreement was terminated and we resumed our responsibility to operate Station Two and to purchase the output of Station Two in excess of the City's requirements in accordance with the Station Two Power Sales Contract.

***Change in Capital Structure Resulting from Unwind***

On July 16, 2009, we prepaid $140.2 million of the indebtedness we owed to the RUS and the schedule of maximum permitted outstanding balances on the amortizing debt we owe to the RUS was adjusted. The non-interest bearing RUS Series B Note was also restructured in concert with the Unwind into a single "bullet" payment due December 31, 2023. Our debt to RUS was incurred primarily to finance our generating assets. In connection with the Unwind we obligated ourselves to reduce the maximum permitted outstanding balances of our RUS debt by $60.0 million by October 1, 2012 and $200.0 million by January 1, 2016. Currently, we intend to refinance that debt in the capital markets.

We also terminated a secured credit facility with National Rural Utilities Cooperative Finance Corporation ("CFC") providing for a maximum outstanding balance of $15 million and entered into two unsecured revolving credit facilities with a maximum of $50 million each with CFC and CoBank ACB ("CoBank"). See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Liquidity and Capital Resources." The chart set forth below shows the impact of the Unwind on our outstanding debt.

| Debt Instrument | Pre-Unwind Balance | Unwind Close Transaction | Post-Unwind Balance |
|---|---|---|---|
| | | (In millions of dollars) | |
| RUS Series A Note | $ 740.0 | $140.2[1] | $599.8 |
| RUS Series B Note | 106.5 | 0.0 | 106.5 |
| LEM Settlement Note | 15.4 | 15.4[2] | 0.0 |
| PMCC Note | 12.4 | 12.4[3] | 0.0 |
| County of Ohio, Kentucky, promissory note (1983 Series) 1983 Series Pollution Control Bonds | 58.8 | 0.0 | 58.8 |
| County of Ohio, Kentucky, promissory note (2001A Series) 2001A Series Pollution Control Bonds | 83.3 | 0.0 | 83.3 |
| | $1,016.4 | $168.0 | $848.4 |

(1) Our payment to RUS on Unwind closing date.
(2) Forgiveness of debt by E.ON.
(3) Our payment to Philip Morris Capital Corporation on Unwind closing date.

As a result of the Unwind, we went from an equity to total capitalization ratio of -19% as of December 31, 2008, to 31% as of December 31, 2009.

***Resumption of Operational Responsibilities in Connection with Generating Facilities***

In connection with the Unwind, the lease of our generating facilities to WKEC was terminated and we resumed responsibility for the operation of our generating facilities. Thus, we assumed responsibility for the risks associated with such operation (e.g. fuel, capital costs associated with change in law). We intend to use the output of our generating facilities to supply the needs of our Members, including approximately 850 MW of power that is necessary for Kenergy to supply a portion of its contractual obligations to the Smelters, which were primarily serviced by LEM prior to the Unwind. See "THE SMELTER AGREEMENTS" and APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS." Power and energy generated above our Members' requirements will be sold into the wholesale power market.

**Wholesale Power Contracts with Members**

Each of Meade, Jackson Purchase and Kenergy is party to a wholesale power contract with us (the "All Requirements Contracts") providing that we sell and deliver to the Member, and the Member purchase and receive from us, all the electric power and energy which the Member requires for the operation of the Member's system (except Kenergy's requirements for the Smelters) to the extent that we have power and energy and facilities available. The term of each All Requirements Contract extends through December 31, 2043 and neither of the parties may unilaterally terminate the contract, without cause, prior to such date. Each All Requirements Contract may be terminated by either party thereto after December 31, 2043, upon six months notice.

The All Requirements Contracts require each Member to pay us monthly for capacity and energy furnished. The All Requirements Contracts provide that if a Member fails to pay any bill by the first business day following the twenty-fourth day of the month, we may, upon five (5) business days' written notice, discontinue delivery of electric power and energy. The All Requirements Contracts also provide that, so long as any notes and note guarantees are outstanding from us to the RUS, the Member may not reorganize, dissolve, consolidate, merge, or sell, lease or transfer all or a substantial portion of its assets unless it has either (i) obtained our written consent and the written consent of the RUS, or (ii) paid a portion of the outstanding indebtedness on the notes and our other commitments and obligations then outstanding, such portion to be determined by us with RUS approval. The All Requirements Contracts may only be amended with the approval of the RUS and upon compliance with such other reasonable terms and conditions as we and RUS may agree.

Each Member is required to pay us for capacity and energy furnished under its All Requirements Contract in accordance with our established rates as approved by the KPSC. All Requirements Contracts with Members provide that our Board of Directors establish rates to produce revenue sufficient, but only sufficient, together with all of our other revenue, to pay the cost of operation and maintenance of all our generation, transmission and related facilities, to pay the cost of capacity and energy purchased by us for resale, to pay the cost of transmission service, to pay the principal of and interest on all our indebtedness and to provide for the establishment and maintenance of reasonable financial reserves.

The All Requirements Contracts require our Board of Directors to review the rates at least annually and to revise such rates as necessary to produce revenue as described above. We must give Members no less than thirty (30) days' or more than forty-five (45) days' written notice of every rate revision. Our electric rate revisions are subject to the approval of the RUS and the KPSC, after which our Members are permitted to incorporate such rate changes into their own rate structures. See "RISK FACTORS" and "RATE AND ENVIRONMENTAL REGULATION – Kentucky Rate Regulation" for information relating to rate regulation by the KPSC.

**Smelter Agreements with Kenergy**

In addition to the All Requirements Contracts, we and Kenergy are parties to two wholesale electric service agreements under which we provide a fixed amount of power and energy of approximately 850 MW of power that is necessary for Kenergy to supply a portion of its contractual obligations to the Smelters through December 31, 2023. These agreements are exceptions to the "all requirements" obligations in the All Requirements Contracts with Kenergy. See "THE SMELTER AGREEMENTS" and APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

**Existing Generation and Transmission Resources**

We supply capacity and energy to our Members principally from a combination of owned generating plants and also from power purchased under long-term contracts with other power suppliers and short-term and spot market purchases. We own interests in seven base load coal-fired generating units and one oil- or natural gas-fired combustion turbine generating unit, all of which are in commercial operation. These units provide us with approximately 1,444 MW of capacity. See "GENERATION AND TRANSMISSION ASSETS – Generation Resources" for a discussion of our existing generation facilities. We also have a variety of purchase arrangements, including the Station Two Power Sales Contract with the City of Henderson and the SEPA Contract, which supply us with up to 390 MW of power. We currently purchase 212 MW from HMP&L pursuant to the Station Two Power Purchase Agreement, which share will decrease on June 1, 2010 to 207 MW, and up to 178 MW under the SEPA Contract. We normally use our entitlement under the SEPA Contract for peaking; however, as a result of problems with certain dams on the Cumberland River hydro system, our capacity entitlement has been suspended and we currently are receiving only energy. See "GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources" for a discussion of our power purchase arrangements. We also own 1,262 miles of transmission lines and 22 substations and we have additional access to approximately 100 MW of transmission service through agreements with another utility.

## SELECTED FINANCIAL DATA

The following financial data present selected information relating to our financial condition and results of operations. Summary financial data for the three months ended March 31, 2010 that are presented below are unaudited, and reflect all adjustments that we consider necessary (consisting of normal recurring accruals) for a fair presentation of such data. The Balance Sheet data as of December 31, 2009 and 2008 and the Statement of Operations data for years ended December 31, 2009, 2008 and 2007 were derived from our audited financial statements included in APPENDIX A. The Balance Sheet data as of December 31, 2007 and the Statement of Operations data for the years ended December 31, 2006 and 2005 were derived from our audited financial statements for those years. The information shown below should be read in conjunction with the financial statements and the related notes thereto in Appendix A. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

### BIG RIVERS
### STATEMENT OF REVENUES AND EXPENSES
**(dollars in thousands)**

| | Three Months Ended March 31, (Unaudited) | Year Ended December 31, (Audited) | | | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Operating revenues: | | | | | | |
| Member tariff electric energy revenues | $108,152 | $259,579 | $114,513 | $113,281 | $108,736 | $109,439 |
| Other electric energy revenues | 25,674 | 67,151 | 90,006 | 148,611 | 82,098 | 71,928 |
| Lease revenue | — | 32,027 | 58,423 | 58,265 | 57,896 | 57,675 |
| Other operating revenues | 3,368 | 14,603 | 10,239 | 9,713 | 9,858 | 9,913 |
| Total operating revenues | 137,194 | 373,360 | 273,181 | 329,870 | 258,588 | 248,955 |
| Operating expenses: | | | | | | |
| Operations: | | | | | | |
| Fuel for electric generation | 53,944 | 80,655 | — | — | — | — |
| Power purchased and interchanged | 23,271 | 116,883 | 114,643 | 169,768 | 114,516 | 114,500 |
| Production, excluding fuel | 12,507 | 22,381 | — | — | — | — |
| Transmission and other | 9,465 | 35,444 | 28,600 | 27,196 | 21,684 | 20,309 |
| Maintenance | 7,977 | 29,820 | 4,258 | 4,240 | 3,652 | 3,195 |
| Depreciation | 8,478 | 32,485 | 31,041 | 30,632 | 30,408 | 30,192 |
| Total operating expenses | 115,642 | 317,668 | 178,542 | 231,836 | 170,260 | 168,196 |
| Electric operating margins | 21,552 | 55,692 | 94,639 | 98,034 | 88,328 | 80,759 |
| Interest expense and other: | | | | | | |
| Interest, net of capitalized interest | 12,106 | 59,898 | 65,719 | 60,932 | 60,754 | 59,639 |
| Interest on obligations related to long-term lease | — | — | 6,991 | 9,919 | 9,505 | 9,109 |
| Amort. of loss from termination of lease | — | 2,172 | 811 | — | — | — |
| Income tax expense | — | 1,025 | 5,934 | — | — | — |
| Other, net | 17 | 112 | 123 | 103 | 111 | 124 |
| Total interest expense and other | 12,123 | 63,207 | 79,578 | 70,954 | 70,370 | 68,872 |
| Operating margin before non-operating margin | 9,429 | (7,515) | 15,061 | 27,080 | 17,958 | 11,887 |
| Non-operating margin: | | | | | | |
| Interest income on restricted investments under long-term lease | — | — | 8,742 | 12,481 | 12,069 | 11,670 |
| Gain on "Unwind" Transaction | — | 537,978 | — | — | — | — |
| Interest income and other | 102 | 867 | 4,013 | 7,616 | 4,515 | 2,786 |
| Total non-operating margin | 102 | 538,845 | 12,755 | 20,097 | 16,584 | 14,456 |
| Net margin | $9,531 | $531,330 | $ 27,816 | $ 47,177 | $ 34,542 | $ 26,343 |

## BALANCE SHEET
**(dollars in thousands)**

| | Three Months Ended March 31, (Unaudited) | December 31, (Audited) | | |
|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 |
| **Assets:** | | | | |
| Utility plant, net | $1,081,552 | $1,078,274 | $912,699 | $911,634 |
| Restricted investments under long-term lease | – | – | – | 192,932 |
| Restricted Investments – Member rate mitigation | 235,193 | 243,225 | – | – |
| Other deposits and investments, at cost | 5,370 | 5,342 | 4,693 | 4,240 |
| Current Assets: | | | | |
| Cash and cash equivalents | 60,376 | 60,290 | 38,903 | 148,914 |
| Accounts receivable | 44,484 | 47,493 | 20,464 | 26,683 |
| Fuel inventory | 35,258 | 37,830 | – | – |
| Non-fuel inventory | 20,457 | 20,412 | 756 | 768 |
| Prepaid expenses | 3,269 | 3,233 | 450 | 131 |
| Total current assets | 163,844 | 169,258 | 60,573 | 176,496 |
| Deferred loss–termination of sale-leaseback | – | – | 76,001 | – |
| Deferred charges and other | 3,156 | 9,384 | 20,470 | 28,856 |
| Total assets | $1,489,115 | $1,505,483 | $1,074,436 | $1,314,158 |
| **Equities (Deficit) and Liabilities:** | | | | |
| Capitalization: | | | | |
| Equities (deficit) | $388,923 | $379,392 | $(154,602) | $(174,137) |
| Long-term debt | 815,885 | 834,367 | 987,349 | 1,022,345 |
| Obligations under long-term lease | – | – | – | 183,891 |
| Total capitalization | 1,204,808 | 1,213,759 | 832,747 | 1,032,099 |
| Current liabilities: | | | | |
| Current maturities of long-term debt and obligations | 13,298 | 14,185 | 51,771 | 39,392 |
| Notes payable | 10,000 | – | – | – |
| Purchased power payable | 1,096 | 3,362 | 9,336 | 13,038 |
| Accounts payable | 22,669 | 30,657 | 5,832 | 4,932 |
| Accrued expenses | 11,223 | 9,864 | 3,134 | 3,014 |
| Accrued interest | 8,577 | 9,097 | 8,018 | 7,811 |
| Total current liabilities | 66,863 | 67,165 | 78,091 | 68,187 |
| Deferred credits and other: | | | | |
| Deferred lease revenue | – | – | 10,955 | 15,537 |
| Deferred gain on sale-leaseback | – | – | – | 53,480 |
| Residual value payment obligation | – | – | 145,145 | 141,370 |
| Regulatory liabilities – Member rate mitigation | 200,245 | 207,348 | – | – |
| Other | 17,199 | 17,211 | 7,498 | 3,485 |
| Total deferred credits and other | 217,444 | 224,559 | 163,598 | 213,872 |
| Total equities and liabilities | $1,489,115 | $1,505,483 | $1,074,436 | $1,314,158 |

## CAPITALIZATION

Our capitalization derived from our financial statements included in APPENDIX A is as follows:

| | Three Months Ended March 31, (Unaudited) 2010 | December 31, (Audited) 2009 |
|---|---|---|
| | (in thousands) | |
| **Long-Term debt:** | | |
| Secured by the Mortgage Indenture: | | |
| RUS Series A Note | $575,849 | $596,786 |
| RUS Series B Note | 111,234 | 109,666 |
| 1983 Series Pollution Control Bonds | 58,800 | 58,800 |
| 2001A Series Pollution Control Bonds | 83,300 | 83,300 |
| Total long-term debt | $829,183 | $848,552 |
| Less: current portion | 13,298 | 14,185 |
| Total long-term debt, excluding current portion | 815,885 | 834,367 |
| **Equity:** | | |
| Accumulated Margins | 394,038 | 384,507 |
| Other Equities and Accumulated Other Comprehensive Income | (5,115) | (5,115) |
| Total Equities | 388,923 | 379,392 |
| **Total capitalization** | $1,204,808 | $1,213,759 |

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Caution Regarding Forward Looking Statements**

This Offering Statement contains forward-looking statements regarding matters that could have an impact on our business, financial condition and future operations. These include statements regarding expected capital expenditures, sales to Members, and liquidity and capital resources. Some forward-looking statements can be identified by use of terms such as "may," "will," "expects," "anticipates," "believes," "intends," "projects," "plans," or similar terms. These forward-looking statements, based on our expectations and estimates, are not guarantees of future performance and are subject to risks, uncertainties, and other factors that could cause actual events or results to differ materially from those expressed in these statements. These risks, uncertainties, and other factors include, but are not limited to, general business conditions, changes in demand for power, federal and state legislative and regulatory actions and legal and administrative proceedings, changes in and compliance with environmental laws and policies, weather conditions, the cost of commodities used in our industry and unanticipated changes in operating expenses, capital expenditures and tax liabilities. Some of the factors that could cause our actual results to differ from those anticipated by these forward-looking statements are described under the captions "RISK FACTORS" and "RATE AND ENVIRONMENTAL REGULATIONS." Any forward-looking statement speaks only as of the date on which the statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which the statement is made even if new information becomes available or other events occur in the future.

**Executive Overview**

The closing of the Unwind in July 2009 resulted in significant changes to our utility operations. Prior to the Unwind, we leased all of our generation assets to WKEC and purchased power from LEM. We received fixed rental payments each year, and LG&E was obligated to operate and maintain our owned generating assets and Station Two. Under this arrangement, both we and WKEC paid an agreed share of capital expenditures and certain environmental operating costs. We fulfilled our power supply arrangements to our Members through the purchased power arrangement with LEM at generally fixed prices significantly below market rates. We operated under these arrangements for the first half of 2009, the year ended December 31, 2008 and the year ended December 31, 2007.

When the Unwind became effective on July 16, 2009, we received $864.6 million compensation, both cash and non-cash, from E.ON. The Unwind gain reported in the 2009 financial statements was $538.0 million, with the $326.6 million difference being reported only in the 2009 balance sheet ($252.9 million of which is comprised of funds deposited into three reserve accounts, the Economic Reserve, the Rural Economic Reserve and the Transition Reserve, that will serve to offset future non-Smelter Member fuel and environmental costs, Member rate mitigation or termination of a Smelter Agreement).

After the closing of the Unwind, we regained the operation of our generation facilities. We are now responsible for the operation and maintenance of our generating assets and for all continued expenses in connection with capital expenditures relating to our generating assets. Since the Unwind, through Kenergy, we supply 850 MW of the Smelters' needs, and not just a small portion of them as supplied pre-Unwind. As a result, our sales to the Smelters increased substantially. In addition, our operating expenses increased substantially. As a result of the Unwind, we went from an equity to total capitalization ratio of -19% as of December 31, 2008, to 31% as of December 31, 2009.

The table below summarizes the $538.0 million Unwind gain:

| Item | Unwind Gain (dollars in millions) |
|---|---|
| Cash | $288.8 |
| Recognize WKE Lease Revenue | 7.2 |
| Write-off LEM Marketing Payment and Settlement Note | 0.9 |
| Utility Plant – Net | 286.5 |
| Inventories (fuels, reagents and M&S) | 55.0 |
| $SO_2$ Allowances | 1.0 |
| Write-off Loss on Leveraged Lease Transaction | (73.8) |
| Other (includes certain transaction costs) | (27.6) |
| | **$538.0** |

We significantly reduced our 5.75% RUS Series A Note, making a payment of $140.2 million on the Unwind closing date and restructuring the RUS Series A Note to a generally level amount. We are obligated to make a payment to RUS of $60.0 million by October 1, 2012, and another payment of $200.0 million by January 1, 2016 in order to reduce our maximum permitted outstanding balances of our RUS debt in those years. Currently, we intend to refinance such debt in the capital markets. The RUS Series A Note continues to have a final maturity of July 1, 2021.

The non-interest bearing RUS Series B Note was also restructured in concert with the Unwind into a single "bullet" payment due December 31, 2023.

With the closing of the Unwind in 2009, 2010 will be our first full year of operating and maintaining our own generation assets. A major challenge in 2010 is lower projected revenues as a result of the lingering recession. Our 2010 budget reflects this impact with lower Member energy sales and lower prices for electricity in the wholesale market. We have responded with aggressive cost control measures. Every department within Big Rivers was asked to reduce cost. These cost containment measures included, not providing a salary increase for non-union employees, postponing preventative maintenance, as well as multiple other cost control measures.

We are currently budgeting for a MFI Ratio (as defined herein under the caption "Cooperative Operations – *Coverage Ratio*") of 1.10 for 2010, as required by the Mortgage Indenture, which MFI Ratio will result in net margins of $4.8 million. During the first three months of 2010, we achieved net margins of approximately $9.5 million, $6.3 million greater than budget. As described under "Financial Condition – *As of March 31, 2010*" herein, the results for the first three months of 2010 are not indicative of the remainder of the year. However, by combining the margins for the three months ended March 31, 2010 with the budget for the balance of 2010, we expect to be able to achieve a MFI Ratio of 1.15, which MFI Ratio will result in net margins of $7.1 million.

**Critical Accounting Policies**

***General***

We prepare our financial statements in conformity with accounting principles generally accepted in the United States. Our management exercises judgment in the selection and application of these principles, including making certain estimates and assumptions that impact our results of operations and the amount of our total assets and liabilities reported in our financial statements. We consider critical accounting policies to be those policies that, when applied by management under a particular set of assumptions or conditions, could materially impact our financial results if such assumptions or conditions were different than those considered by management. Set forth below are certain accounting policies that are considered by management to be critical and to possibly involve significant risk, which means that they typically require difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Other significant accounting policies and recently issued accounting standards are discussed in Note One – "Significant Accounting Policies" of Notes to Financial Statements in APPENDIX A.

***Use of Accounting Policies and Estimates***

The application of accounting policies and estimates is a continuing process. As our operations change and accounting guidance evolves, our accounting policies and estimates may be revised. We have identified a number of critical accounting policies and estimates that require significant judgments. We base our judgments and estimates on experience and various other assumptions that we believe are reasonable at the time of application. Our judgments and estimates may change as time passes and more information about the environment in which we operate becomes available. If actual results are different than the estimated amounts recorded, adjustments are made taking the new information into consideration. We discuss our critical accounting policies, significant estimates and other certain accounting policies with our Board of Directors, as appropriate. Our critical accounting policies and significant estimates are discussed below.

***Regulatory Accounting***

Our accrual basis accounting policies follow the Uniform System of Accounts as prescribed by RUS Bulletin 1767B-1, as adopted by the KPSC. These regulatory agencies retain authority over us and periodically issue orders and instructions on various accounting and ratemaking matters. Our operations meet the criteria for application of regulatory accounting treatment. As a result, we record approved regulatory assets and liabilities that result from the regulated ratemaking process that would not ordinarily be recorded under Generally Accepted Accounting Principles ("GAAP"). We had no Regulatory Assets at December 31, 2009 and our Regulatory Liabilities were $207.3 million. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in Member rates. Regulatory liabilities generally represent amounts established by our regulator to mitigate the net effect on our Members of fuel and environmental surcharges and surcredits. These amounts are recorded in revenue as the underlying fuel and environmental costs are incurred. We continually assess whether any regulatory account we have is probable of future recovery by considering factors such as applicable regulatory environment changes, historical regulatory treatment for similar costs, recent rate orders to other regulated entities and the status of any pending or potential legislation. Based on this continual assessment, we believe our existing regulatory liabilities are probable of future refund. This assessment reflects the current political and regulatory climate at the state level, and is subject to change in the future. If future recovery of costs or refund of liabilities cease to be probable, the asset or liability write-off would be recognized in operating income.

***Revenue Recognition***

Revenues on sales of electricity are recognized as earned when the electricity is provided. Revenues under the wholesale power contracts for sales to Members including the Smelter Agreements are based on month-end meter readings and billed the month following the month of service.

*Off-Balance Sheet Arrangements*

As a result of terminating the Leveraged Lease Transactions, we had no off-balance sheet arrangements as of March 31, 2010.

*Accounting for Loss Contingencies*

We are involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of our financial statements, we make judgments regarding the future outcome of contingent events and record a loss contingency when it is determined that it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. We regularly review current information available to determine whether any such accruals should be adjusted and whether new accruals are required. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the financial statements may differ from the actual outcome once the contingency is resolved, which could have a material impact on our future operating results, financial position or cash flows. We had no contingent matters requiring accrual at December 31, 2009.

*Depreciation of Utility Plant*

Utility plant is recorded at original cost. Replacements of depreciable property units are also charged to utility plant. Replacements of minor items of property are charged to maintenance expense. We performed a depreciation study in 1998 that resulted in depreciation rates based on extended remaining service lives. Depreciation of utility plant is recorded using the straight-line method and rates based on the estimated remaining years of service determined by such study. This study, which significantly reduced depreciation expenses, was approved by the KPSC and the RUS in 1998 and made effective as of July 1, 1998. The study has remained in effect since that time.

We committed to the KPSC that we will complete a new depreciation study and include that study with a filing for a general review of its financial operations and its tariffs before July 16, 2012. Currently, we plan to complete the depreciation study late summer or early fall of 2010 and incorporate that study in our filing with the KPSC which is currently planned for mid-year 2011 with an effective date of January 1, 2012.

*Accounting for Income Taxes*

We were formed in 1961 as a tax exempt cooperative under section 501(c)(12) of the Internal Revenue Code. To retain exempt status, at least 85% of our receipts must be generated from transactions with our Members. In 1983, our sales to Members did not meet the 85% requirement due to sales to Non-Members. Since 1983, the Internal Revenue Service ("IRS") considers us a taxable organization. Beginning with 2010, post-Unwind, we believe that our sales to Members satisfy the 85% requirement and we now could qualify for exempt status. In order to qualify for exempt status we would need to apply to the IRS. We have no current intentions of applying for exempt status. We are also subject to Kentucky income tax.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the book basis and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse, be recovered or be settled. The probability of realizing deferred tax assets in the future is based on forecasts of future taxable income and the use of tax planning that could impact our ability to realize deferred tax assets. If future utilization of deferred tax assets is uncertain, a valuation allowance may be recorded against them.

In assessing the likelihood of realization of our deferred tax assets, we consider estimates of the amount and character, patronage or non-patronage, of future taxable income. Actual income taxes could vary from estimated amounts due to the impacts of various items, including changes in income tax laws, our forecasted financial condition and results of operations in future periods, as well as results of audits and examinations of filed tax returns by taxing authorities. Although we believe our assessment of our income tax estimates are reasonable, actual results could differ from the estimates.

At December 31, 2009, we had deferred tax assets of approximately $49.8 million, of which $21.0 million relates to net operating losses. At December 31, 2009, accrued net operating losses amounted to approximately $53.1 million, expiring 2012. Additionally, at December 31, 2009, we had deferred tax liabilities of approximately $23.8 million, which primarily relate to RUS Series B Note. Prior to the termination of our Leveraged Lease Transactions in 2008, we believed that it was more likely than not that we would recover deferred tax assets related to alternative minimum taxation. The termination of the Leveraged Lease Transactions removed an expected source of future taxable income and we determined that an increase in our valuation allowance was appropriate, resulting in a $5.9 million charge.

***Pension and Other Postretirement Benefits***

We have noncontributory defined benefit pension plans covering approximately 100 of our 600 member work force. The salaried employees defined benefit pension plan was closed to new entrants effective January 1, 2008, and the bargaining employees defined benefit pension plan was closed to new hires effective November 1, 2008. For those not covered in the defined benefit plans, we established base contribution accounts in the defined contribution thrift and 401(k) savings plans, which were renamed the retirement savings plans. The base contribution account is funded by employer contributions based on graduated percentages of the employee's pay, depending on age.

We also provide certain postretirement medical benefits for retired employees and their spouses. Generally, except for retirees who were part of the generation union, we pay 85% of the premium cost for all retirees age 62 to age 65. We pay 25% of the premium cost for spouses under age 62. For salaried retirees age 55 to age 62, we pay 25% of the premium cost. Beginning at age 65, we pay 25% of the premium cost if the retiree is enrolled in Medicare Part B. For each generation bargaining retiree, we establish a retiree medical account at retirement equal to $1,200 per year of service up to 30 years ($1,250 per year for those retiring on or after January 1, 2012). The account balance is credited with interest based on the 10-year Treasury Rate subject to a minimum of 4% and a maximum of 7%. The account is to be used for the sole purpose of paying 100% of the premium cost for the retiree and spouse.

The calculations of defined benefit pension expenses, other postretirement benefit expenses, and pension and other postretirement benefit liabilities, require the use of assumptions. Changes in these assumptions can result in different expenses and reported liability amounts, and future actual experience can differ from the assumptions. We believe the most critical assumptions are the expected long-term rate of return on plan assets and the assumed discount rate. Additionally, medical and prescription drug cost trend rate assumptions are critical in estimating other postretirement benefits.

Funding requirements for defined benefit pension plans are determined by government regulations. Our defined benefit pension plans are fully funded for ERISA purposes, and we have made additional voluntary contributions. At December 31, 2009, for the defined benefit pension plans, the present value of the accumulated benefit obligation exceeded the fair value of plan assets by $3.2 million. We fund our other postretirement benefit plan obligations on a pay-as-you-go basis, on a cash basis as benefits are paid. No assets have been segregated and restricted to provide for the other postretirement benefits. At December 31, 2009, the present value of the projected benefit obligation for the other postretirement benefit plans was $13.9 million

*New Accounting Standards*

FASB ASC 815, Derivatives and Hedging, established enhanced disclosure requirements concerning derivative instruments and hedging activities. This enhanced disclosure standard requires that objectives for using derivative instruments be disclosed in terms of underlying risk as well as accounting designation in order to better convey the risks that the entity is intending to manage through the use of derivatives. Entities are required to provide enhanced disclosures describing (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under FASB ASC 815 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. We adopted this standard on January 1, 2009 and the adoption had no material effect on our financial position or operations.

FASB ASC 855, Subsequent Events, established a standard for disclosure of events that occur during the period between the balance sheet date and the date on which the financial statements are issued. This standard is effective for interim or annual financial periods ending after June 15, 2009. We adopted the disclosure requirements for subsequent events as outlined in ASC 855.

FASB ASC 105, Generally Accepted Accounting Principles, provides a codification of accounting standards that supersedes all previously existing non-SEC accounting and reporting standards and becomes the authoritative source of GAAP. FASB ASC 105 is effective for annual financial statements issued after September 15, 2009. We have adopted the Accounting Standard Codification established by FASB ASC 105.

**Cooperative Operations**

*Utility Margins*

We operate our electric business on a not-for-profit basis and, accordingly, seek to generate revenue sufficient to recover our cost of service and produce net margins sufficient to establish reasonable financial reserves, meet financial coverage requirements and accumulate additional equity as determined by our Board of Directors. Revenue in excess of expenses in any year is designated as net margins in our Statements of Operations. We designate retained net margins in our Balance Sheets as patronage capital which we assign to each of our patrons, including our Members, on the basis of its business with us. Any distributions of patronage capital are subject to the discretion of our Board of Directors and restrictions contained in the Mortgage Indenture. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants."

*Rate Structure*

Under the wholesale power contracts, the Members pay us for all power and energy supplied at rates approved by the KPSC. The rates to all Members are bundled and include rates for capacity (also referred to as demand), energy, transmission, ancillary service and other special rates. In addition to the demand and energy rates, we have a fuel adjustment clause and an environmental surcharge clause, under which we can increase or decrease charges to the Members based on the variance between our actual cost and the cost included in our base rates. In addition to the rates listed above, under each Smelter Agreement, Kenergy charges each Smelter for purchased power not recovered in the fuel adjustment clause above a base amount. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

***Coverage Ratio***

Subject to any necessary regulatory approvals, such as KPSC approval and RUS approval, if required, the Mortgage Indenture requires us to establish and collect rates for the use or the sale of the output, capacity or service of our electric generation, transmission and distribution system which are reasonably expected to yield margins for interest, for the twelve-month period commencing with the effective date of the rates, equal to at least 1.10 times total interest charges on debt secured under the Mortgage Indenture during that twelve-month period (the "MFI Ratio"). The MFI Ratio is calculated by dividing the Margins for Interest for a period by the Interest Charges for such period. The definition of Margins for Interest takes into account any item of net margin, loss, gain or expenditure of any affiliate or subsidiary of ours only if we have received such net margins or gains as a dividend or other distribution from such affiliate or subsidiary or if we have made a payment with respect to such losses or expenditures. For the definition of "Margins for Interest" and "Interest Charges" see APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants." The 2010 budget is set to achieve a $4.8 million net margin and an MFI Ratio of 1.10. See "Financial Condition – *As of March 31, 2010*" herein.

**Results of Operations**

***Sales to Members***

Electric sales to our Members are made pursuant to wholesale power contracts with each Member. The table below sets forth the Sales to Members in MWhs for 2009, 2008 and 2007. The Smelter sales are shown both before and after the closing of the Unwind. Before the closing of the Unwind, we supplied only a small portion of the Smelters' needs. Since the Unwind, we supply 850 MW of the Smelters' needs. Our wholesale rate to Kenergy for the Smelters averaged $46.22 per MWh for 2009. Smelter sales during 2010 will be for a full year of service and could approach 7.0 million MWhs.

Rural Member sales include residential and commercial loads. The 2009 rural Member sales reflect a .15 million MWh decline or a 6.28% decrease. This decline is attributable to the current recession and mild weather. Industrial Member sales were relatively flat over the three year period.

Smelter sales in 2008 were1.16 million MWhs or 52.02% less than 2007. During 2007, the Smelters' needs for power were in excess of the normal resources available to us. We purchased a large block of power for the Smelters from the open market.

**Sales to Members**
(in millions of MWhr)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Rural Member | 2.24 | 2.39 | 2.41 |
| Industrial Member | 0.92 | 0.93 | 0.92 |
| Smelter (Pre-Unwind) | 0.58 | 1.07 | 2.23 |
| Smelter (Post-Unwind) | 2.89 | 0.00 | 0.00 |
| | 6.63 | 4.39 | 5.56 |

***Sales to Non-Members***

The table below sets forth the sales to Non-Members in megawatt-hours for 2009, 2008 and 2007. After the closing of the Unwind on July 16, 2009, we had access to all of the generation available from our production assets, which enabled us to sell any excess on the open market. The excess generation was sold in the market to third parties, resulting in an increase of .40 million MWhs or 52%, as compared to 2008.

Sales to Non-Members in 2008 increased by .17 million MWhs, or 28%, from 2007. This increase, in part, reflects an increase in energy available to us from our contract with SEPA which is used to service native load resulting in the additional energy available from our E.ON purchase power contract for off-system sales.

**Sales to Non-Members**
(in millions of MWhr)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Non-Member | 1.17 | 0.77 | 0.60 |

***Other Revenue***

The table below sets forth the other revenue for 2009, 2008 and 2007. After the closing of the Unwind on July 16, 2009, the lease payments from E.ON for our generation assets were terminated, resulting in a decrease of $26.4 million or 45.18%. Other operating revenue was $4.4 million or 42.62% greater than 2008. This increase is due to additional transmission revenue from our internal Non-Member energy services departmental activities. An off-set to this revenue increase is included in the operating expenses below. The 2008 lease revenue and other operating revenue were relatively flat from 2007.

**Other Revenue**
(in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Lease revenue | $32,027 | $58,423 | $58,265 |
| Other operating revenue | 14,603 | 10,239 | 9,713 |
| | $46,630 | $68,662 | $67,978 |

***Operating Expenses***

The table below sets forth the Operating Expenses for 2009, 2008 and 2007. After the closing of the Unwind on July 16, 2009, we became responsible for the operating expenses for the generating fleet. These expenses resulted in increased operating expenses of $130.8 million, primarily due to the increased Smelter power supply obligation that became effective with the Unwind closing. Depreciation expense increased, due primarily to the assets transferred to us by E.ON as part of the Unwind. This reflects an increase of $1.4 million or 4.65%. Transmission expense increased $6.8 million from 2008 due in part to our increased use of our available transmission capacity for off-system sales purposes. An off-set to this expense increase is included in the operating income shown above. Prior to the Unwind, we purchased all our power, while post-Unwind we generally purchase replacement power when our generation units are in outage. Approximately two-thirds of our purchased power expense is collected in revenue from the Smelters via two automatic rate pass-through provisions, with the remaining one-third associated with our Members' non-Smelter load being collected via (1) the two automatic pass-through provisions, while (2), the non-fuel adjustment charge purchased power adjustment is deferred for future recovery (a regulatory account) following a review by the KPSC. Currently we have a regulatory liability account, which following a future review by the KPSC, we will refund to our Members.

Power purchased and interchanged for 2008 was $55.1 million or 32.47% less than 2007. During 2007, the Smelters' needs for power were in excess of the normal resources available to us. We purchased a large block of power for the Smelters on the open market.

**Operating Expenses**
(in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Fuel for electric generation | $ 80,655 | - | - |
| Power purchased and interchanged | 116,883 | $114,643 | $169,768 |
| Production, excluding fuel | 22,381 | - | - |
| Transmission and other | 35,444 | 28,600 | 27,196 |
| Maintenance | 29,820 | 4,258 | 4,240 |
| Depreciation | 32,485 | 31,041 | 30,632 |
| | $317,668 | $178,542 | $231,836 |

***Interest and Other Charges***

The table below sets forth Interest and Other Charges for 2009, 2008 and 2007. Interest expense for 2009 was $5.8 million less than 2008 due to the fact that we paid RUS $140.2 million at closing of the Unwind and the decrease of the interest rate on our variable interest rate pollution control revenue bonds, including the Refunded Bonds. The increase in 2008 as compared to 2007 of $4.8 million is primarily due to the credit downgrade of Ambac (the credit provider for our pollution control revenue bonds) and the resulting increase in the variable rate on our pollution control revenue bonds, including the Refunded Bonds. Additionally, we have amortized the loss from the termination of the Leveraged Lease Transactions from the buyout in 2008 until the closing of the Unwind in 2009. With the termination of the Leveraged Lease Transactions, we no longer consider that it is more likely than not we would recover our net deferred tax assets, therefore the alternative minimum tax credit carry forwards were expensed during 2008.

**Interest and Other Charges**
(in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Interest, net of capitalized interest | $59,898 | $65,719 | $60,932 |
| Interest on obligations related to long-term lease. | - | 6,991 | 9,919 |
| Amort. of loss from termination of lease | 2,172 | 811 | - |
| Income tax expense | 1,025 | 5,934 | - |
| Other, net | 112 | 123 | 103 |
| | $63,207 | $79,578 | $70,954 |

***Operating Margin***

The table below sets forth the Operating Margin for 2009, 2008 and 2007. After the closing of the Unwind on July 16, 2009, we were responsible for all production expenses related to our generation fleet. A major 8.5 weeks planned outage for the Wilson Plant was completed in the fall of 2009 at a cost of $9.3 million. This expense, coupled with the depressed power market prices off-system sale and lower Member sales due to weather and the recession, resulted in an the 2009 operating margin decrease of $22.6 million or 149.90%

During 2008, primarily resulting from terminating the Leveraged Lease Transactions, operating margin decreased $12.0 million from 2007, or 44.38%.

**Operating Margin**
(in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Operating Margin ..................... | $(7,515) | $15,061 | $27,080 |

*Non-Operating Margin*

The table below sets forth the amount of Non-Operating Margins for 2009, 2008 and 2007. The Non-Operating Margin in 2009 resulted from the closing of the Unwind. The Non-Operating Margins in 2008 and 2007, under the caption "Interest Income on restricted investments under the long-term lease" below, were from the Leveraged Lease Transactions, which have been terminated.

**Non-Operating Margin**
(in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Interest Income on restricted investments under long-term lease ............................................ | - | $8,742 | $12,481 |
| Gain on Unwind............................ | $537,978 | - | - |
| Interest income and other.............. | 867 | 4,013 | 7,616 |
| | $538,845 | $12,755 | $20,097 |

*Net Margin*

Primarily due to the closing of the Unwind, net margins were $531.3 million in 2009, compared to $27.8 million in 2008. This increase resulted in a dramatic improvement in our financial condition, with year end 2009 equities of $379.4 million, 25.2% equities to total assets. While the Unwind and pre-Unwind operations generally render comparability of the 2009 net margins to prior years difficult, the key differences between 2009 and 2008 are briefly described in the following paragraph.

Other than the $538.0 million gain on the Unwind, there are five significant items comprising the remaining $34.5 million unfavorable 2009 net margins variance compared to 2008. First, power contracts revenue increased by $126.6 million primarily due to the increased Smelter power supply obligation that became effective with the Unwind, offset by an $139.1 million increase in operating expenses. Second, lease revenue was $26.4 million unfavorable due to the Unwind closing. Third, interest expense decreased $12.8 million primarily due to termination of the Leveraged Lease Transactions; we also paid down $140.2 million of RUS debt on the Unwind closing date and our pollution control bonds bore lower variable interest rates. Fourth, income tax expense decreased $4.9 million due to terminating the Leveraged Lease Transactions in 2008. Fifth, primarily due to termination of the Leveraged Lease Transactions, interest income decreased $11.9 million. All other statement of operations items net to an increase of $1.4 million.

**Net Margin**
(in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Net Margin.................................... | $531,330 | $27,816 | $47,177 |

**Financial Condition**

***As of March 31, 2010***

We have included selected financial data for the three months ended March 31, 2010 in this Offering Statement. We have not, however, included data for the three months ended March 31, 2009 to be used for comparative purposes since the first quarter results of 2009 reflect operations of Big Rivers pre-Unwind and the first quarter results of 2010 reflect operations of Big Rivers post-Unwind.

Operating Revenues for the three months ended March 31, 2010 are much higher than last year primarily as a result of our supplying Kenergy with approximately 850 MW of the power necessary to supply a portion of its contractual obligations to the Smelters. In addition, with the Unwind we became responsible for certain fuel costs and environmental costs that were not our responsibility pre-Unwind. Our current contractual arrangements allow us to recover fuel adjustment surcharges and environmental surcharges both of which contributed to higher Operating Revenues as compared to the first quarter of 2009.

During the period ended March 31, 2010 of our $137.2 million in Operating Revenues, we had approximately $69.0 million in sales to the Smelters, approximately $39.2 million in tariff sales to our non-Smelter Members and approximately $25.6 million in off-system sales. A portion of the off-system sales relates to off-system sales we are making on behalf of Century of 100 MW because one of its potlines is currently down.

With respect to Operating Expenses for the period ended March 31, 2010, we instituted cost containment measures for this period because we expected lower Member energy sales and lower prices for electricity in the wholesale market as a result of the lingering recession.

We are currently budgeting for a MFI Ratio (as defined herein under the caption "Cooperative Operations – *Coverage Ratio*") of 1.10 for 2010, as required by the Mortgage Indenture, based upon a net margin of $4.8 million. By adequately controlling costs, we are projecting that we will be able to exceed the financial measure under our Mortgage Indenture of a MFI Ratio of 1.10. During the first three months of 2010, we achieved net margins of approximately $9.5 million, $6.3 million greater than budget. A return to a more normal regional weather pattern for our winter months and some recovery in the economy provided for stronger sales internally and externally. By combining the favorable year-to-date margins with the budget for the balance of 2010, we expect to be able to achieve a MFI Ratio of 1.15, based upon a net margin of $7.1 million.

Off-system sales volume for the first quarter of 2010 was 643,069 MWh resulting in revenue of $25.7 million. The forecast for the balance of the year reflects off-system sales volume of 981,115 MWh resulting in revenue of $45.1 million.

*As of December 31, 2009 compared to December 31, 2008*

Our total assets increased to $1,505.54 million as of December 31, 2009, from $1,074.4 million as of December 31, 2008, reflecting cash and other compensation we received in connection with the Unwind. Working capital at December 31, 2009 increased $119.6 million from that of 2008 as a result of the Unwind. Our long-term obligations decreased by $153.0 million primarily reflecting the payment of $140.2 million on our 5.75% RUS Series A Note on the closing date of the Unwind. Our equity increased to $379.4 million as of December 31, 2009, from $(154.6) million as of December 31, 2008, again reflecting compensation to us in connection with the Unwind. Operating revenues for the year ended December 31, 2009 were $373.4 million as compared to $273.2 million for the year ended December 31, 2008 as a result of the increase in sales to the Smelters after the Unwind.

Operating Expenses for 2009 increased to $317.7 million as compared to $178.5 million in 2008 as a result of increases in fuel, production, transmission and maintenance expenses after the Unwind.

Net margins were $531.3 million in 2009 compared to $27.8 million in 2008 primarily as a result of the Unwind.

*As of December 31, 2008 compared to December 31, 2007*

Our total assets decreased to $1,074.4 million as of December 31, 2008, from $1,314.2 million as of December 31, 2007, reflecting the termination of the Leveraged-Lease Transactions. Working capital at December 31, 2008 decreased from that of 2007, reflecting the $107.1 million net cash payment and $12.4 million promissory note (due December 15, 2009) required for the termination of the Leveraged-Lease Transactions. Our long-term obligations (excluding the obligations related to the Leveraged-Lease Transactions) decreased by $35.0 million, primarily reflecting the principal payments made on the 5.75% RUS debt during 2008. Our liabilities exceeded our assets by $154.6 million as of December 31, 2008, as compared to $174.1 million as of December 31, 2007. This improvement reflects the net margin for 2008 of $27.8 million, offset by an adjustment of $8.3 million to accumulated other comprehensive income relating to FASB ASC 715 "Defined Benefit Plans."

Revenues for 2008 were $273.2 million, compared to $329.9 million for 2007. This $56.8 million decrease in 2008 revenue results primarily from a large block of market power purchased for release to the Smelters in 2007. Off-setting most of the 2008 revenue reduction, operating expenses for 2008 decreased by $53.3 million, also reflecting the large block of power purchased for the Smelters in 2007. Interest expense for 2008 increased by $4.8 million over 2007, reflecting higher interest rates on our $142.1 million variable rate tax-exempt pollution control bonds. The termination of the Leveraged Lease Transactions in 2008 generally accounts for the remainder of the 2008 net margin reduction compared to 2007.

**Liquidity and Capital Resources**

At December 31, 2009, we held cash and cash equivalents of approximately $60.3 million. We expect to rely upon our cash flows from operations and existing cash and cash equivalents to fund our operating costs and capital requirements during 2010. A material adverse change in operations could impact our ability to fund our liquidity and capital requirements without a new borrowing. Ultimate cash flows from operations are subject to a number of factors, including, but not limited to, the weather, regulatory constraints, economic trends and market volatility.

In July 2009, we entered into a three year, $50.0 million unsecured revolving credit agreement with CoBank. The CoBank credit agreement may be used for capital expenditures and general corporate purposes. On May 12, 2010, the amount outstanding under the CoBank credit agreement was $10.0 million.

In July 2009, we entered into a five year, $50.0 million unsecured revolving credit facility with CFC. The CFC credit agreement may be used for capital expenditures, general corporate purposes or the issuance of letter of credit. As of May 12, 2010, letters of credit in the aggregate amount of $5.9 million were outstanding under the CFC credit agreement.

Amounts available under these revolving credit facilities are accessible should there be a need for additional short-term financing. We expect that cash flows from operations and our existing cash and cash equivalents balance will be sufficient to fund our operating costs and capital requirements during 2010 through 2013.

For a discussion of financing for our projected capital expenditures, see "*Projected Capital Expenditures of Big Rivers Electric Corporation*" and "*Capital Requirements*" below.

***Projected Capital Expenditures of Big Rivers Electric Corporation***

We annually forecast expenditures required for additional electric generation and transmission facilities and capital for enhancement of existing facilities. We review these projections frequently in order to update our calculations to reflect changes in our future plans, construction costs, market factors and other items affecting our forecasts. Our actual capital expenditures could vary significantly from these projections because of unforeseen construction, changes in resource requirements, changes in actual or forecasted load growth or other issues. We project our 2010 capital expenditures to be $40.8 million. Our long range capital plan details actual and projected construction requirements and system upgrades of approximately $221.6 million for the years 2010 through 2013 as follows:

**Projected Capital Expenditures**

| | Projected | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | Total |
| | | | (in thousands) | | |
| Environmental Additions | $ 4,339 | $ 7,988 | $11,793 | $ 5,636 | $ 29,756 |
| New Transmission | 5,211 | 4,612 | - | - | 9,823 |
| Existing Base Load System Upgrades | - | - | - | - | - |
| Transmission | 9,882 | 7,175 | 6,263 | 3,114 | 26,434 |
| Generation | 14,026 | 40,318 | 44,615 | 43,524 | 142,483 |
| Administration | 7,333 | 1,355 | 3,012 | 1,381 | 13,081 |
| Total | $40,791 | $61,448 | $65,683 | $53,655 | $221,577 |

Some of the more significant capital investments in generation and environmental additions that are represented in the table above for each year include: $1.6 million on phase one of a dust collector replacement project at the Green Plant and the Wilson Plant for compliance with Title V of the Clean Air Act, as amended (the "Clean Air Act"); $3.2 million on FGD life extension at the Wilson Plant; and $1.1 million on a $SO_3$ mitigation project at the Wilson Plant during 2010.

During 2011 we plan to invest $2.0 million on phase one of a project to elevate the dike for the waste water treatment facility at the Coleman Plant; another $2.8 million on phase two of the dust collector replacement at the Green Plant and Wilson Plant; $3.2 million in protective weld overlay on boiler tubes at the Coleman Plant and the Green Plant; $3.8 million for phase one of a major FGD refurbishment project at the Green Plant; $2.3 million on phase one of a project to apply protective coatings to the boiler, precipitator and scrubber structures at the Green Plant; $1.0 million on precipitator repairs at the Green Plant; $2.2 million for low $NO_x$ burner replacement at Station Two; $2.2 million on phase two of the $SO_3$ mitigation project at the Wilson Plant; and $1.0 million on phase two of the FGD life extension project at the Wilson Plant.

For 2012 capital investments include $2.0 million on phase two of the dike elevation project for the waste water treatment facility at the Coleman Plant; $2.5 million for protective weld overlay on boiler tubes at the Coleman Plant; $3.1 million to replace the economizer and reheat sections in boilers at the Coleman Plant; $1.0 million for a turbine overhaul at the Coleman Plant; $1.6 million on phase two of the protective coating project at the Green Plant; $1.9 million for precipitator repairs at the Green Plant; $5.2 million on low $NO_x$ burner replacement and a turbine overhaul at Station Two; and $5.7 million on superheater tube replacement, and phase three of the FGD life extension project at the Wilson Plant.

In 2013 planned major investments include $5.0 million in boiler tube and low $NO_x$ burner replacements at the Coleman Plant; $2.1 million in protective weld overlay on boiler tubes at the Coleman Plant and Wilson Plant; $2.5 million in precipitator repairs at the Green Plant; $3.8 million on phase three of the FGD refurbishment and protective coating projects at the Green Plant; $4.0 million to replace the brick lining inside the scrubber exhaust stack at Station Two; $1.3 million to replace medium voltage switchgear at Station Two; $3.8 million to replace condenser tubes at the Wilson Plant; and $5.6 million to replace low $NO_x$ burners and boiler superheater tubes at the Wilson Plant. Additionally we will invest over $8 million during this four year period in new or refurbished catalyst for the selective catalytic reductions ("SCR") at the Wilson Plant and Station Two.

Capital expenditures for new transmission resources include increasing our available transfer capability for exporting power off system from approximately 912 MW to 1380 MW.

Historically, RUS loans and loan guarantees have provided the principal source of financing for rural electric cooperatives. While we have utilized these programs, we have also availed ourselves of tax-exempt bond financing, bank loans and leveraged lease financing to finance our electric system. Currently, RUS has a moratorium on any new loans for new base load coal or nuclear generation.

*Capital Requirements*

We expect to finance substantially all of our projected capital expenditures for the years 2010 through 2013 with internally generated funds.

*Debt and Lease Obligations*

In addition to the Refunded Bonds, we have outstanding $58.8 million County of Ohio, Kentucky Pollution Control Refunding Bonds, Series 1983 (Big Rivers Electric Corporation Project) (the "Series 1983 Bonds"), which bear interest at variable rates. Currently, the Series 1983 Bonds are being held as bank bonds by the liquidity provider, bearing an interest rate of 3.25%, as the remarketing agent has been unsuccessful at marketing them at the prescribed maximum rate, 120% of the variable rate index.

On May 25, 2010, a regularly scheduled auction for our outstanding series of periodic auction reset securities (PARs), the Refunded Bonds, having a total principal amount of $83.3 million, failed as the par amount of sell orders in the auction exceeded the par amount of buy orders by approximately $4.3 million. As a result, the annual interest rate on the Refunded Bonds reset from 1.7% for the prior 28-day period to 18% for the current 28-day period, which is the maximum rate required under the terms of the Refunded Bonds in the event of a failed auction. At the end of the current period, the Refunded Bonds will be redeemed from the proceeds of the Bonds.

The scheduled maturities of our long-term debt at January 31, 2010 were as follows:

**Payments Due by Period**

| | Total | Remainder of 2010 | 2011 | 2012 (in millions) | 2013 | 2014 | Thereafter |
|---|---|---|---|---|---|---|---|
| Long-Term Debt[(1)] | $846.6 | $12.0 | $14.9 | $76.1 | $79.3 | $21.7 | $642.6 |

(1) In the operation of our business we have various other contracts for the purchase of electricity that are not included in the table above but are described elsewhere herein. For a discussion of our long-term power purchase obligations, see "GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources."

***Ratings Triggers***

Our credit ratings as of the date of this Offering Statement are Baa1, stable outlook, from Moody's Investor Service ("Moody's"), BBB-, stable outlook, from Fitch Ratings ("Fitch") and BBB-, stable outlook, from Standard & Poor's Credit Market Services, a division of the McGraw-Hill Companies ("S&P").

Under our loan agreement with RUS, if we fail to maintain two investment grade credit ratings, we must notify RUS in writing to that effect within five days after becoming aware of such failure. Next, within 30 days of the date of failing to maintaining two investment grade credit ratings, we must, in consultation with RUS, provide a written plan satisfactory to the RUS setting forth the actions that will be taken that are reasonably expected to achieve two investment grade credit ratings. Before we would be impacted by this restriction, both Fitch and S&P would have to downgrade us one rating step. In the case of Moody's, its rating would have to be lowered three rating steps coupled with at least one rating downgrade from Fitch or S&P.

A change in our credit rating also would have an impact on our CoBank credit line. This agreement contains an adjustment to the annual fees and interest rate paid on any advances based on our existing credit rating. An improvement in the credit rating would lower our cost and deterioration in our credit rating would increase our cost under this agreement. This agreement allows us to utilize our highest credit rating in setting our fees and interest rates. Currently, Moody's is our highest credit rating and sets the costs for us under this agreement. A one-step downgrade by Moody's would result in a .0025% increase unused fee and a .25% increase in the interest rate margin.

## RATE AND ENVIRONMENTAL REGULATIONS

### General

Many aspects of our business are subject to a complex set of energy, environmental and other governmental laws and regulations at the federal, state and local level.

### Kentucky Rate Regulation

The KPSC regulates our rates for the sale of wholesale power to our Members. Among other things, Kentucky law authorizes the KPSC to (i) approve our rates to be "fair, just and reasonable," (ii) regulate our construction of new generation and transmission facilities by issuing certificates of public convenience and necessity, (iii) approve changes in ownership or control of us through sales of assets or otherwise, (iv) approve the issuance or assumption of any securities or evidence of indebtedness, other than to RUS, and (v) administer the state laws assigning each jurisdictional electric distribution utility the exclusive right to provide retail electric service within specified geographic boundaries. The KPSC has approved the issuance of the Bonds. See "RISK FACTORS" for information relating to rate regulation by the KPSC.

**RUS Regulation**

In addition to the KPSC's direct regulation of us, RUS has certain rights through its loan documents with us that impact our operations (i.e., RUS must consent to the construction of new facilities which are part of our electric system, certain sales or dispositions of property, our execution of certain types of contracts and our making of loans or investments).

**Environmental Regulations**

We are subject to various federal, state and local laws, rules and regulations with regard to air quality, water quality, waste management and other environmental matters.

These laws, rules and regulations often require us to undertake considerable efforts and substantial costs to obtain licenses, permits and approvals from various federal, state and local agencies. If we fail to comply with these laws, regulations, licenses, permits or approvals, we could be held civilly or criminally liable. Our operations are subject to environmental laws and regulations that are complex, change frequently and have tended to become more stringent over time. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of facilities that are not in compliance.

Federal, state and local standards and procedures that regulate the environmental impact of our operations are subject to change. These changes may arise from continuing legislative, regulatory and judicial actions regarding such standards and procedures. Consequently, there is no assurance that environmental regulations applicable to our facilities will not become materially more stringent, or that we will always be able to obtain and renew all required operating permits. We cannot predict at this time whether any additional legislation or rules will be enacted that will affect our operations, and if such laws or rules are enacted, what the cost to us might be in the future because of such actions.

From time to time, we may be alleged to be in violation of or in default under orders, statutes, rules, regulations, permits or compliance plans relating to the environment. From time to time, we may be defending notices of violation, enforcement proceedings or challenges to draft or final construction or operating permits. In addition, we may be involved in legal proceedings arising in the ordinary course of business.

*Clean Air*

*Clean Air Act*. The Clean Air Act regulates emissions of air pollutants, establishes national air quality standards for major pollutants, and requires permitting of both new and existing sources of air pollution. Many of the existing and proposed regulations under the Clean Air Act could have a disproportionate impact on coal-based power plants, in particular older plants such as ours, because older plants may not have originally been required to install the same pollution control equipment as newer facilities. On the other hand, as retrofits become available and feasible, we may incur greater costs than competing generating sources to bring facilities up to current standards. Several of our facilities have, in the past decade, been retrofitted with new pollution control equipment, including flue gas desulfurization and selective catalytic reduction equipment, in response to regulatory changes.

*Acid Rain Program.* The acid rain program requires nationwide reductions of $SO_2$ and $NO_X$ emissions using a cap-and-trade program reducing allowable emission rates and allocating emission allowances to power plants for $SO_2$ emissions based on historical or calculated levels. We have sufficient $SO_2$ and $NO_x$ (seasonal and annual) allowances to comply for the foreseeable future according to our modeled emissions and allowance allocations.

*CAIR Program.* In March 2005, the EPA issued the Clean Air Interstate Rule ("CAIR"), which was intended to reduce overall $NO_X$ and $SO_2$ emissions on a regional basis effective in 2009 and 2010, respectively, with a second phase taking effect in 2015. The CAIR program authorized a cap-and-trade emissions allowance trading program, similar to that used in the Acid Rain Program which allowed sources to comply by trading emissions allowances instead of installing new pollution control systems. In addition, CAIR allowed sources to achieve compliance by surrendering $SO_2$ allowances issued under EPA's acid rain program (Title IV), which would have allowed sources with excess Title IV emissions allowances to have achieved compliance at relatively low cost.

On July 11, 2008, the United States Court of Appeals for the D.C. Circuit vacated EPA's CAIR regulations, remanding CAIR to EPA to issue new regulations consistent with the Clean Air Act and the court's decision. Pursuant to the court's decision, EPA may be required to expand the CAIR program and make it more stringent, which may require the inclusion of additional states or sources in the program on the basis of adverse effects on downwind states. Among other things, the court found that the regional cap-and-allowance trading programs established by the CAIR did not achieve the intended purpose of ensuring that upwind states did not prevent attainment of National Ambient Air Quality Standards in downwind states because emitters in upwind states could potentially buy large quantities of emissions allowances. The opinion also found that the criteria used by the EPA in setting caps for $SO_2$ emissions and in allocating $NO_X$ emissions were inconsistent with the statutory criteria and with Title IV of the Clean Air Act. On December 23, 2008, the court modified its remand order so that the existing CAIR regulatory program will remain in place until EPA issues revised regulations that remedy the problems identified in the decision. The court's decision creates uncertainty regarding future $NO_X$ and $SO_2$ emissions reduction requirements and their timing. As a result of the decision, more stringent regulatory limits could be imposed, or there may be a delay or acceleration in the effective dates of federal requirements to reduce emissions. Based on the court's decision, EPA may not be able to use emissions trading or the surrender of Title IV $SO_2$ allowances to achieve compliance, and may require sources to install new pollution control systems. EPA initially informed the court that development and finalization of a replacement rule could take approximately two years, but a replacement rule could be proposed as early as spring 2010. Big Rivers is in compliance with the current version of CAIR, but we are unable at this time to determine what impact the replacement rule will have on us.

*Mercury.* The Clean Air Act also provides for a comprehensive program for the control of hazardous air pollutants, including mercury, unless alternative programs are established that adequately protect health and the environment. In March 2005, the EPA issued the Clean Air Mercury Rule ("CAMR"), which regulated mercury emissions under an alternative program. This rule would have capped total annual mercury emissions from coal-fired plants across the United States through a two-phased program and established a cap-and-trade program similar to the acid rain program, in which the states were encouraged to participate. On February 8, 2008, the United States Court of Appeals for the D.C. Circuit struck down CAMR and returned the issue to EPA for reconsideration and further rulemaking. In connection with such rulemaking, EPA must treat mercury as a "hazardous air pollutant" subject to a more restrictive program requiring the installation of "maximum available control technology" in new and existing units. It is likely that EPA will issue more stringent regulations controlling mercury emissions from coal-fired plants. Regulations for mercury control are uncertain at this time, and will remain so until any future rulemakings. As a result, it is too early to determine what impact, if any, such regulations may have on us. See also "*Multi-Pollutant Legislation*" below for a discussion of recent legislation proposed reductions of mercury emissions from electric utilities.

*Multi-Pollutant Legislation.* On February 4, 2010, Senators Tom Carper and Lamar Alexander introduced bill number S.2995, the Clean Air Act Amendments of 2010, to the United States Senate. The bill proposes mandatory emission reductions of $NO_X$, $SO_2$ and mercury from electric utilities, which would ultimately be more stringent than the emission controls under CAIR and CAMR. This bill is in the early stages of development, so we cannot predict whether it or similar multi-pollutant legislation will ultimately become law. As a result, it is too early to determine what impact, if any, such a law and any implementing regulations may have on us.

*Regional Haze.* On June 15, 2005, the EPA issued the Clean Air Visibility Rule, amending regulations governing visibility in national parks and wilderness areas throughout the United States. Under the amended rule, certain types of older sources may be required to install best available retrofit technology ("BART"). The amended rules could result in requirements for newer and cleaner technologies and additional controls for particulate matter ("PM"), $SO_2$ and $NO_X$ emissions from utility sources. Under the Clean Air Visibility Rule, the states were required to develop regional haze plans as part of their SIPs, and identify the facilities that would have to reduce emissions and then set BART emissions limits for those facilities. Kentucky submitted its regional haze SIP revisions to EPA on June 25, 2008. EPA has not yet approved or denied Kentucky's regional haze SIP revisions.

All of Big Rivers' facilities, except the Wilson Plant, were eligible for imposition of BART requirements under the haze SIP revisions. In June 2008, the Kentucky Division of Air Quality ("DAQ") determined that each Big Rivers facility would be exempt from the requirement to install BART for $SO_2$, $NO_X$ and PM emissions under its regional haze rule. The DAQ determination with respect to $SO_2$ and $NO_X$ emissions was based on a previous EPA determination that states participating in the CAIR program would not have to require electricity generating facilities to install BART for $SO_2$ and $NO_X$ emissions. Because the CAIR program is currently under review by EPA, it is possible that EPA's earlier determination could change, requiring states to evaluate $SO_2$ and $NO_X$ emissions from BART-eligible sources. Therefore it is possible that we will be required to install BART for $SO_2$ and $NO_X$ emissions at certain facilities. The DAQ determination to exempt Big Rivers facilities from BART with respect to PM emissions was based on air quality modeling information submitted by Big Rivers to DAQ in May 2007. At that time, the modeling information showed that PM emissions from Big Rivers facilities were not contributing to regional haze at any Class I area.

*National Ambient Air Quality Standards.* The Clean Air Act also requires EPA to establish National Ambient Air Quality Standards ("NAAQS") for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as "non-attainment areas") and develop regulatory measures in its state implementation plan ("SIP") to reduce or control the emissions of that air pollutant in order to meet the standard and become an "attainment area." EPA is in the process of reviewing NAAQS for certain air pollutants that are emitted by power plants including nitrogen dioxide, sulfur dioxide, ozone, and particulate matter. For example, on January 19, 2010, EPA published a proposed rule for a stricter NAAQS for ground-level ozone and, on January 25, 2010, EPA released a final rule establishing a stricter primary one-hour NAAQS for nitrogen dioxide. When a stricter NAAQS is finalized and becomes effective, air pollution sources including power plants, could face stricter emission standards. The impact of any new standards under the NAAQS program will depend on the final federal regulations and resulting revisions to Kentucky's SIP, so we cannot determine such impacts at this time.

*Opacity.* PM emissions from our facilities have, in the past, resulted in notices of violation and occasional complaints from neighbors and local government agencies. The complaints have declined in recent years, following the installation of SCR and/or FGD air pollution controls at the Wilson Plant, the Green Plant, the Henderson Plant and the Coleman Plant. Even though there have been improvements in some of the emissions characteristics, plume opacity and other impacts may continue to arise in connection with the installation and the operation of the SCR and FGD controls. Additionally, the scrubbed units at the Green and Wilson plants are "wet scrubbed" units with "wet stacks." A phenomenon commonly associated with wet scrubbers is the occasional and unexpected appearance of a visible plume that begins some distance after the exhaust exits the stack. The actual cause of the plume is unknown. We continue to monitor the occurrence of the plumes and address Notices of Violations or other agency actions as they arise. Although no material fines or penalties have been assessed against us, we have sought permit amendments to address this issue. It is possible that additional investment or pollution controls may be required to reduce these impacts.

*New Source Review.* In 1999-2000, the U.S. Justice Department, acting on behalf of the EPA, filed a number of complaints and notices of violation against multiple utilities across the country for alleged violations of the New Source Review ("NSR") provisions of the Clean Air Act. Generally, the government alleged that projects performed at various coal-fired units were major modifications, as defined in the Clean Air Act, and that the utilities violated the Clean Air Act when they undertook these projects without obtaining major source permits under the Prevention of Significant Deterioration ("PSD") and/or Title V programs. As part of the enforcement effort, the EPA also sent requests for information letters to numerous other utilities requesting extensive and detailed information on the repairs and modifications made by those utilities to their coal fired boilers. In 2000, WKE received an information request from EPA, when it was the operator of the Big River facilities, and WKE submitted the requested information to EPA. To date, EPA has not requested any additional information.

In 2007, the U.S. Supreme Court upheld EPA's definition of a major modification as one that increases the actual annual emission of a pollutant from a facility above the actual average for the two prior years, and, under President Obama's administration, EPA has announced plans to enforce the NSR provisions. We cannot predict whether EPA or other governmental authorities will consider any of the past maintenance projects or capital improvements at our facilities to have violated NSR requirements as a result of the uncertain interpretation of this program and recent court decisions. If violations are established, we could be required to install new pollution control equipment in addition to the modifications that have already been completed or planned, and be liable for other payments or penalties.

***Global Climate Change***

$CO_2$, a major constituent of emissions from fossil-fuel combustion, and other GHGs are generally believed to be linked to global warming resulting in climate change. Control of such emissions is the subject of debate in the United States, on local, state and national levels. In the United States, no federal legislation limiting GHG emissions has yet been enacted, but there have been significant developments relating to monitoring and regulation of GHG emissions by EPA, certain state governments and regional governmental organizations. In addition, the United States Congress is considering federal legislation that could impose a cap-and-trade system or other measures to reduce GHG emissions, such as carbon tax.

***EPA Regulatory Action under the Clean Air Act***

On April 2, 2007, the United States Supreme Court issued a decision in *Massachusetts v. EPA* holding that GHG emissions are "air pollutants" under the federal Clean Air Act, thereby requiring EPA to determine whether GHGs pose a threat to public health and welfare. On December 15, 2009, EPA published the final rule for the "endangerment finding" under the Clean Air Act. In the finding, EPA declared that the six identified GHGs – $CO_2$, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride – cause or contribute to global warming, and that the effects of climate change endanger public health and welfare by increasing the likelihood of severe weather events and the other related consequences of climate change. The issuance of the "endangerment finding" triggered the statutory requirement that EPA regulate emissions of GHGs as air pollutants from motor vehicles. Such regulations were finalized on April 1, 2010, when EPA and the United States Department of Transportation issued a joint final rule imposing GHG emission standards on light-duty vehicles (cars and light trucks). That regulation takes effect on January 2, 2011.

On March 29, 2010, EPA affirmed its position that air pollutants that are actually regulated under the Clean Air Act under any program must be taken into account when considering permits issued under other programs, such as the PSD permit program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of such sources. As a result of this determination, the effect of the new motor vehicle rule will be to require the analysis of emissions and control options with respect to GHG emissions from new and modified major stationary sources as of January 2, 2011, which is the date the new motor vehicle rule takes effect. Permitting requirements for GHGs will include, but are not limited to, the application of Best Available Control Technology (known as "BACT") for GHG emissions, and monitoring, reporting and recordkeeping for GHGs.

On May 13, 2010, EPA issued a final rule for determining the applicability of the PSD program to GHG emissions from major sources. The rule, known as the "Tailoring Rule," establishes criteria for identifying facilities required to obtain PSD permits and the emissions thresholds at which permitting and other regulatory requirements apply. The applicability threshold levels established by this rule include both a mass-based calculation and a metric known as the carbon dioxide equivalent, or $CO_2e$, which incorporates the global warming potential for each of the six individual gases the comprise the collective GHG defined in the endangerment finding.

On January 2, 2011, sources that are subject to PSD and/or Title V permits due to their non-GHG emissions (such as fossil-fuel based electric generating facilities for their $NO_x$, $SO_2$ and other emissions) will have to address GHG emissions in new permit applications or renewals. Construction or modification of major sources will become subject to PSD requirements for their GHG emissions if the construction or modification results in a net increase in the overall mass of GHG emissions exceeding 75,000 tons per year on a $CO_2e$ basis. New and modified major sources requiring to obtain a PSD permit would be required to conduct a BACT review for their GHG emissions. EPA intends to issue guidance before the end of 2010 on the technologies or operations that would constitute BACT for GHGs. With respect to Title V requirements, as of January 2, 2011, sources that are required to have Title V permits for non-GHG pollutants will be required to address GHGs as part of their Title V permitting. The 75,000 tons per year $CO_2e$ applicability threshold does not apply, so when any source applies for, renews, or revises a Title V permit, then Clean Air Act requirements for monitoring, recordkeeping and reporting will be included. Additional phases of implementation of the Tailoring Rule apply only to sources that are not currently subject to PSD and/or Title V requirements, and are therefore not applicable to our facilities, each of which is subject to one or both of the federal permits.

On October 30, 2009, the EPA published the final rule for mandatory monitoring and annual reporting of greenhouse gas emissions from various categories of facilities including fossil fuel suppliers, industrial gas suppliers, direct greenhouse gas emitters (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but requires data collection to beginning January 1, 2010, and the first annual reports due March 31, 2011.

Our costs of compliance with these new regulations are not fully known at this time. The requirements for monitoring, reporting and record keeping with respect to GHG emissions from existing units should not have a material adverse effect, but the consequences of new permit requirements in connection with new units or modifications of existing units could be significant, as could any new proposed regulations affecting permitting and controls for our existing units.

***Federal Legislation***

The United States Congress is currently considering several energy and climate change-related pieces of legislation that propose, among other things, a cap-and-trade system to regulate and reduce the emission of $CO_2$ and other GHGs and a federal renewable energy portfolio standard. One such bill, H.R. 2454, known as the American Clean Energy and Security Act of 2009, was passed by the House of Representatives on June 26, 2009. That bill, and several other energy and climate change-related legislative proposals are currently being considered by the Senate. On May 12, 2010, Senators Kerry and Lieberman made public the text of a proposal entitled the American Power Act, which is expected to be considered. The impact that federal GHG cap-and-trade legislation will have on the electric utility industry and our business depends largely on the specific provisions of the legislation that ultimately become law. Some of the important issues that could be addressed in cap-and-trade legislation include: the timing and magnitude of the emissions cap; the extent to which emissions allowances are allocated or auctioned to the highest bidder; and the extent to which emissions may be offset by other actions. The timeline and impact of climate change legislation cannot be accurately assessed at this time, but it is expected that any enactment of statutes to regulate GHG emissions will have a significant impact on fossil-fueled generation facilities.

***Litigation***

Many of the issues raised by global climate change are being litigated in courts throughout the United States. For example, recent litigation is raising for judicial review the question of whether a federal agency must consider the impact of GHG emissions in the National Environmental Policy Act environmental review process. Pending cases are also alleging that GHG emissions from electric generation are causing a public nuisance and should be abated by electric generation facilities. We cannot currently predict how GHG emissions issues will arise in connection with pending or future permit proceedings or whether litigation based on climate change issues will adversely affect our operations, or our construction and development plans.

***Water***

The Federal Clean Water Act regulates the discharge of process wastewater and certain storm water under the National Pollutant Discharge Elimination System ("NPDES") permit program. Such permits are issued for five-year periods and continue in effect if renewal applications are timely filed. At the present time, applications for renewal of some of our NPDES permits are awaiting review by the Kentucky Division of Water. We have all other material required permits under the program for all of our electric generating plants. The water quality regulations require us to comply with Kentucky's water quality standards, including sampling and monitoring of the waters discharged from the facilities. We continually sample and monitor the discharges and report the results thereof in accordance with our permits.

Section 316(b) of the Clean Water Act requires the EPA to ensure that the location, design, construction and capacity of cooling water intake structures reflect the best technology available to protect aquatic organisms from being killed or injured by impingement or entrainment. In February 2004, the EPA issued final regulations establishing standards for cooling water intake structures at existing large power plants. The rule provided several compliance alternatives for existing plants such as using existing technologies, adding fish protection systems or using restoration measures.

On January 25, 2007, the United States Second Circuit Court of Appeals remanded key components of the Clean Water Act 316(b) Phase II Rule. The court ruled that EPA could not allow use of restoration measures to satisfy performance standards; nor could it consider cost-benefit analysis in selecting "best technology available." The United States Supreme Court heard the appeal of the Second Circuit decision and held on April 1, 2009, that it is permissible for utility companies and regulators to apply cost-benefit analysis under the Clean Water Act. EPA is in the process of developing a new rule consistent with the Supreme Court's decision.

The impact of Section 316(b) on Big Rivers' is limited to the Reid Plant and the Coleman Plant. The degree of such impact will depend upon the form of the new rule that EPA publishes. If EPA allows a cost-benefit analysis to determine the best technology available, we expect the impact to the Reid Plant and the Coleman Plant will be minimal based on information obtained from previous studies conducted on the quantity and type of fish impinged on the intake screens at Reid Station and Coleman Station.

***Other Environmental Matters***

*The Comprehensive Environmental Response, Compensation and Liability Act.* The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA" or "Superfund"), requires cleanup of sites from which there has been a release or threatened release of hazardous substances and authorizes the EPA to take any necessary response action at Superfund sites, including ordering potentially responsible parties ("PRPs") liable for the release to take or pay for such actions. PRPs are broadly defined under CERCLA to include past and present owners and operators of, as well as generators of wastes sent to, a site. We historically have sent wastes, such as coal ash or wastewater that could have included hazardous substances, to third-party disposal sites or treatment plants. Based on such disposal, Big Rivers can become a PRP with respect to such sites. We are not aware of any material liabilities with respect to such disposal, but can provide no assurance that such liabilities will not be asserted in the future. In addition, we have experienced and are likely to continue to experience in the future spills and releases of fuel oil and other materials that could trigger cleanup obligations under CERCLA and result in additional compliance costs. As a result, there can be no assurance that we will not incur liability under CERCLA in the future.

*Electro-Magnetic Fields.* A number of electrical industry studies have been conducted regarding the potential long-term health effects resulting from exposure to electro-magnetic fields ("EMF") created by high voltage transmission and distribution equipment. At this time, any relationship between EMF and certain adverse health effects appears inconclusive; however, electric utilities have been experiencing challenges in various forms claiming financial damages associated with electrical equipment which creates EMF. In the future, if the scientific community reaches a consensus that EMF presents a health hazard, we may be required to take remedial actions at our facilities. The cost of these actions cannot be estimated with certainty at this time. Such costs, however, could be significant, depending on the particular mitigation measures undertaken, especially if relocation of existing power lines is required.

*Coal Ash.* Our coal-based generating facilities produce coal ash waste that requires disposal. We dispose of the coal ash in our onsite landfills and impoundments and possess the proper industrial solid waste permits to operate our landfills in accordance with local, state and federal regulations and laws. However, we must continually expand the capacity of our landfills and waste management facilities to accommodate larger amounts of ash. If we become unable to dispose of coal ash on site, our disposal costs may increase considerably. On the other hand, we are continually evaluating methods for beneficial reuse of waste ash. Currently, all of the ash we generate is exempt from regulation as "hazardous waste."

On May 4, 2010, the EPA released the text of a proposed rule describing two possible regulatory options it is considering under the Resource Conservation and Recovery Act ("RCRA") for the disposal of coal ash generated from the combustion of coal by electric utilities and independent power producers. Under either option, EPA would regulate the construction of impoundments and landfills, and seek to ensure the both the physical and environmental integrity of disposal facilities.

Under the first proposed regulatory option, EPA would list coal ash destined for disposal in landfills or surface impoundments as "special wastes" subject to regulation under Subtitle C of RCRA. Subtitle C regulations set forth EPA's hazardous waste regulatory program, which regulate the generation, handling, transport and disposal of wastes. The proposed rule would create a new category of waste under Subtitle C, so that coal ash would not be classified as a hazardous waste, but would be subject to many of the regulatory requirements applicable to such wastes. Under this option, coal ash would be subject to technical and permitting requirements from the point of generation to final disposal. Generators, transporters, and treatment, storage and disposal facilities would be subject to federal requirements and permits. EPA is considering imposing disposal facility requirements such as liners, groundwater monitoring, fugitive dust controls, financial assurance, corrective action, closure of units, and post-closure care. This first option also proposes requirements for dam safety and stability for surface impoundments, land disposal restrictions, treatment standards for coal ash, and a prohibition on the disposal of treated coal ash below the natural water table. The first option would not apply to certain beneficial reuses of coal ash.

Under the second proposed regulatory option, EPA would regulate the disposal of coal ash under Subtitle D of RCRA, the regulatory program for non-hazardous solid wastes. Under this option, EPA is considering issuing national minimum criteria to ensure the safe disposal of coal ash, which would subject disposal units to location standards, composite liner requirements, groundwater monitoring and corrective action standards for releases, closure and post-closure care requirements, and requirements to address the stability of surface impoundments. Existing surface impoundments would not have to close or install composite liners and could continue to operate for their useful life. The second option would not regulate the generation, storage, or treatment of coal ash prior to disposal, and no federal permits would be required.

The proposed rule also states that EPA is considering listing coal ash as a hazardous substance under CERCLA, and includes proposals for alternative methods to adjust the statutory reportable quantity for coal ash. The extension of CERCLA to coal ash could significantly increase our liability for cleanup of past and future coal ash disposal.

EPA has not decided which regulatory approach it will take with respect to the management and disposal of coal ash. We are therefore unable to determine the effects of this proposed rule at this time.

As part of EPA's scrutiny of how ash impoundments are permitted and operated, EPA recently assessed ash impoundments at many facilities throughout the country, including some of our facilities, even though our ash impoundments are not of the same type and construction involved in the Kingston Plant ash spill and therefore do not pose the same kinds of risks. A dam safety assessment report for Reid Station, Green Station and Station Two was prepared for EPA in December 2009. All of the ash ponds at these facilities received "fair" ratings – a rating that reflected EPA's view that our geotechnical information was not complete -- but no critical deficiencies were noted. Minor repairs required by EPA during this review will be completed during the 2010 construction season. We have commenced the geotechnical investigation recommended by EPA in connection with the assessment, which is scheduled to be completed for all facilities by the end of 2011. Coal ash waste management and disposal is an evolving issue and we expect to continue to incur costs to upgrade and expand our ash impoundments as regulations change.

## FERC Regulation

As a RUS-financed utility, our sale of power at wholesale and certain aspects of our transmission of power in interstate commerce are not regulated by FERC. If we were not a RUS-financed public utility, those functions would be regulated by FERC. FERC has jurisdiction under the Federal Power Act, however, to require us to provide transmission services to third parties at rates and on terms and conditions comparable to our own use of our transmission services. We are a transmitting utility subject to interconnection and transmission orders under Sections 210, 211 and 212 of the Federal Power Act, as amended by the Energy Policy Act of 1992 ("EPAct 1992"). We also are subject to FERC transmission orders to the extent that they apply to non-jurisdictional utilities and to reciprocity tariffs as described below. In the absence of regulation by FERC, the KPSC has asserted jurisdiction over what would otherwise be FERC jurisdictional activities.

### *EPAct 1992*

EPAct 1992 made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased competition in the wholesale electric power supply market. These changes have increased, and will continue to increase, competition in the electric utility industry. Specifically, EPAct 1992 provided that any electric utility, federal power marketing agency or any other person generating electric energy for sale for resale may apply to FERC for an order requiring a transmitting utility like us to provide transmission services to the applicant. After notice and an opportunity for hearing, FERC may issue an order requiring such transmission service to be provided, subject to appropriate compensation to the utility providing such service. However, EPAct 1992 specifically denied FERC authority to require "retail wheeling" under which a retail customer of one utility could obtain electric power and energy from another utility or nonutility power generator and require a transmitting utility to "wheel" it to the retail customer.

### *Order No. 888 and Successor Orders*

In 1996, to remove impediments to competition in the wholesale bulk power marketplace and to bring more efficient lower cost power to the nation's electricity consumers, FERC issued Orders Nos. 888 and 889. Orders Nos. 888 and 889, as amended by Orders Nos. 888-A and 889-A in 1997, were intended to deny to public utilities any unfair advantage over competitors resulting from their ownership and control of transmission facilities and required FERC-jurisdictional public utilities to file pro forma, open access, nondiscriminatory transmission tariffs. In Order Nos. 890, 890-A and 890-B, issued (respectively) in February and December 2007 and June 2008, FERC reaffirmed and modified the requirements under Order Nos. 888 and 888-A, specifically, by modifying the transmission tariff provisions on (among other things) calculating available transfer capability, transmission planning, point-to-point transmission service options, energy imbalance service, rollover rights for long-term firm transmission service, and the price caps on capacity reassignments. Under the reciprocity requirement adopted in Order No. 888 and reaffirmed in Order No. 890, non-jurisdictional utilities like us must provide comparable transmission service as a condition of receiving service from jurisdictional utilities under the pro forma tariff. Our transmission facilities located in the Eastern Interconnection are under a transmission tariff that has been approved by FERC. We developed those tariffs to buy and sell electricity using the transmission systems of regulated utilities, as required by FERC's reciprocity requirement.

*Energy Policy Act of 2005*

On August 8, 2005, President Bush signed into law the Energy Policy Act of 2005 ("EPAct 2005"). The significant provisions of EPAct 2005 that could affect us are in the areas of (1) reliability; (2) siting of new transmission facilities; (3) potential FERC authority over transmission service and the rates of non-rate-regulated utilities; (4) native load obligations; and (5) expansion of FERC's enforcement authority. In addition, Congress repealed the Public Utility Holding Company Act of 1935 ("PUHCA 1935"), and replaced it with the Public Utility Holding Company Act of 2005 ("PUHCA 2005"), thereby effectively repealing many of the more onerous provisions of PUHCA 1935. As an electric cooperative, we generally are not subject to the new requirements of PUHCA 2005. EPAct 2005 also created incentives for the construction of transmission facilities; gave FERC authority to establish mandatory reliability standards through a new entity that FERC will certify as the Electric Reliability Organization ("ERO"); authorized the DOE and FERC to grant permits enabling entities, in certain circumstances, to use a federal right of eminent domain to build new transmission lines; and adopted provisions enabling transmission providers to reserve transmission capacity for their native load service obligations. FERC has adopted regulations to implement the new regulations and requirements concerning siting, transmission access, native load preferences and enforcement.

Concerning the expansion of FERC's authority to order transmission access to transmission systems owned or operated by non-rate-regulated utilities, EPAct 2005 added new section 211A to the Federal Power Act. Section 211A authorizes FERC to order non-rate-regulated utilities like us to provide transmission service at rates and terms that are comparable to those by which the non-rate-regulated utility provides transmission service to itself. However, the non-rate-regulated utilities subject to any such requirements are not subject to the full panoply of FERC regulations applicable to transmission-owning public utilities. FERC also is required, with certain limited exceptions, to exempt any non-rate-regulated utility that sells less than 4 million kWh per year. FERC has declined to order transmission access pursuant to Section 211A on a generic basis, and instead will act, if at all, on a case-by-case basis.

NERC has been certified by FERC as the ERO. NERC's mandatory reliability standards, which are subject to FERC review and approval, apply to any entity that owns, operates or uses the bulk power system. EPAct 2005 authorizes FERC and the ERO to impose penalties for violations of the reliability standards. In March and July 2007, FERC issued (respectively) Order Nos. 693 and 693-A largely approving the reliability standards initially filed by NERC for FERC review and approval. FERC also directed NERC to consider revisions to a number of the standards, and other reliability standards and amendments proposed by NERC remain pending before FERC. As an owner and operator of generation and transmission facilities, we are subject to certain of the NERC reliability standards. We are currently scheduled for a routine audit of our compliance with the reliability standards. The audit is scheduled to occur at our facility from May 24 to May 28 of this year. If the auditors identify areas of non-compliance, we could be subject to penalties or sanctions.

EPAct 2005 also added new sections 220, 221 and 222 to the Federal Power Act, which generally prohibit fraud and manipulation in the energy markets and promote price transparency. Under FERC's implementing rules, the anti-fraud rules apply to all entities, including non-jurisdictional utilities, to the extent they engage in activities or transactions in connection with sales and transmission services subject to FERC's public-utility jurisdiction.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

**Risk Management Policies**

We are exposed to significant market risks associated with electricity and coal prices, counter-party credit exposure, interest rates and equity prices. Interest rate risk is associated with the changes in interest rates that impact our variable rate debt instruments and fixed income investments. Our energy related commodity price risks involve changes in the market price of power natural gas, and solid fuels and the impact of such changes on our ability to generate sufficient revenue to cover our operational costs. We have established comprehensive risk management policies to monitor and manage these risks. Our vice president of enterprise risk management is responsible for monitoring and reporting on our risk management policies, including delegation of authority levels. We have an Internal Risk Management Committee that regularly meets and the vice president of enterprise risk management reports to the Board of Directors monthly. The vice president of enterprise risk management is responsible for oversight of market risk, credit risk, etc., including monitoring exposure limits.

To manage our market risks, we may enter into various derivative instruments including swaps, forward contracts, futures contracts and options. Management believes adequate safeguards, reporting mechanisms, and procedures are in place to protect us from unauthorized use of such derivative instruments. We have established certain risk management strategies relating to the sales and purchase prices for the commodities which form our core business, in order to provide insulation from volatile market prices. With respect to our power sales, our Board of Directors has established guidelines which are intended to ensure that derivatives and other financial instruments are used for hedging purposes and not for speculation. Those guidelines provide that hedging activity shall be used only to minimize risk and not to create any greater risk. Risk management status and performance must be reported to our Board of Directors on a monthly basis, and that counterparties must meet capitalization requirements before we will engage with such counterparty.

**Electricity and Coal Price Risk**

We are exposed to the impact of market fluctuations in the prices of electricity and coal as a result of our ownership and operation of electric generating facilities. Our exposure to coal and purchased power risk is limited by cost-based Member rate recovery through two cost-recovery clauses, namely the fuel adjustment clause ("FAC") and the non-FAC purchased power adjustment. Due to timing of the cost-recovery, there is a two month lag for the FAC between when costs are incurred and when the Member portion is recovered through rates. For the non-FAC purchase power adjustment due to timing of the cost recovery, there is a two month lag between when the costs are incurred and when the Member-Smelter portion is recovered through rates that represent approximately two-thirds of the costs. The remaining one-third of the non-FAC purchase power adjustment cost is deferred as a regulatory account and we will seek recovery from the KPSC during a request to adjust base rate. This request will be presented to the KPSC during 2011 to be effective January 1, 2012.

Price risk represents the potential risk of loss from adverse changes in the market price of electricity or coal. Because we are long on power, both capacity and energy, we are exposed to the illiquidity of the long-term power market and volatility of the market price of electricity and coal. Our long position in the energy market is approximately 150 MWs or 8% of our availability capacity. The excess capacity and energy will be consumed in the future through normal growth. Further, price risk resulting from the volatility in the price of coal is off-set by a month recovery rider for fuel that has been approved by the KPSC.

We generally only enter into market power sales contracts that qualify for the normal sales and purchases exception. Income recognition and realization related to normal sales and normal purchases contracts generally coincide with the physical delivery of the power. For all such contracts, as long as completion of the transaction remains probable, no recognition of the contract's fair value is required to be reported in our financial statements until settlement or physical delivery.

**Marketable Securities Price Risk; Pension Plan Assets**

We maintain investments to fund the cost of providing our non-contributory defined benefit retirement plans. Those investments are exposed to price fluctuations in equity markets and changes in interest rates. We have established asset allocation targets for our pension plan holdings that take into consideration the investment objectives and the risk profile with respect to the trust in which the assets are held. Our target asset allocation for equity securities is 65% of the value of the plan assets and the holdings are diversified to achieve broad market diversification to reduce exposure to and any adverse impact of a single investment, sector or geographic region. A significant decline in the value of plan asset holdings could require us to increase our funding of the pension plan in future periods, which could adversely affect cash flows in those periods. Additionally, a decline in the fair value of plan assets, absent additional cash contributions to the plan, could increase the amount of pension cost required to be recorded in future periods, which could adversely affect our results of operations in those periods. A 10% decline in the fair value of our plan assets equals $2.2 million.

**Interest Rate Risk**

We are exposed to risk resulting from changes in interest rates as a result of the use of variable rate debt as a source of financing as well as the fixed income investments in our various portfolios. We manage our interest rate exposure by limiting the total amount of our variable rate exposure to within a particular amount of our total debt and by actively monitoring the effects of market changes in interest rates. As of December 31, 2009, $706.5 million of $848.6 million of outstanding long-term indebtedness secured under the Mortgage Indenture accrued interest at fixed rates to their final maturity. As of December 31, 2009, we had outstanding variable rate debt of $142.1 million. This debt consists of the Refunded Bonds and the Series 1983 Bonds which mature in 2013.

**Commodity Price Risk**

The average rate to our Members is affected by the price we can obtain in the market for energy produced by our generating facilities in excess of the Members' requirements. Higher prices produce greater Non-Member revenue that is used to offset Member revenue requirements. Our exposure to the risk of fluctuating power prices is declining as our historically high levels of excess generation are being used to meet our increasing Member requirements, including the Smelters. Our excess capacity generation in 2010 is approximately 8%.

Additionally, if one or more of our generating facilities is not able to produce power when required due to operational factors, we may have to forego Non-Member sales opportunities or purchase energy in the wholesale market at higher prices to meet Member requirements.

**Credit Risk**

Credit risk represents the loss that we would incur if a counterparty failed to perform under its contractual obligations. To reduce credit exposure, we establish credit limits and seek to enter into netting agreements with counterparties that permit it to offset receivables and payables. To control our credit risk associated with credit sales of power we utilize a credit approval process, monitor counterparty limits and require that counterparties have adequate credit ratings. We attempt to further reduce credit risk with certain counterparties by entering into agreements that enable us to obtain collateral or to terminate or reset the terms of transactions after specified time periods or upon the occurrence of credit-related events. Where appropriate, we also obtain cash or letters of credit from counterparties to provide credit support outside of collateral agreements, based on financial analysis of the counterparty and the regulatory or contractual terms and conditions applicable to each transaction.

We generally execute only physical delivery contracts. We frequently use master collateral agreements to mitigate certain credit exposures. The collateral agreements provide for a counterparty to post cash or letters of credit in excess of an established threshold. The threshold amount represents an unsecured credit limit, determined in accordance with our credit policy. Collateral agreements also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

Due to the possibility of extreme volatility in the prices of energy commodities and derivatives, the market value of contractual positions with individual counterparties could exceed established credit limits or collateral provided by those counterparties. If such a counterparty were then to fail to perform its obligations under its contract, we could sustain a loss that could have a material impact on our financial results. The probability of a material impact is lessened by the fact that we only have a relatively small amount of power to sell long-term and presently do not plan on transacting multi-year long-term contracts.

## OUR MEMBERS

### General

Our Members are local consumer-owned cooperative corporations serving retail residential, commercial and industrial customers on a non-profit basis. The territories served by our Members include portions of 22 counties in western Kentucky. Our Members serve approximately 112,000 consumers. The majority of our Members' customers are individual residences.

### Territorial Integrity

Distribution cooperatives generally exercise a monopoly in their service areas. Under a Kentucky statute adopted in 1972, the Members are "Retail Electric Suppliers" that are certified by the KPSC as the exclusive suppliers of energy to their respective certified service areas. Thus, the Members are the exclusive suppliers of energy to electricity consumers located in their respective certified service areas. If a Retail Electric Supplier is providing adequate service within its certified territory, other Retail Electric Suppliers may not sell power to retail customers located within that certified territory. Municipal utilities are not Retail Electric Suppliers under the statute. If a new electric consuming facility locates in two or more adjacent certified territories, the KPSC determines which Retail Electric Supplier may provide retail electric service to that facility based on a number of factors, designed to avoid wasteful duplication of electric generation facilities.

### Rate Regulation of Members

The KPSC regulates the retail energy rates of the Members. Under Kentucky law, a utility may revise its rates on 30 days' notice to the KPSC of the proposed changes and the effective date of such changes. The KPSC has the statutory power to suspend such changes pending a hearing for a period not to exceed six months from the proposed effective date of such changes. This suspension period begins with the effective date named by the utility, and thus, the utility may avoid or minimize the effect of such suspension by naming an early effective date in its notice to the KPSC. Rate changes may be placed in effect, in whole or in part, during any such suspension period on a finding by the KPSC that an emergency exists or that the utility's credit or operations will be materially impaired by the suspension. Rates placed into effect on an emergency basis are subject to refund to the extent that the final rates approved by the KPSC are lower than the emergency rates. The KPSC's decision on a new rate schedule filed by a utility must be issued not later than ten months after the filing of the rate schedule.

## Member Information

### *Financial Information*

Our Members operate their systems on a not-for-profit basis. Accumulated margins constitute patronage capital for the consumer members. Refunds of accumulated patronage capital to the individual consumer members are made from time to time on a patronage basis subject to limitations contained in Member mortgages to the RUS, if applicable.

Our Members are our owners and not our subsidiaries. Except with respect to the obligations of our Members under their respective wholesale power contracts and the Smelter Agreements, we have no legal interest in, or obligation in respect of, any of the assets, liabilities, equity, revenue or margins of our Members, other than our rights under these contracts. The revenues of our Members are not pledged to us, but their revenues are the source from which they pay for power and energy and transmission services purchased from us. Revenues of our Members are, however, often pledged under their respective mortgages. Tables 1 and 2 in Appendix B present a three-year summary of the balance sheets, statements of operations and selected statistical information with respect to our Members.

### *Statistical Information*

We serve directly and indirectly a diverse customer base that includes farms and residences, commercial and industrial facilities, mining, irrigation and other miscellaneous customers. Farm and residential customers constitute the largest class of customers in terms of numbers throughout the Member service areas. The table below shows energy sales and revenue by customer class for the year 2009 for our Members.

**2009 Sales By Members [(1)]**

| | kWh Sales (in thousands) | kWh Sales (%) | Revenue (in thousands) | Revenue (%) |
|---|---|---|---|---|
| Farm & Residential | 1,433,379 | 15% | $100,947 | 24% |
| Commercial and Industrial (excluding the Smelters) | 1,668,503 | 17% | 77,133 | 18% |
| Aluminum Smelters | 6,672,110 | 68% | 241,379 | 58% |
| Mining | – | – | – | – |
| Other | – | – | – | – |
| Total | 9,773,992 | 100% | $419,459 | 100% |

(1) The information in this table has been compiled by us from information obtained from the Annual Statistical Report Rural Electric Borrowers (Publication 201.1) and RUS Form 7 prepared by our Members and filed with RUS. We have not independently verified this information.

## THE SMELTER AGREEMENTS

We and Kenergy have entered into electric service arrangements with the Smelters. The Smelters have largely identical obligations under the agreements described below, so the following discussion does not distinguish between obligations to a particular Smelter, even though, from a legal perspective, their rights and obligations are separate and not joint.

The principal terms and conditions relating to our sale of electric services to Kenergy for resale to the Smelters are set forth in six agreements, three with respect to service to each Smelter. The basic structure of the sale of electric services is that we sell the electric services to Kenergy and then Kenergy in turns sells those electric services to each Smelter. Because the Smelters are customers of Kenergy, Big Rivers has entered into two, separate wholesale service agreements (each a "Smelter Agreement") with Kenergy. Under each Smelter Agreement, we supply Kenergy with electric service for resale to a particular Smelter. Kenergy has entered into a separate retail electric service agreement (a "Smelter Retail Agreement") with each Smelter. We and each Smelter have also entered into a Smelter Coordination Agreement (a "Smelter Coordination Agreement" and, together with the Smelter Agreements and the Smelter Retail Agreements, the "Smelter Agreements") that sets forth certain direct obligations between us and a Smelter. Due to the pass-through nature of the principal obligations between us and each Smelter, the Smelter Agreement and the Smelter Retail Agreement relating to each Smelter are substantially the same.

The aggregate amount of energy made available to the Smelters under the Smelter Retail Agreements consists of three types of energy referred to as (1) Base Monthly Energy, (2) Supplemental Energy and (3) Back-Up Energy. "Base Monthly Energy" is 368 MW per hour for Alcan and 482 MW per hour for Century. See APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Nature of Service."

The obligation of Kenergy to supply electric service to the Smelters pursuant to the Smelter Retail Agreements will terminate on December 31, 2023, unless terminated earlier pursuant to the terms thereof. A Smelter may terminate its Smelter Retail Agreement upon not less than one year's prior written notice of such termination to Kenergy and us if such Smelter ceases all smelting operations in Kenergy's service territory. See APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Termination Rights."

Pricing under the Smelter Agreements is designed so that the Base Rate for the Smelters will always be 25 cents per MWh over the rate charged to large direct-served industrial customers having an equivalent load factor. The contracts provide that the Smelters are obligated to pay various surcharges, including fuel adjustment surcharges and environmental surcharges. In addition, the Smelter Agreements provide for annual adjustments to rates designed to assist us in achieving positive margins in each year. See APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Smelter Payment Obligations."

For a more detailed summary of the provisions of the Smelter Agreements, see APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

## POWER SUPPLY PLANNING

Every other year we prepare load forecasts for the three Members. These individual forecasts serve as the basis for Big Rivers' load forecast, which is filed with the RUS. The last forecast was prepared and filed in 2009. Additionally, every three years an Integrated Resource Plan ("IRP") is prepared in accordance with Kentucky Administrative Rule 807 KAR 5:5058 and filed with the KPSC.

The next IRP will be filed with the KPSC in November 2010. Both of these studies examine a future time frame of 15 years.

## GENERATION AND TRANSMISSION ASSETS

### Generation Resources

#### *General*

The following table sets forth certain information about our owned generating facilities and Station Two.

| Generating Facility | Type of Fuel | Net Capacity[2] (MW) | Big Rivers' Entitlement Share (MW) | Commercial Operation Date |
|---|---|---|---|---|
| Kenneth C. Coleman Plant | | | | |
| Unit 1 | Coal | 150 | 150 | 1969 |
| Unit 2 | Coal | 138 | 138 | 1970 |
| Unit 3 | Coal | 155 | 155 | 1972 |
| Robert D. Green Plant | | | | |
| Unit 1 | Coal | 231 | 231 | 1979 |
| Unit 2 | Coal | 223 | 223 | 1981 |
| Robert A. Reid Plant | | | | |
| Unit 1 | Coal | 65 | 65 | 1966 |
| Combustion Turbine | Oil-Natural Gas | 65 | 65 | 1976 |
| D.B. Wilson Plant Unit No. 1 | Coal | 417 | 417 | 1986 |
| Station Two Facility Units No. 1 and No. 2[1] | Coal | 312 | 212 | 1973/1974 |
| Total | | 1,756 | 1,656 | |

(1) We operate but do not own the two units at Station Two and not all net capacity of such facility is available to us.
(2) Net capacity means net nameplate as adjusted for parasitic load.

#### *Kenneth C. Coleman Plant*

The Coleman Plant is a three unit, coal-fired steam electric generating unit located near Hawesville, Kentucky. Each of the units has a turbine nameplate rating of 160 MW. Units No. 1 has a net capacity of 150 MW, No. 2 has a net nameplate capacity of 138 MW while Unit No. 3 has a net capacity of 155 MW. All three boilers are positive pressure, outdoor units; the turbine generators are semi-outdoor and the station was retrofitted with a FGD system in 2007. The equivalent availability factor for the Coleman Plant for 2009 was 94.9% (post-Unwind).

Environmental controls in place at the Coleman Plant include the use of precipitators (air pollution control devices that collect particles from gaseous emissions) which limit particulate emissions to a maximum of 0.27 pounds per million Btu, and the use of a FGD system which is 97% effective in reducing $SO_2$ emissions. Coleman Stations permitted $SO_2$ emissions limit is a maximum of 5.2 pounds per million Btu. $NO_X$ emissions are limited to a maximum of 0.5 pounds per million Btu. This is achievable with the low $NO_X$ burners.

#### *Robert D. Green Plant*

The Green Plant is a two unit, coal-fired steam electric generating station located on the same site as the Reid Plant and the Station Two Facility described below. Both boilers at the Green Plant are balanced draft units and they were designed and built with low $NO_X$ burners. The Green Plant is also equipped with a FGD system. Unit No. 1 has a net nameplate capacity of 231 MW while Unit No. 2 has a net capacity of 223 MW. The equivalent availability factor for the Green Plant for 2009 was 94.8% (post-Unwind).

Environmental controls in place at the Green Plant include the use of precipitators which limit particulate emissions to a maximum of 0.1 pounds per million Btu, and the use of a FGD system which limits $SO_2$ emissions to a maximum of 0.8 pounds per million Btu. $NO_X$ emissions are limited to a maximum of 0.5 pounds per million Btu.

*Robert A. Reid Plant*

The Robert A. Reid Plant, located near Sebree, Kentucky, is a coal-fired steam electric generating unit with a net capacity of 65 MW and an oil- or natural gas-fired combustion turbine generating unit with a net capacity of 65 MW (the "Reid Plant"). The combustion turbine is used for power emergencies and for peaking purposes. The equivalent availability factor for the Reid Plant for 2009 was 84.7% (post-Unwind).

Environmental controls in place at the Reid Plant include the use of precipitators which limit particulate emissions to a maximum of 0.28 pounds per million Btu, and the use of medium-sulfur coal which limit $SO_2$ emissions to a maximum of 5.2 pounds per million Btu. $NO_X$ emissions are limited to 0.46 pounds per million Btu.

*D.B. Wilson Unit No. 1 Plant*

The single unit Wilson Plant is the largest generating unit in our system. The Wilson Plant, located near Centertown, Kentucky on the Green River, is a coal-fired, balanced draft steam electric generating unit equipped with a FGD system. The unit has a net nameplate capacity of 417 MW. The equivalent availability factor for the Wilson Plant for 2009 was 60.7% (post-Unwind). The scheduled fall outage of approximately 60 days lowered the equivalent availability factor for 2009.

Environmental controls in place at the Wilson Plant include the use of a precipitator which limits particulate emissions to a maximum of 0.03 pounds per million Btu, and the use of a FGD system which is 90% effective in removing $SO_2$ emissions. $NO_X$ emissions are limited to a maximum of 0.6 pounds per million Btu.

**Other Power Supply Resources**

*Station Two Facility*

The two units at Station Two have a total net nameplate capacity of 312 MW. Station Two is located on the same site as the Reid Plant and the Green Plant, near Henderson. Station Two consists of two positive pressure outdoor type boilers with scrubbers installed. The equivalent availability factor for Station Two for 2009 was 94.0% (post-Unwind).

In connection with the Unwind, in July 2009, we became responsible for the operation of Station Two in accordance with the terms of the Station Two Operation Agreement and for purchase of capacity and energy in accordance with the terms of the Station Two Power Sales Contract. (See "Station Two Power Sales Contract"). In connection with the Unwind, we and WKEC entered into an Indemnification Agreement (the "Station Two Indemnification Agreement") under which WKEC has agreed to indemnify us against potential lost revenue if the contract provisions of the Station Two Power Sales Contract are interpreted against us (See "Station Two Power Sales Contract").

**Station Two Operation Agreement**

We operate Station Two in accordance with the Station Two Operation Agreement. The Station Two Operation Agreement provides that we will provide, as an independent contractor, all operating personnel, materials, supplies and technical services for the operation of Station Two. It also provides for the allocation of certain costs of operation and maintenance between Station Two and our Reid Plant which shares some common facilities with Station Two. The Station Two Operation Agreement provides that we prepare an operating budget, including both capital and operating expenditures, for Station Two which is subject to the approval of the City of Henderson. Such budget then becomes the basis for monthly payments by the City of Henderson to us, with an annual reconciliation of such budgeted expenditures and the actual annual expenditures for Station Two. The Station Two Operation Agreement obligates us to maintain property and liability insurance with respect to Station Two and to operate and maintain Station Two in accordance with standards and specifications equal to those provided by the National Electric Safety Code of the United States Bureau of Standards and well as those required by any regulatory authority having jurisdiction. Each party's obligations under the Station Two Operation Agreement are subject to the occurrence of "uncontrollable force" (*e.g.*, events not within control of either party and which by exercise of due diligence and foresight could not reasonably be avoided). The obligations of the City of Henderson under the Station Two Operation Agreement are payable solely from the revenues of the City's electric utility system and do not constitute a general obligation of the City of Henderson. The City of Henderson has covenanted in the Station Two Operation Agreement that it will, subject to any necessary regulatory body approvals, maintain rates for service by its electric system sufficient to pay the costs of ownership, proper operation and maintenance of Station Two. The rates for electric service charged by the City of Henderson are not subject to any regulatory body approval. The term of the Station Two Operation Agreement extends for the operating life of Station Two.

**Station Two Power Sales Contract**

We purchase a portion of the power and energy produced by Station Two in accordance with a Power Sales Contract between the City of Henderson and us (the "Station Two Power Sales Contract"). The Station Two Power Sales Contract provides for the allocation of the capacity of Station Two between the City of Henderson and us based upon the City's determination of its needs to serve its retail customers. The Station Two Power Sales Contract requires the City of Henderson to give us a rolling five years' advance notice of the allocation of capacity between the City of Henderson and us, but changes of up to 5 MW in the City's allocation are permitted on a yearly basis to serve new commercial or industrial customers of the City. The Station Two Power Sales Contract limits the ability of the City of Henderson to add commercial or industrial customers in excess of 30 MW each to its system if to do so would require the withdrawal of existing capacity from Station Two or any other generating facilities on the City's existing electrical system. The Station Two Power Sales Contract also permits the City of Henderson to utilize up to a total of 25 MW of capacity from capacity otherwise allocated to us from Station Two for "economic development loads" consisting of new customers on the City's system or certain expansions of capacity by an existing customer. Our right to take our reserved portion of the capacity of Station Two is subject to the City of Henderson's prior right to take its allocated capacity. Thus, in the event of an outage or curtailment of the output of Station Two, the City's right to the output has a priority. Each party is entitled to all the energy from Station Two associated with its reserved capacity, subject to our right to "Excess Henderson Energy" described below. The current capacity allocations of the City of Henderson and us are 32% and 68%, respectively.

We and the City of Henderson share capacity costs for Station Two in accordance with our respective allocated capacities. These capacity costs include the costs of operation, maintenance, administration and general expenses for Station Two as well as any amounts paid or payable to us under the terms of the Station Two Operation Agreement. We and the City of Henderson are each responsible for providing our respective portions of the fuel consumed by Station Two based on our respective uses of electric energy from Station Two.

The obligations of each party are subject to "uncontrollable force", having the same definition as in the Station Two Operation Agreement. However, our obligation to make payments for our allocated capacity of Station Two is not excused for any reason including the occurrence of "uncontrollable force".

The Station Two Power Sales Agreement permits the City of Henderson to terminate that Agreement on 30 days' notice for our failure to make any payment properly owing under the Station Two Power Sales Contract and, in such event, to make sales to others of power generated by Station Two and allocated to us on 5 days' notice to us and to apply the proceeds of such sales to the capacity charges we owe.

In accordance with the Station Two Power Sales Contract, we and the City of Henderson have established separate operation and maintenance funds in the amounts of $400,000 and $100,000, respectively, to fund expenditures for operation and maintenance for Station Two, such expenditures to be made from such funds in proportion to the then effective allocation of Station Two capacity between us and the City of Henderson. In accordance with the Station Two Power Sales Contract, we have agreed to fund up to $1.05 million to fund our portion of major renewals or replacements to the Station Two required on an emergency basis.

The term of the Station Two Power Sales Contract extends through the end of the economic operating life of Station Two.

**Excess Henderson Energy**

The Station Two Power Sales Contract also provides that, to the extent the City of Henderson does not take the full amount of energy associated with its reserved capacity from Station Two (such excess, "Excess Henderson Energy"), we may take and utilize all such energy for a price of $1.50 per MWh plus the cost of all fuel, reagent and sludge disposal costs associated with such Excess Henderson Energy. Furthermore, the Station Two Power Sales Contract precludes the City of Henderson from offering Excess Henderson Energy to a third party without first offering us the opportunity to purchase in accordance with the preceding sentence. Representatives of the City of Henderson have alleged that the Station Two Power Sales Contract permits the City to schedule and take energy from its allocated capacity of Station Two for sales by it to third parties without offering such energy to us. (See "LITIGATION – Litigation with HMP&L under Station Two Power Sales Contract").

***SEPA Contract***

In addition to our generation resources, we fulfill our power supply responsibilities to our Members with their allocations from SEPA. We normally use entitlement under the SEPA Contract for peaking. However, as a result of problems with certain dams on the Cumberland River hydro system, our capacity entitlement has been suspended and we currently are receiving only energy. Generally, we must schedule and accept 1,500 hours of the contracted 178 MW each fiscal year ending June 30. The maximum amount scheduled in any month shall not exceed 240 hours and the minimum amount scheduled in any month shall not be less than 60 hours. The fee arrangement for generation is a take-or-pay contract, currently we pay a fixed monthly charge in the amount of approximately $280,937 and $12.67 per MWh for energy. These charges will continue until the dam work is completed and the SEPA Contract is restored to full service. The SEPA contract cannot be terminated prior to June 30, 2017, albeit subject to congressional authority.

**Transmission**

We operate and maintain our transmission facilities and provide transmission services to our Members and Non-Members pursuant to our OATT. As of December 31, 2009, we had in service 827 miles of 69 kilovolt ("kV") transmission lines, 14 miles of 138 kV transmission lines, 353 miles of 161 kV transmission lines, 68 miles of 345 kV transmission lines, and related station land and equipment. We also own 22 substations. We have completed three of the seven system improvements identified as phase two transmission projects. We have construction work orders in progress for two of the remaining four projects and will begin pursuit of the final two projects very soon. All phase two transmission projects are scheduled for completion on or before the end of the third quarter of 2011. Our available transfer capability for exporting power off system is approximately 912 MW prior to the completion of any phase two transmission improvements. The current firm transmission capability is sufficient to allow us to export all available excess generation capacity plus an amount equal to the peak demand of the larger Smelter on our system. With the completion of the phase two projects in 2011, our export capability will be increased to approximately 1380 MW, which will provide the capability to export all of the peak demand for both Smelters.

***Contingency Reserve Obligation***

We are currently in the process of joining and preparing to integrate our transmission system with Midwest Independent Transmission System Operator, Inc. ("Midwest ISO"), which operates the centralized energy and ancillary services markets in the Midwestern region and administers open access transmission service over the transmission facilities owned by Midwest ISO members. We seek to join Midwest ISO principally to enable us to satisfy the "Contingency Reserve" standard of the NERC reliability standard. That standard is set by NERC, approved by FERC and enforced by the SERC Reliability Corporation, one of NERC's regional entities with responsibility for enforcing the mandatory reliability standards. Our compliance with the NERC Contingency Reserve standard is both an operational necessity and a legal requirement. Under federal law, violations of NERC's Contingency Reserve standard may result in substantial penalties, including potential fines up to $1 million per day per violation. We anticipate that our integration with Midwest ISO will be complete by September 2010. We do not expect any material adverse effect on revenues from that integration.

We previously satisfied the NERC Contingency Reserve standard through membership in certain reserve sharing arrangements, most recently with the Midwest Contingency Reserve Sharing Group ("MCRSG"). The MCRSG arrangements expired December 31, 2009. Upon awareness that the MCRSG would terminate, we began to investigate ways to preserve the MCRSG or find alternate means to satisfy the NERC Contingency Reserve standard. At that time we were not operating our generating assets, but were negotiating and implementing a transaction to terminate or "unwind" a series of agreements entered into in 1998 with subsidiaries or affiliates of E.ON and thereby, regain control of our generating units. The Unwind was approved by the KPSC on March 6, 2009. See "BIG RIVERS ELECTRIC CORPORATION – Bankruptcy and Subsequent Operation," "—Unwind of LG&E Arrangements and Termination of Leveraged Lease Transactions" and "—Summary of Major Provisions of Unwind."

Following the closing of the Unwind, the options available to us to satisfy the NERC Contingency Reserve standard upon the termination of the MCRSG at year end narrowed as a result of legal impediments, cost constraints and a lack of sufficient implementation time. Without alternative feasible options available, on November 20, 2009, our Board of Directors approved joining the Midwest ISO to insure that we would be in compliance with the NERC Contingency Reserve standard on January 1, 2010. Pending full participation in the Midwest ISO, we will satisfy the NERC Contingency Reserve standard under Attachment RR of the Midwest ISO's FERC-approved Open Access Transmission, Energy and Operating Reserve Markets Tariff ("MISO Tariff").

*SERC Investigation*

We are currently the subject of a preliminary inquiry and non-public investigation initiated by SERC in February 2009. The staff from NERC and FERC are also participating in the investigation. Aside from one minor instance, which has been disclosed to SERC, we believe that we have been, and are, in compliance with all reliability standards and requirements. However, penalties for violations of reliability standards can be substantial. At this time the investigation is still in its preliminary stages and we cannot estimate the amount or range of potential liability, if any.

*Approvals for Midwest ISO Membership*

On February 1, 2010, we filed an application with the KPSC for authority to transfer functional control of our transmission system to Midwest ISO to be effective September 1, 2010. For this transfer to occur on schedule, all required consents and approvals must be obtained before August 1, 2010. In addition to the authority required from the KPSC to join Midwest ISO, we must also obtain the consent of two of our creditors: the United States of America acting through RUS and CoBank.

Our first full year of participation in Midwest ISO will be 2011. When the KPSC approves our joining Midwest ISO, that approval will allow all prudently incurred expenses to be recovered in rates. We may seek approval of new rates from the KPSC a few months earlier than previously planned once we receive KPSC's approval to join Midwest ISO.

***Interconnections***

We have several interconnections between our transmission system and those of other power suppliers. These interconnections permit mutual support in emergencies, decrease overall transmission losses, facilitate the arrangement of electric power and energy sales and minimize the duplication of transmission lines. We currently have interconnection agreements with seven power suppliers: HMP&L, Midwest ISO, Southern Illinois Power Cooperative, Hoosier Energy Rural Electric Cooperative, and Southern Indiana Gas and Electric Company – Vectren, E.ON U.S., Kentucky Utilities Company and Louisville Gas and Electric Company ("LG&E"), and TVA. However, we cannot purchase power from TVA due to restrictions on TVA's authority to sell power outside of its service area fixed by statute. An agreement with TVA provides transmission service by TVA to enable us to interchange power and energy with four utilities located in the southern United States.

In addition to interconnections with neighboring transmission systems, we also have received several requests from independent power producers that may determine to locate within our balancing area and interconnect new generators to the transmission system. We have developed certain interconnection procedures and guidelines which we use when generators request interconnection service without a concurrent request for transmission service. Upon our joining Midwest ISO, independent power producers may apply through Midwest ISO to connect to our transmission facilities. Upon receiving an application, Midwest ISO will work with us to study the impacts of such interconnection and to identify the cost of accommodating the interconnection. The allocation of costs will be determined under the MISO Tariff. Interconnections will be effectuated through a standard-form, three-way interconnection agreement among us, Midwest ISO and the independent power producer seeking use of our transmission service.

***Open Access Transmission Tariff***

We voluntarily agreed to comply with FERC Order No. 888 by filing the OATT with FERC. The OATT also has been filed with the KPSC, and the KPSC has determined to assert jurisdiction over it to the extent FERC does not exert such jurisdiction. FERC Order No. 888 requires utilities regulated by FERC to offer third parties access to, and terms for the use of, their transmission systems on a basis comparable to the access and terms under which such transmission system owners provide transmission service to themselves. FERC Order No. 888 permits such utilities to deny transmission service to a utility which does not have a comparable open access transmission tariff. Although we are not subject to FERC Order No. 888, Big Rivers may require reciprocal access to other utilities' transmission systems in the future in order to meet future obligations to the Members or sell power off-system. To ensure such access, we prepared our OATT consistent with the form of OATT required of FERC-regulated utilities. See "RATE AND ENVIRONMENTAL REGULATIONS – Order No. 888 and Successor Orders" for a discussion of the background of, and proceedings relating to, FERC Order No. 888. We filed the OATT with FERC on May 29, 1998 and subsequently received a letter order from FERC dated September 18, 1998 finding that our OATT met the requirements for reciprocity. On April 22, 2009, we proposed updates to our OATT. FERC issued an order on September 17, 2009, directing certain changes to that proposal. We filed a revised updated OATT on December 16, 2009, and on January 6, 2010, FERC published notice of our proposed updated open access transmission tariff inviting public comments. No comments were filed during the comment period. FERC has not yet acted on the December 16 filing, and FERC is not subject to any deadline for acting on the filing.

Pursuant to the OATT, we will provide firm and non-firm transmission service and network services on our transmission system to parties desiring to purchase available transmission capacity on our transmission system. We will maintain the OASIS on which we post transmission capacity available between certain points of delivery and certain points of receipt on our system. Parties taking service under the OATT reserve transmission capacity on the OASIS on either a firm or non-firm basis for varying periods of time, with requests for longer periods of time taking precedence over those for shorter periods, and with firm service taking precedence over non-firm service. In operating the OASIS, we are subject to certain standards of conduct that prevent our employees in the transmission function from communicating with employees engaging in wholesale sales functions. As part of our OATT, we have implemented certain guidelines for interconnection by generators that seek to interconnect to our transmission system without a concurrent request for transmission services. These generator interconnection procedures are posted on our OASIS.

Upon the effective date of our joining the Midwest ISO, use of our transmission facilities will be governed by the MISO Tariff. We will provide the Midwest ISO with our revenue requirement for use in establishing the rate for transmission services under the MISO Tariff, but our revenue requirement will not be directly reviewed by FERC. As a Midwest ISO transmission owner, we also will participate in the Midwest ISO transmission planning process, and will be responsible for investments in transmission projects assigned to us in accordance with that process. It is impossible to predict what impact our participation in Midwest ISO will have on our operations. At present, we plan for our own transmission needs and participate in regional transmission planning with TVA. Participation in the Midwest ISO planning process will increase the scope of our regional planning process and will subject us to decisions by the Midwest ISO and, ultimately, FERC, concerning allocations of costs for meeting regional transmission needs. Finally, we will be subject to the Midwest ISO reserve requirements established pursuant to Module E of the MISO Tariff.

## MANAGEMENT

We are governed by a Board of Directors comprised of six persons. Each Member has two directors on the Board of Directors. Each director is elected by a majority vote of the delegates at the annual membership meeting in September. Each Member designates one delegate to represent it at the annual membership meeting. At least one of the two directors from each Member must be, at the time of their election, a director of such Member. Each term is for a three year period, ending the later of

September 1 or the annual meeting date, and staggered such that two directors from different Members are elected each year.

The following are our principal management personnel with a brief summary of their qualifications:

*Mark A. Bailey, President and Chief Executive Officer*, received a Bachelor of Science in Electrical Engineering from Ohio Northern University in 1974, and a Master of Science in Management from the Massachusetts Institute of Technology in 1988. He was employed by American Electric Power Company ("AEP") for nearly 30 years, beginning as an Electrical Engineer in 1974. Mr. Bailey was employed as Vice President of AEP subsidiary Indiana Michigan Power Company until AEP's reorganization in 1996, when he became Director-Regions with American Electric Power Service Corporation ("AEPSC"), also a subsidiary of AEP. He was employed as Vice President of Transmission Asset Management for AEPSC from June 2000 until his employment as President and Chief Executive Officer ("CEO") with Kenergy Corp. in 2004. Mr. Bailey was employed as Executive Vice President and Chief Operating Officer beginning in June 2007 until being elected by the Board of Directors to his current position in October 2008.

*C. William Blackburn, Senior Vice President Financial & Energy Services and Chief Financial Officer*, graduated from Murray State University with a Bachelor of Science in Business and Mathematics in 1972. Mr. Blackburn is a Certified Management Accountant. He has been employed with Big Rivers since 1977. He served in various accounting, finance, and power supply positions including Vice President of Financial Services and Interim Vice President of Power Supply from 1997 through November 2005, prior to assuming his current position in February 2009.

*Robert W. Berry, Vice President of Production*, graduated from the University of Kentucky Community College system with an Associate degree in Mechanical Engineering Technology and Mid-Continent University with a Bachelor of Science in Business Management. He was employed by Big Rivers from 1981 to 1998 and served in various maintenance positions such as Superintendent of Maintenance and Maintenance Manager. In 1998 he was employed by Western Kentucky Energy and served in various positions such as Maintenance Manager, Plant Manager and General Manager until the Unwind transaction closed in July 2009, at which time he assumed his current position.

*David G. Crockett, Vice President of System Operations*, graduated from the University of Kentucky with a Bachelor of Science in Electrical Engineering in 1972. He has been employed with Big Rivers since 1972. He served in various engineering positions before assuming the responsibility of Manager of Energy Control in 1998. Mr. Crockett assumed his current position as Vice President System Operations in 2006.

*James V. Haner, Vice President of Administrative Services*, graduated from the University of Kentucky with a Bachelor of Science in Accounting in 1970. He has been employed with Big Rivers since 1972. He served in various accounting and finance capacities prior to transferring to administrative services in 1991. He assumed duties as Manager Human Resources in 1998. Mr. Haner assumed his current position of Vice President Administrative Services in 2005.

*Mark A. Hite, Vice President of Accounting*, graduated from the University of Evansville with a Bachelor of Science in Accounting in 1980 and a Master of Business Administration in 1985. He is a licensed CPA. Mr. Hite has been employed with Big Rivers since 1983, and has served in various accounting and finance capacities prior to assuming his current position of Vice President of Accounting.

***Albert M. Yockey, Vice President of Governmental Relations & Enterprise Risk Management***, graduated from the University of Pittsburgh with a Bachelor of Science in Electrical Engineering in 1972, a Master of Science from Lehigh University in 1979, and a Juris Doctor from Capital University Law School in 1994. He is a registered Professional Engineer in Pennsylvania and a licensed attorney in Ohio. Mr. Yockey was employed in operation and planning positions with Pennsylvania Power and Light Co. from 1972 through 1985. He was employed in planning, regulatory, and compliance positions with American Electric Power Company from 1985 until February 2008. Mr. Yockey joined Big Rivers as Vice President of Enterprise Risk Management and Strategic Planning in 2008 and assumed his current position in July 2009.

The following are the Directors of Big Rivers with a brief summary of their qualifications:

***William C. Denton, Chair of the Board***, graduated from the University of Evansville with a Bachelor of Liberal Studies. He is the President of the Mortgage Network of America. Mr. Denton represents Kenergy and has served on our board since April 1995. His term expires September 2010 and he is subject to re-election.

***James Sills, M.D., Vice Chair of the Board***, graduated from Western Kentucky State University with a Bachelor of Chemistry and Biology and the University of Louisville Medical School. He is a retired family physician. Dr. Sills represents Meade County RECC and has served on our board since March 1995. His term expires September 2011 and he is subject to re-election.

***Paul Edd Butler, Director***, graduated from Breckinridge County High School and then attended Western Kentucky University and Spencerian College. For 31 years, Mr. Butler was a postmaster for the United States Postal Service, Harned, Kentucky. He is now retired. Mr. Butler represents Meade County RECC and has served on our board since July 2002. His term expires September 2012 and he is subject to re-election.

***Lee Bearden, Secretary Treasurer***, graduated from Lone Oak High School and attended West Kentucky Community College. He is the Vice President of Community Financial Services Bank. Mr. Bearden represents Jackson Purchase and has served on our board since September 1998. His term expires September 2012 and he is subject to re-election.

***Larry Elder, Director***, graduated from Owensboro Catholic High School, attended two years of college at Brescia College and four years of apprenticeship training at Owensboro Technical School. He is the former President of Dynalectric of Kentucky and is now retired. Mr. Elder represents Kenergy and has served on our board since June 2006. His term expires September 2010 and he is subject to re-election.

***Wayne Elliott, Director***, graduated from Lone Oak High School and is currently taking college classes. He is a farmer. Mr. Elliott represents Jackson Purchase and has served on our board since September 2007. His term expires September 2010 and he is subject to re-election.

We have 598 full-time employees. The International Brotherhood of Electrical Workers, Local 1701, represents 348 of Big Rivers' generation and transmission operating employees. Our contracts with this union expire on September 14, 2012, and October 14, 2012, respectively. We believe that our relations with labor are good.

## LITIGATION

### Litigation Involving the County

No litigation is pending or, to our knowledge or to the knowledge of the County (with respect to litigation pertaining to it and the Bonds to be issued by it), threatened in any court, questioning our official existence, the official existence of the County, or the validity of the Bonds, or to restrain or enjoin the issuance or delivery of any of the Bonds or the power of the County to pledge revenues and assets to pay the Bonds.

### Litigation with HMP&L under Station Two Power Sales Contract

The Station Two Power Sales Contract also provides that, to the extent the City of Henderson does not take the full amount of energy associated with its reserved capacity from Station Two for the residents of the City of Henderson (such excess, "Excess Henderson Energy"), we may take and utilize all such energy for a price of $1.50 per MWh plus the cost of all fuel, reagent and sludge disposal costs associated with such Excess Henderson Energy. Furthermore, the Station Two Power Sales Contract precludes the City of Henderson from offering Excess Henderson Energy to a third party without first offering us the opportunity to purchase in accordance with the preceding sentence. Representatives of the City of Henderson have alleged that the Station Two Power Sales Contract permits the City to schedule and take energy from its allocated capacity of Station Two for sales by it to third parties without offering such energy to us at the $1.50 MWh price. We disagree with this assertion. Pursuant to an indemnification agreement executed in connection with the Unwind (the "Station Two Indemnity Agreement"), WKEC has agreed to indemnify us, with certain limits, against economic harm to us through 2023 resulting from the City of Henderson's interpretation of the Station Two Power Sales Contract being sustained by a court or other appropriate administrative or judicial tribunal. The obligations of WKEC under the Station Two Indemnification Agreement have been guaranteed by E.ON U.S. LLC. On July 31, 2009, we filed a petition in the Henderson Circuit Court of the Commonwealth of Kentucky, Civil Action No. 09-CI-00693, requesting an order pursuant to the Federal Arbitration Act, 9 U.S.C. § 2 and 4 and Kentucky Revised States 417.060(1) referring the dispute over the Excess Henderson Energy to arbitration. In an Order entered December 17, 2009, the Henderson Circuit Court ruled that the question of our entitlement to Excess Henderson Energy was one for which we are entitled to compel arbitration in accordance with the Station Two Power Sales Contract. By order dated February 10, 2010, the Court denied the City of Henderson's motion to alter, amend or vacate the Court's December 18, 2009 order. The City appealed that order and on February 12, 2010, the Court entered another order finding that the Court had jurisdiction to enforce the arbitration process and that the arbitration should proceed despite the City's appeal.

## DESCRIPTION OF THE BONDS

### General

The Bonds will be issued in the aggregate principal amount set forth on the front cover of this Offering Statement, will be dated their date of delivery and will mature on July 15, 2031. We will pay interest on the Bonds at the annual rate of 6.00 percent (computed on the basis of a 360-day year of twelve 30-day months), from the date of delivery or from the most recent date to which interest has been paid or provided for, payable in arrears on January 15 and July 15 of each year, commencing January 15, 2011 (each such date is referred to herein as an "Interest Payment Date"). On each Interest Payment Date, interest will be paid to the person in whose name the Bonds are registered at the close of business on the fifteenth (15th) day prior to the applicable Interest Payment Date. If any Interest Payment Date falls on a day which is a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Trustee is authorized by law to remain closed, interest will be paid on the next succeeding day which is not a legal holiday or a day on which such banking institutions are authorized to be closed, with interest accruing only to the originally scheduled Interest Payment Date.

The Bonds will be issued in the form of fully registered Bonds without coupons in minimum denominations of $5,000 and integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), pursuant to DTC's Book-Entry Only System. Principal of and interest on the Bonds will be payable, and the transfer of interests in the Bonds will be effected, through the facilities of DTC, as described under "BOOK-ENTRY-ONLY SYSTEM PROCEDURES" below. The Bonds may be transferred only upon the records of the Trustee, as Registrar, kept for that purpose at the principal corporate trust office of the Trustee. The Registrar will not be required to make any exchange or transfer of Bonds during the fifteen days (i) immediately preceding an Interest Payment Date or, (ii) in the case of any proposed redemption of Bonds, immediately preceding the date of the mailing of notice of such redemption. The Registrar will also not be required to make any transfer or exchange of any Bonds called for redemption.

U.S. Bank National Association is the Trustee, Paying Agent and Registrar for the Bonds.

**Redemption of Bonds**

***Optional Redemption***

The Bonds are subject to redemption in whole or in part (and if less than all of the Bonds are to be redeemed, by lot in such manner as shall be determined by the Trustee) prior to maturity at any time on or after July 15, 2020 by the County, upon the exercise by us of our option to prepay all or a part of the unpaid balance of the Note, at a redemption price of 100 percent of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption.

**Notice of Redemption**

Notice of redemption will be given by first-class mail by the Trustee at least thirty (30) days prior to the redemption date to each Holder of such Bonds which are to be redeemed, in whole or in part, at the addresses shown on the registration books of the County maintained by the Trustee, as Registrar. Failure to give notice of redemption by mail, or any defect in such notice, will not affect the validity of the proceedings for the redemption of such Bonds.

If at the time of mailing of notice of an optional redemption we have not deposited with the Trustee moneys sufficient to redeem all of the Bonds called for redemption, then the notice of optional redemption given by the Trustee will so state and will further state that the redemption of such Bonds is conditional upon our providing, or causing to be provided, to the Trustee, by 12:00 noon, New York City time on the redemption date, funds sufficient to effect such redemption, and such Bonds will not be redeemed unless such funds are deposited.

For so long as a book-entry only system is in effect with respect to the Bonds, the Trustee will mail notices of redemption only to The Depository Trust Company, New York, New York ("DTC") or its successor. Any failure of DTC to convey such notice to any DTC participants, any failure of DTC participants to convey such notice to any Indirect Participants or any failure of DTC participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the validity of the redemption of Bonds. See "BOOK-ENTRY-ONLY SYSTEM PROCEDURES."

## BOOK-ENTRY-ONLY SYSTEM PROCEDURES

The Bonds will be available only in book entry form. DTC will act as the initial securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for the Bonds, in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 110 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating of "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER TO RECEIVE NOTICES (INCLUDING NOTICES OF REDEMPTION) AND OTHER INFORMATION REGARDING THE BONDS THAT MAY BE SO CONVEYED TO DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Except as described below, neither DTC nor Cede & Co. will take any action to enforce covenants with respect to any security registered in the name of Cede & Co. Under its current procedures, on the written instructions of a Direct Participant, DTC will cause Cede & Co. to sign a demand to exercise bondholder rights as record holder of the quantity of securities specified in the Direct Participant's instructions, and not as record holder of all the securities of that issue registered in the name of Cede & Co. Also, in accordance with DTC's current procedures, all factual representations to be made by Cede & Co. to the County, the Trustee or any other party must be made to DTC and Cede & Co. by the Direct Participant in its instructions to DTC.

For so long as the Bonds are issued in book-entry form through the facilities of DTC, any Beneficial Owner desiring to cause us or the Trustee to comply with any of its obligations with respect to the Bonds must make arrangements with the Direct Participant or Indirect Participant through whom such Beneficial Owner's ownership interest in the Bonds is recorded in order for the Direct Participant in whose DTC account such ownership interest is recorded to make the instructions to DTC described above.

NEITHER WE NOR THE TRUSTEE NOR THE UNDERWRITER (OTHER THAN IN ITS CAPACITY, IF ANY, AS A DIRECT PARTICIPANT OR AN INDIRECT PARTICIPANT) WILL HAVE ANY OBLIGATION TO THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF THE BONDS, THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

Principal and interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from us or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of us or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER US NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, INTEREST OR PURCHASE PRICE ON THE BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF THE BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references in this Offering Statement to the bondholders, holders or registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by us or the Trustee to DTC only.

As long as the book-entry system is used for the Bonds, we and the Trustee will give any notices required to be given to holders of the Bonds only to DTC. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant, or of any Direct Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the action premised on such notice.

NEITHER US NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS OF THE BONDS.

For every transfer and exchange of a beneficial ownership interest in the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge, that may be imposed in relation thereto.

***Discontinuation of the Book-Entry Only System.*** DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or the Trustee. In addition, if the County determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds, or (ii) continuation of the system of book-entry-only transfers through DTC is not in the County's best interests or in the best interests of the Beneficial Owners of the Bonds, the County may thereupon terminate the services of DTC with respect to the Bonds. Upon the resignation of DTC or determination by the County that DTC is unable to discharge its responsibilities, the County may, within 90 days, appoint a successor depository. If no such successor is appointed or the County determines to discontinue the book-entry-only system, Bond certificates relating to such Bonds will be printed and delivered. Transfers and exchanges of the Bonds shall thereafter be made as described under the caption "DESCRIPTION OF THE BONDS – General."

If the book-entry-only system is discontinued with respect to any of the Bonds, the persons to whom Bond certificates relating to any such Bonds are delivered will be treated as "Holders" for all purposes of the Bond Indenture, including without limitation the payment of principal or redemption price of, and interest on, the Bonds, the redemption of Bonds and the giving to us or the Trustee of any notice, consent, request or demand pursuant to the Bond Indenture for any purpose whatsoever. In such event, principal or redemption price of and interest on, the Bonds will be payable as described under the caption "DESCRIPTION OF THE BONDS – General."

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that we believe to be reliable. No representation is made herein by us or the Underwriter as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date of this Offering Statement.

## UNDERWRITING

Goldman, Sachs & Co. (the "Underwriter"), has agreed, subject to certain conditions (including the execution of a continuing disclosure agreements described below) to purchase the Bonds from the County. In consideration of such purchase, we have agreed to pay the Underwriter a fee of $941,505.50. The Underwriter will be obligated to purchase all of the Bonds if any of such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter. Goldman, Sachs & Co. and its affiliates have engaged and may engage in other transactions with and perform services for us from time to time in the ordinary course of business.

## CONTINUING DISCLOSURE

To assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) under the Exchange Act, we have authorized the execution and delivery of a Continuing Disclosure Agreement with respect to the Bonds for the benefit of the beneficial owners of the Bonds (the "Continuing Disclosure Agreement"). Under the Continuing Disclosure Agreement, we will be obligated to provide certain financial information and operating data, financial statements, notice of certain events if material, and certain other notices to the Municipal Securities Rulemaking Board, or any other entity authorized or designated by the SEC in the future to receive such information, and such obligations will be enforceable, as described therein. The entry into the Continuing Disclosure Agreement by us is a condition precedent to the obligation of the Underwriter to purchase the Bonds. The proposed form of our Continuing Disclosure Agreement is attached hereto as APPENDIX H.

Our failure to observe or perform any of the obligations under the Continuing Disclosure Agreement will not be deemed an Event of Default under the Mortgage Indenture or the Bond Indenture. If we fail to comply with any provision of the Continuing Disclosure Agreement, any registered owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause us to comply with our obligations under the Continuing Disclosure Agreement. However, our Continuing Disclosure Agreement provides that no registered owner or beneficial owner of the Bonds will have the right to challenge the content or the adequacy of the information contained in any annual report or any notice of a material event by judicial proceedings unless the registered owners or beneficial owners representing at least 25% in aggregate principal amount of the Bonds then outstanding join in such proceedings.

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code") and Title XIII of the Tax Reform Act of 1986, except that Bond Counsel expresses no opinion as to the status of interest on any Bond for federal income tax purposes during any period that such Bond is held by a "substantial user" of facilities financed or refinanced with the proceeds of the Bonds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in federal corporate alternative minimum taxable income. Interest on the Bonds is exempt from all present Kentucky personal and corporate income taxes. A complete copy of the proposed opinion of Bond Counsel is set forth as APPENDIX F hereto.

Title XIII of the Tax Reform Act of 1986 and Section 103 of the 1954 Code impose various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. We and the County have made representations related to certain of these requirements and have covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from all present Kentucky personal and corporate income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the tax liability of the holder of the Bonds. The nature and extent of these other tax consequences will depend upon the particular tax status of the holder of the Bonds or its other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the 1954 Code or the 1986 Act, or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the 1954 Code or the 1986 Act or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the County or Big Rivers, or about the effect of future changes in the 1954 Code, the 1986 Act, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. We and the County have covenanted and agreed for the benefit of Beneficial Owners of the Bonds, however, not directly or indirectly to use or permit the use (to the extent within its control) of proceeds of the Bonds or other funds, or take or omit to take any action, if and to the extent such use, or the taking or omission to take such action, would cause interest on the Bonds to be subject to federal income tax by reason of Section 103 of the 1954 Code or Title XIII of the 1986 Act, and any applicable regulations promulgated thereunder.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and unless separately engaged, Bond Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the County, Big Rivers and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax exempt bonds is difficult, obtaining an independent review of IRS positions with which the County or Big Rivers legitimately disagree may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause us, the County or the Beneficial Owners to incur significant expense.

## RATINGS

The Bonds are rated "Baa1", "BBB-" and "BBB-" by Moody's, S&P and Fitch, respectively. The respective ratings by Fitch, Moody's and S&P of the Bonds reflect only the views of such organization and any desired explanation of the significance of such ratings and any outlooks or other statements given by the rating agencies with respect thereto should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating and outlook (if any) on the information and materials furnished to it on investigations, studies and assumptions of its own. There is no assurance such ratings for the Bonds will continue for any given period of time or that any of such ratings will not be revised downward or withdraw entirely by any of the rating agencies, if, in the judgment of such rating agency or agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

## AVAILABLE INFORMATION

Brief descriptions of the County, the Bonds, the Financing Agreement, the Bond Indenture, the Note and the Mortgage Indenture and information about us, including our financial statements, are included in this Offering Statement. Such descriptions do not purport to be comprehensive or definitive.

All references herein to the Financing Agreement, the Bond Indenture, the Note and the Mortgage Indenture are qualified in their entirety by reference to such documents, copies of which are on file at our principal office or the principal office of the Trustee, and are available upon request. References herein to the Bonds are qualified in their entirety by reference to the forms thereof included in the Bond Indenture and the information with respect thereto included in the aforementioned documents.

Any statements made in this Offering Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

## APPROVAL OF LEGAL PROCEEDINGS

All of the legal proceedings in connection with the authorization and issuance of the Bonds and their validity are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX G hereto. Certain legal matters are subject to the approval of Sutherland Asbill & Brennan LLP, Counsel to the Underwriter. Certain legal matters will be passed upon for us by Sullivan, Mountjoy, Stainback & Miller, P.S.C., Owensboro, Kentucky, its General Counsel. Certain legal matters will be passed upon for the County by Greg Hill, Esq., Counsel to the County.

## INDEPENDENT AUDITORS

Our financial statements as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009, included in APPENDIX A to this Offering Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

## YEAR END FINANCIAL STATEMENTS

**Deloitte.**

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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Rivers Electric Corporation:

We have audited the accompanying balance sheets of Big Rivers Electric Corporation (the "Company") as of December 31, 2009 and 2008, and the related statements of operations, equities (deficit), and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Rivers Electric Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2010, on our consideration of Big Rivers Electric Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

March 26, 2010

# *Balance Sheets*

As of December 31, 2009 and 2008 — (Dollars in thousands)

## *Assets*

| | 2009 | 2008 |
|---|---|---|
| UTILITY PLANT – Net | $ 1,078,274 | $ 912,699 |
| RESTRICTED INVESTMENTS – Member rate mitigation | 243,226 | – |
| OTHER DEPOSITS AND INVESTMENTS – At cost | 6,342 | 4,693 |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 60,290 | 38,903 |
| Accounts receivable | 47,493 | 20,464 |
| Fuel inventory | 37,830 | – |
| Non-fuel inventory | 20,412 | 756 |
| Prepaid expenses | 3,233 | 450 |
| Total current assets | 169,258 | 60,573 |
| DEFERRED LOSS FROM TERMINATION OF SALE-LEASEBACK | – | 76,001 |
| DEFERRED CHARGES AND OTHER | 8,384 | 20,470 |
| TOTAL | $ 1,505,483 | $ 1,074,436 |

## *Equities (Deficit) and Liabilities*

| | 2009 | 2008 |
|---|---|---|
| CAPITALIZATION: | | |
| Equities (deficit) | $ 379,392 | $ (154,602) |
| Long-term debt | 834,367 | 987,349 |
| Total capitalization | 1,213,759 | 832,747 |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term obligations | 14,165 | 51,771 |
| Purchased power payable | 3,382 | 9,336 |
| Accounts payable | 30,657 | 5,832 |
| Accrued expenses | 9,864 | 3,134 |
| Accrued interest | 9,097 | 8,018 |
| Total current liabilities | 67,165 | 78,091 |
| DEFERRED CREDITS AND OTHER: | | |
| Deferred lease revenue | – | 10,955 |
| Residual value payments obligation | – | 145,145 |
| Regulatory liabilities – Member rate mitigation | 207,348 | – |
| Other | 17,211 | 7,498 |
| Total deferred credits and other | 224,559 | 163,598 |
| COMMITMENTS AND CONTINGENCIES (see note 14) | | |
| TOTAL | $ 1,505,483 | $ 1,074,436 |

*See notes to financial statements.*

# *Statements of Operations*

For the years ended December 31, 2009, 2008 and 2007 — (Dollars in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| POWER CONTRACTS REVENUE | $ 341,333 | $ 214,758 | $ 271,605 |
| LEASE REVENUE | 32,027 | 58,423 | 58,265 |
| Total operating revenue | 373,360 | 273,181 | 329,870 |
| OPERATING EXPENSES: | | | |
| Operations: | | | |
| Fuel for electric generation | 80,655 | - | - |
| Power purchased and interchanged | 116,883 | 114,643 | 169,768 |
| Production, excluding fuel | 22,381 | - | - |
| Transmission and other | 35,444 | 28,600 | 27,196 |
| Maintenance | 29,820 | 4,258 | 4,240 |
| Depreciation and amortization | 32,485 | 31,041 | 30,632 |
| Total operating expenses | 317,668 | 178,542 | 231,836 |
| ELECTRIC OPERATING MARGIN | 55,692 | 94,639 | 98,034 |
| INTEREST EXPENSE AND OTHER: | | | |
| Interest | 59,898 | 65,719 | 60,932 |
| Interest on obligations related to long-term lease | - | 6,991 | 9,919 |
| Amortization of loss from termination of long-term lease | 2,172 | 811 | - |
| Income tax expense | 1,025 | 5,934 | - |
| Other – net | 112 | 123 | 103 |
| Total interest expense and other | 63,207 | 79,578 | 70,954 |
| OPERATING MARGIN | (7,515) | 15,061 | 27,080 |
| NON-OPERATING MARGIN: | | | |
| Interest income on restricted investments under long-term lease | - | 8,742 | 12,481 |
| Gain on Unwind transaction (see Note 2) | 537,978 | - | - |
| Interest income and other | 867 | 4,013 | 7,616 |
| Total non-operating margin | 538,845 | 12,755 | 20,097 |
| NET MARGIN | $ 531,330 | $ 27,816 | $ 47,177 |

*See notes to financial statements.*

# *Statements of Equities (Deficit)*

For the years ended December 31, 2009, 2008 and 2007 — (Dollars in thousands)

| | Total Equities (Deficit) | Accumulated Margin (Deficit) | Other Equities: Donated Capital and Memberships | Other Equities: Consumers' Contributions to Debt Service | Accumulated Other Comprehensive Income |
|---|---|---|---|---|---|
| BALANCE – December 31, 2006 | $ (217,371) | $ (221,816) | $ 764 | $ 3,681 | $ – |
| Net margin/ total comprehensive income | 47,177 | 47,177 | – | – | – |
| FAS 158 adoption | (3,943) | – | – | – | (3,943) |
| BALANCE – December 31, 2007 | (174,137) | (174,639) | 764 | 3,681 | (3,943) |
| Comprehensive income: | | | | | |
| Net margin | 27,816 | 27,816 | – | – | – |
| FAS 158 funded status adjustment | (8,281) | | | | (8,281) |
| Total comprehensive income | 19,535 | | | | |
| BALANCE – December 31, 2008 | (154,602) | (146,823) | 764 | 3,681 | (12,224) |
| Comprehensive income: | | | | | |
| Net margin | 531,330 | 531,330 | – | – | – |
| FAS 158 funded status adjustment | 2,664 | | | | 2,664 |
| Total comprehensive income | 533,994 | | | | |
| BALANCE – December 31, 2009 | $ 379,392 | $ 384,507 | $ 764 | $ 3,681 | $ (9,560) |

*See notes to financial statements.*

# *Statements of Cash Flows*

For the years ended December 31, 2009, 2008 and 2007 — (Dollars in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net margin | $ 531,330 | $ 27,816 | $ 47,177 |
| Adjustments to reconcile net margin to net cash provided by operating activities: | | | |
| Depreciation and amortization | 37,084 | 34,320 | 33,886 |
| Increase in restricted investments under long-term lease | – | (2,502) | (6,242) |
| Decrease in deferred AMT Income Taxes | – | 5,035 | – |
| Amortization of deferred loss (gain) on sale-leaseback – net | 2,172 | (1,187) | (2,900) |
| Deferred lease revenue | (3,768) | (4,582) | (1,779) |
| Residual value payments obligation gain | (3,881) | (6,748) | (6,591) |
| Increase in RUS Series B Note | 6,136 | 5,841 | 5,572 |
| Increase in RUS Series A Note | – | – | 15,761 |
| Increase in obligations under long-term lease | – | 2,749 | 6,580 |
| Noncash gain on Unwind transaction | (269,441) | – | – |
| Cash received for Member Rate Mitigation | 217,856 | – | – |
| Noncash Member Rate Mitigation revenue | (12,033) | – | – |
| Changes in certain assets and liabilities: | | | |
| Accounts receivable | (26,049) | 6,218 | (8,934) |
| Inventories | (3,497) | 12 | 43 |
| Prepaid expenses | (2,783) | (319) | 3,477 |
| Deferred charges | (1,538) | 1,871 | (2,429) |
| Purchased power payable | (5,973) | (3,702) | 3,818 |
| Accounts payable | 24,825 | 899 | 1,566 |
| Accrued expenses | 7,881 | 327 | 1,033 |
| Other – net | 6,852 | (4,940) | (5,465) |
| Net cash provided by operating activities | 505,173 | 61,108 | 84,553 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures | (58,388) | (22,760) | (18,682) |
| Proceeds from disposition of investments related to sale-leaseback | – | 222,739 | – |
| Proceeds from restricted investments | 8,982 | – | – |
| Purchases of restricted investments and other deposits & investments | (252,798) | (401) | (424) |
| Net cash provided by (used in) investing activities | (302,204) | 199,578 | (19,106) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Principal payments on long-term obligations | (168,956) | (40,838) | (12,676) |
| Principal payments on short-term notes payable | (12,380) | – | – |
| Payments upon termination of sale-leaseback | – | (329,859) | – |
| Debt issuance cost on bond refunding | (246) | – | – |
| Net cash used in financing activities | (181,582) | (370,697) | (12,676) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 21,387 | (110,011) | 52,771 |
| CASH AND CASH EQUIVALENTS—Beginning of year | 38,903 | 148,914 | 96,143 |
| CASH AND CASH EQUIVALENTS—End of year | $ 60,290 | $ 38,903 | $ 148,914 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | |
| Cash paid for interest | $ 51,078 | $ 74,819 | $ 45,600 |
| Cash paid for income taxes | $ 626 | $ 1,220 | $ 420 |

*See notes to financial statements.*

# *Notes to Financial Statements*

As of December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009 — (Dollars in thousands)

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Information** — Big Rivers Electric Corporation ("Big Rivers" or the "Company"), an electric generation and transmission cooperative, supplies wholesale power to its three member distribution cooperatives (Kenergy Corp., Jackson Purchase Energy Corporation, and Meade County Rural Electric Cooperative Corporation) under all requirements contracts, excluding the power needs of two large aluminum smelters (the "Aluminum Smelters"). Additionally, Big Rivers sells power under separate contracts to Kenergy Corp. for the Aluminum Smelters load and markets power to nonmember utilities and power marketers. The members provide electric power and energy to industrial, residential, and commercial customers located in portions of 22 western Kentucky counties. The wholesale power contracts with the members remain in effect until December 31, 2043. Rates to Big Rivers' members are established by the Kentucky Public Service Commission (KPSC) and are subject to approval by the Rural Utilities Service (RUS). The financial statements of Big Rivers include the provisions of FASB ASC 980, *Certain Types of Regulation*, which was adopted by the Company in 2003, and gives recognition to the ratemaking and accounting practices of the KPSC and RUS.

In 1999, Big Rivers Leasing Corporation (BRLC) was formed as a wholly owned subsidiary of Big Rivers. BRLC's principal assets were the restricted investments acquired in connection with the 2000 sale-leaseback transaction discussed in Note 4. The sale-leaseback transaction was terminated on September 30, 2008 and BRLC was dissolved on July 16, 2009, in conjunction with the Unwind Transaction.

**Principles of Consolidation** — The financial statements of Big Rivers include the accounts of Big Rivers and its wholly owned subsidiary, BRLC. All significant intercompany transactions have been eliminated.

**Estimates** — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates.

**System of Accounts** — Big Rivers' maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the RUS Bulletin 1767B-1, as adopted by the KPSC. These regulatory agencies retain authority and periodically issue orders on various accounting and ratemaking matters. Adjustments to RUS accounting have been made to make the financial statements consistent with generally accepted accounting principles in the United States of America.

**Revenue Recognition** — Revenues generated from the Company's wholesale power contracts are based on month-end meter readings and are recognized as earned. Prior to its termination, in accordance with FASB ASC 840, *Leases*, Big Rivers' revenue from the Lease Agreement was recognized on a straight-line basis over the term of the lease. The major components of this lease revenue include the annual lease payments and the Monthly Margin Payments (described in Note 2).

**Utility Plant and Depreciation** — Utility plant is recorded at original cost, which includes the cost of contracted services, materials, labor, overhead, and an allowance for borrowed funds used during construction. Replacements of depreciable property units, except minor replacements, are charged to utility plant.

Allowance for borrowed funds used during construction is included on projects with an estimated total cost of $250 or more before consideration of such allowance. The interest capitalized is determined by applying the effective rate of Big Rivers' weighted-average debt to the accumulated expenditures for qualifying projects included in construction in progress.

Prior to July 17, 2009, the Effective Date of the Unwind Transaction (see Note 2), and in accordance with the terms of the Lease Agreement, the Company generally recorded capital additions for Incremental Capital Costs and Nonincremental Capital Costs expenditures funded by E.ON U.S. (formerly LG&E Energy Corporation) as utility plant to which the Company maintained title. A corresponding obligation to E.ON U.S. was recorded for the estimated portion of these additions attributable to the Residual Value Payments (see Note 2). A portion of this obligation was amortized to lease revenue over the useful life of those assets during the remaining lease term. For the years ended December 31, 2009 and 2008, the Company recorded $5,557 and $10,728, respectively, for such additions in utility plant. The Company recorded $3,881, $6,748, and $6,591 in 2009, 2008, and 2007, respectively, as related lease revenue in the accompanying financial statements. All amounts recorded for 2009 reflect the period prior to the Effective Date of the Unwind Transaction. Under the terms of the Unwind Transaction, E.ON U.S. waived their right to the Residual Value Payment, and the Company recognized a gain.

In accordance with the Lease Agreement, and in addition to the capital costs funded by E.ON U.S. (see Note 2) that were recorded by the Company as utility plant and lease revenue, E.ON U.S also incurred certain Nonincremental Capital Costs and Major Capital Improvements (as defined in the Lease Agreement) for which they waived rights to a Residual Value Payment by Big Rivers upon lease termination. Such amounts were not recorded as utility plant or lease revenue by the Company during the lease. In connection with the Unwind Transaction the Company recognized a gain of $19,679 for the Nonincremental Capital assets for which E.ON had waived rights to.

E.ON U.S. constructed a scrubber (Major Capital Improvement) at Big Rivers' Coleman plant. The scrubber achieved commercial acceptance in January 2007. The Company acquired the Coleman scrubber at no cost under the terms of the Unwind Transaction, recognizing a gain of $98,500 in 2009.

Depreciation of utility plant in service is recorded using the straight-line method over the estimated remaining service lives, as approved by the RUS and KPSC. The annual composite depreciation rates used to compute depreciation expense were as follows:

| | |
|---|---|
| Electric plant-leased | 1.60%–2.47% |
| Transmission plant | 1.76%–3.24% |
| General plant | 1.11%–5.62% |

For 2009, 2008, and 2007, the average composite depreciation rates were 1.85%, 1.85%, and 1.85%, respectively. At the time plant is disposed of, the original cost plus cost of removal less salvage value of such plant is charged to accumulated depreciation, as required by the RUS.

**Impairment Review of Long-Lived Assets** — Long-lived assets are reviewed as facts and circumstances indicate that the carrying amount may be impaired. This review is performed in accordance with FASB ASC 360, *Property, Plant, and Equipment* as it relates to impairment of long-lived assets. FASB ASC 360 establishes one accounting model for all impaired long-lived assets and long-lived assets to be disposed of by sale or otherwise. FASB ASC 360 requires the evaluation of impairment by comparing an asset's carrying value to the estimated future cash flows the asset is expected to generate over its remaining life. If this evaluation were to conclude that the carrying value of the asset is impaired, an impairment charge would be recorded based on the difference between the asset's carrying amount and its fair value (less costs to sell for assets to be disposed of by sale) as a charge to operations or discontinued operations.

**Restricted Investments** — Investments are restricted under KPSC order to establish certain reserve funds for member rate mitigation in conjunction with the Unwind Transaction. These investments have been classified as held-to-maturity and are carried at amortized cost (see Note 10).

**Cash and Cash Equivalents** — Big Rivers considers all short-term, highly-liquid investments with original maturities of three months or less to be cash equivalents.

**Income Taxes** — As a taxable cooperative, Big Rivers is entitled to exclude the amount of patronage allocations to members from taxable income. Income and expenses related to nonmember operations are taxable to Big Rivers. Big Rivers files a Federal income tax return and a Kentucky income tax return.

**Patronage Capital** — As provided in the bylaws, Big Rivers accounts for each year's patronage-sourced income, both operating and nonoperating, on a patronage basis. Notwithstanding any other provision of the bylaws, the amount to be allocated as patronage capital for a given year shall not be less than the greater of regular taxable patronage-sourced income or alternative minimum taxable patronage-sourced income.

**Derivatives** — Management has reviewed the requirements of FASB ASC 815, *Derivatives and Hedging*, and has determined that all contracts meeting the definition of a derivative also qualify for the normal purchases and sales exception under FASB ASC 815. The Company has elected the Normal Purchase and Normal Sale exception for these contracts and, therefore, the contracts are not required to be recognized at fair value in the financial statements.

**Fair value measurements** — The Fair Value Measurements and Disclosures Topic of the FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous, market for the asset or liability in an orderly transaction between market participants at the measurement date. The Fair Values Measurements Topic establishes a three-Level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs when possible. The three levels of inputs used to measure fair value are as follows:

- Level 1 — quoted prices in active markets for identical assets or liabilities
- Level 2 — observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and
- Level 3 — unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities, including certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

**New Accounting Pronouncements** — FASB ASC 815, *Derivatives and Hedging*, issued in March 2008, establishes enhanced disclosure requirements concerning derivative instruments and hedging activities. This enhanced disclosure standard requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation in order to better convey the purpose of derivative use in terms of the risks that the entity is intending to manage. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under FASB ASC 815 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This standard of FASB ASC 815 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company adopted this standard of FASB ASC 815 on January 1, 2009, with no impact to the Company's financial statements.

FASB ASC 855, *Subsequent Events*, establishes a standard for disclosure of events that occur during the period between the balance sheet date and the date on which the financial statements are issued. This standard of FASB ASC 855 is effective for interim or annual financial periods ending after June 15, 2009. The Company has adopted the disclosure requirements for subsequent events as outlined in ASC 855 and management evaluated subsequent events up to and including March 26, 2010, the date the financial statements were available to be issued.

FASB ASC 105, *Generally Accepted Accounting Principles*, provides a Codification of accounting standards that supersedes all previously existing non-SEC accounting and reporting standards and becomes the authoritative source of U.S. generally accepted accounting principles (GAAP). This standard of FASB ASC 105 is effective for annual financial statements issued after September 15, 2009. The Company has adopted the Accounting Standard Codification (ASC) established by FASB ASC 105.

2. LG&E LEASE AGREEMENT

Big Rivers, E.ON U.S. LLC ("E.ON"), Western Kentucky Energy Corporation ("WKEC"), and LG&E Energy Marketing ("LEM"), closed effective July 17, 2009, a transaction resulting in a mutually acceptable early termination of the 1998 LG&E Lease Agreement (referred herein as the "Unwind Transaction" or "Unwind"). E.ON, WKEC, and LEM are collectively referred to in the Notes as "E.ON Entities." This transaction was approved by the KPSC and the RUS. The Unwind Transaction resulted in Big Rivers recognizing a net gain of $537,978. This transaction resulted in the acquisition of assets, the assumption of liabilities, the forgiveness of liabilities, and the establishment of a regulatory reserve prescribed by the KPSC in their approval of the transaction. Assets and liabilities in the unwind transaction were accounted for at fair value or recorded value, as appropriate. The gain from the Unwind Transaction is summarized as follows:

| | Unwind Gain |
|---|---|
| Assets received: | |
| Cash | $506,675 |
| Coleman scrubber | 98,500 |
| Inventory | 55,000 |
| Construction in progress | 23,074 |
| Utility plant assets | 19,679 |
| SO2 allowances | 980 |
| Liabilities (assumed) forgiven: | |
| Economic Reserve | (157,000) |
| Rural Economic Reserve | (60,856) |
| Post-retirement benefits liability | (8,768) |
| Residual value payments obligation | 145,251 |
| LEM Settlement Note | 15,440 |
| Recognition of (expenses) income: | |
| Deferred lease income | 7,187 |
| Deferred loss from termination of sale/leaseback | (73,829) |
| Deferred loss from LEM Marketing Payment/Settlement Note | (14,520) |
| Unwind transaction costs | (18,991) |
| Other | 156 |
| Gain on unwind transaction | $537,978 |

The terms of the LG&E Lease Agreement as originally structured are outlined in the following text.

On July 15, 1998 ("Effective Date"), a lease was consummated ("Lease Agreement"), whereby Big Rivers leased its generating facilities to Western Kentucky Energy Corporation (WKEC), a wholly owned subsidiary of E.ON U.S. Pursuant to the Lease Agreement, WKEC operated the generating facilities and maintained title to all energy produced. Throughout the lease term, in order for Big Rivers to fulfill its obligation to supply power to its members, the Company purchased substantially all of its power requirements from LG&E Energy Marketing Corporation (LEM), a wholly owned subsidiary of E.ON U.S., pursuant to a power purchase agreement.

Big Rivers continued to operate its transmission facilities and charged LEM tariff rates for delivery of the energy produced by WKEC and consumed by LEM's customers. The significant terms of the Lease Agreement were as follows:

a. WKEC was to lease and operate Big Rivers' generation facilities through 2023.

b. Big Rivers retained ownership of the generation facilities both during and at the end of the lease term.

c. WKEC paid Big Rivers an annual lease payment of $30,955 over the lease term, subject to certain adjustments.

d. On the Effective Date, Big Rivers received $69,100 representing certain closing payments and the first two years of the annual lease payments. In accordance with FASB ASC 840, *Leases*, the Company amortized these payments to revenue on a straight-line basis over the life of the lease.

e. Big Rivers continued to provide power for its members, excluding the member loads serving the Aluminum Smelters, through its power purchase agreements with LEM and the Southeastern Power Administration, based on a pre-determined maximum capacity. When economically feasible, the Company also obtained the power necessary to supply its member loads, excluding the Aluminum Smelters, in the open market. Kenergy Corp.'s retail service for the Aluminum Smelters was served by LEM and other third-party providers that included Big Rivers. To the extent the power purchased from LEM did not reach pre-determined minimums, the Company was required to pay certain penalties. Also, to the extent additional power was available to Big Rivers under the LEM contract, Big Rivers made sales to nonmembers.

f. LEM reimbursed Big Rivers the margins expected from the Aluminum Smelters, defined as the net cash flows that Big Rivers anticipated receiving if the Company had continued to serve the Aluminum Smelters' load, as filed in the Rate Hearing (the "Monthly Margin Payments").

g. WKEC was responsible for the operating costs of the generation facilities; however, Big Rivers was partially responsible for ordinary capital expenditures ("Nonincremental Capital Costs") for the generation facilities over the term of the Lease Agreement, generally up to predetermined annual amounts. At the end of the lease term, Big Rivers was obligated to fund a "Residual Value Payment" to E.ON U.S. for such capital additions during the lease (see Note 1). Adjustments to the Residual Value Payment were made based upon actual capital expenditures. Additionally, WKEC made required capital improvements to the facilities to comply with new laws or a changes to existing laws ("Incremental Capital Costs") over the lease life (the Company was partially responsible for such costs: 20% through 2010) and the Company was required to submit another Residual Value Payment to E.ON U.S. for the undepreciated value of WKEC's 80% share of these costs, at the end of the lease. The Company had title to these assets during the lease and upon lease termination.

h. Big Rivers entered into a note payable with LEM for $19,676 (the "LEM Settlement Note") to be repaid over the term of the Lease Agreement, with an interest rate at 8% per annum, in consideration for LEM's assumption of the risk related to unforeseen costs with respect to power to be supplied to the Aluminum Smelters and the increased responsibility for financing capital improvements. The Company recorded this obligation as a component of deferred charges with the related payable recorded as long-term debt in the accompanying balance sheets. This deferred charge was amortized on a straight-line basis up to the Effective Date of the Unwind Transaction.

i. On the Effective Date, Big Rivers paid a nonrefundable marketing payment of $5,933 to LEM, which was recorded as a component of deferred charges. This amount was amortized on a straight-line basis up to the Effective Date of the Unwind Transaction.

j. During the lease term, Big Rivers was entitled to certain "billing credits" against amounts the Company owed LEM under the power purchase agreement. Each month during the first 55 months of the lease term, Big Rivers received a credit of $89. For the year 2011, Big Rivers was to receive a credit of $2,611 and for the years 2012 through 2023, the Company was to receive a credit of $4,111 annually.

In accordance with the power purchase agreement with LEM, the Company was allowed to purchase power in the open market rather than from LEM, incurring penalties when the power purchased from LEM did not meet certain minimum levels, and to sell excess power (power not needed to supply its jurisdictional load) in the open market (collectively referred to as "Arbitrage"). Pursuant to the New RUS Promissory Note and the RUS ARVP Note, the benefit, net of tax, as defined, derived from Arbitrage had to be divided as follows: one-third, adjusted for capital expenditures, was used to make principal payments on the New RUS Promissory Note; one-third was used to make principal payments on the RUS ARVP Note; and the remaining value was retained by the Company.

## 3. UTILITY PLANT

At December 31, 2009 and 2008, utility plant is summarized as follows:

| | 2009 | 2008 |
|---|---|---|
| Classified plant in service: | | |
| Production plant | $1,675,733 | $ - |
| Electric plant — leased | - | 1,535,004 |
| Transmission plant | 236,639 | 230,800 |
| General plant | 18,201 | 17,240 |
| Other | 543 | 543 |
| | 1,931,116 | 1,783,587 |
| Less accumulated depreciation | 908,099 | 879,073 |
| | 1,023,017 | 904,514 |
| Construction in progress | 55,257 | 8,185 |
| Utility plant — net | $1,078,274 | $912,699 |

Interest capitalized for the years ended December 31, 2009, 2008, and 2007, was $133, $492, and $391, respectively.

The Company has not identified any material legal asset retirement obligations, as defined in FASB ASC 410, *Asset Retirement Obligations*. In accordance with regulatory treatment, the Company records an estimated net cost of removal of its utility plant through normal depreciation. As of December 31, 2009 and 2008, the Company had a regulatory liability of approximately $35,835 and $32,696, respectively, related to nonlegal removal costs included in accumulated depreciation.

## 4. SALE-LEASEBACK

On April 18, 2000, the Company completed a sale-leaseback of two of its utility plants, including the related facilities and equipment. The sale-leaseback provided Big Rivers a $1,089,000 fixed price purchase option, at the end of each lease term (25 and 27 years), which, together with future contractual interest receipts, would be fully funded.

On September 30, 2008, the Company completed an early termination of the sale-leaseback transaction. The termination was precipitated by the June 2008 downgrade of the claims-paying ability of Ambac Assurance Corporation (Ambac). Ambac served as insurer of Big Rivers' payment obligations, thereby providing credit support under the transaction. Ambac's downgrade exposed the Company to adverse consequences under the contractual terms of the transaction and after consideration of alternative options, Big Rivers ultimately settled on termination as the preferred solution. Proceeds from disposition of the restricted investment and payments required under the termination agreements were $222,739 and $329,559, respectively, reflecting a net cash payment of $107,120. To meet its remaining obligations Big Rivers' entered into a $12,390 promissory note (see Note 5) with Philip Morris Capital Corporation (PMCC). A net loss of $77,001 resulting from the early termination of the sale-leaseback was recorded as a regulatory asset and was amortized up to the Effective Date of the Unwind Transaction; with the balance of the regulatory asset reflected as an offset to the gain recognized from the Unwind Transaction.

Prior to termination the sale-leaseback transaction was recorded as a financing for financial reporting purposes and a sale for Federal income tax purposes. In connection therewith, in 2000, Big Rivers received $868,676 of proceeds and incurred $791,626 of related obligations. Pursuant to a payment undertaking agreement with a financial institution, Big Rivers effectively extinguished $656,029 of these obligations with an equivalent portion of the proceeds. The Company also purchased investments with an initial value of $146,647 to fund the remaining $135,597 of the obligations. Interest received and paid was recorded to these accounts up to the date of lease termination. The Company paid 7.57% interest on its obligations related to long-term lease and received 6.89% on its related investments. The Company made a $64,000 principal payment on the New RUS Promissory Note with the remaining proceeds. The $75,050 gain was deferred and was amortized up to the date of lease termination, with the Company recognizing $1,998; and $2,900, in 2008, and 2007, respectively.

The Amount recognized in the statement of financial position related to the sale-leaseback as of December 31, 2008, is as follows:

| | |
|---|---|
| Deferred loss from termination of sale-leaseback | $76,001 |

The unamortized balance of the deferred loss was recognized in 2009 in conjunction with the unwind transaction described in Note 2 based on agreement with the KPSC.

Amounts recognized in the statement of operations related to the sale-leaseback for the years ended December 31, 2008, and 2007, are as follows:

| | 2008 | 2007 |
|---|---|---|
| Power contracts revenue (revenue discount adjustment — see Note 6) | $(2,453) | $(3,680) |
| Interest on obligations related to long-term lease: | | |
| Interest expense | 8,989 | 12,819 |
| Amortize gain on sale-leaseback | (1,998) | (2,900) |
| Net interest on obligations related to long-term lease | $6,991 | $9,919 |
| Interest income on restricted investments under long-term lease | $8,742 | $12,481 |
| Interest income and other | $779 | $778 |

## 5. DEBT AND OTHER LONG-TERM OBLIGATIONS

A detail of long-term debt at December 31, 2009 and 2008, is as follows:

| | 2009 | 2008 |
|---|---|---|
| RUS Series A Promissory Note, stated amount of, $599,462, stated interest rate of 5.75%, with an interest rate of 5.84%, maturing July 2021 | $598,786 | $ - |
| New RUS Promissory Note, stated amount of, $768,391, stated interest rate of 5.75%, with an interest rate of 5.82%, maturing July 2021 | - | 765,297 |
| RUS Series B Note, stated amount of $245,530, no stated interest rate, with interest imputed at 5.80%, maturing December 2023 | 109,666 | - |
| RUS ARVP Note, stated amount of $245,899, no stated interest rate, with interest imputed at 5.80%, maturing December 2023 | - | 103,685 |
| LEM Settlement Note, interest rate of 8.0%, payable in monthly installments | - | 15,658 |
| County of Ohio, Kentucky, promissory note, variable interest rate (average interest rate of 10.50% and 8.95% in 2009 and 2008, respectively), maturing in October 2022 | 83,300 | 83,300 |
| County of Ohio, Kentucky, promissory note, variable interest rate (average interest rate of 3.22% and 5.14% in 2009 and 2008, respectively), maturing in June 2013 | 58,800 | 58,800 |
| PMCC Promissory Note with an interest rate of 8.5% | - | 12,380 |
| Total long-term debt | 848,552 | 1,039,120 |
| Current maturities | 14,185 | 51,771 |
| Total long-term debt — net of current maturities | $834,367 | $987,349 |

The following are scheduled maturities of long-term debt at December 31:

| Year | Amount |
|---|---|
| 2010 | $14,185 |
| 2011 | 14,850 |
| 2012 | 76,081 |
| 2013 | 79,278 |
| 2014 | 21,678 |
| Thereafter | 642,480 |
| Total | $848,552 |

**RUS Notes** — On July 15, 1998, Big Rivers recorded the New RUS Promissory Note and the RUS ARVP Note at fair value using the applicable market rate of 5.82%. On the Unwind Closing Date, the New RUS Note and the ARVP Note were replaced with the RUS 2009 Promissory Note Series A and the RUS 2009 Promissory Note Series B, respectively. After an Unwind Closing Date payment of $140,181, the RUS 2009 Promissory Note Series A is recorded at an interest rate of 5.84%. The RUS 2009 Series B Note is recorded at an imputed interest rate of 5.80%. The RUS Notes are collateralized by substantially all assets of the Company and secured by the Indenture dated July 1, 2009 between the Company and U.S. Bank National Association.

**Pollution Control Bonds** — The County of Ohio, Kentucky, issued $83,300 of Pollution Control Periodic Auction Rate Securities, Series 2001, the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate. These bonds bear interest at a variable rate and mature in October 2022.

The County of Ohio, Kentucky, issued $58,800 of Pollution Control Variable Rate Demand Bonds, Series 1983, the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate as the bonds. These bonds bear interest at a variable rate and mature in June 2013.

The Series 1983 bonds are supported by a liquidity facility issued by Credit Suisse First Boston, which was assigned to Dexia Credit in 2006. Both Series are supported by municipal bond insurance and surety policies issued by Ambac Assurance Corporation. Big Rivers has agreed to reimburse Ambac Assurance Corporation for any payments under the municipal bond insurance policies or the surety policies. Both Series are secured by the Indenture dated July 1, 2009 between the company and U.S. Bank National Association.

These instruments are subject to maximum interest rates of 13% and 18%, respectively. The December 31, 2009 interest rates on the Series 1983 and Series 2001 Pollution Control Bonds were 3.25% and 4.50%, respectively.

**LEM Settlement Note** — On July 15, 1998 Big Rivers executed the Settlement Note with LEM. The Settlement Note required Big Rivers to pay to LEM $19,876, plus interest at 8% per annum over the lease term. The principal and interest payment was approximately $1,822 annually. On the Unwind Closing Date, in connection with the Unwind Transaction the remaining balance on the Settlement Note in the amount of $15,440 was forgiven.

**PMCC Promissory Note** — On September 30, 2009 in conjunction with the early termination of the sale-leaseback transaction (see Note 4), Big Rivers executed a promissory note with Phillip Morris Capital Corporation (PMCC). The note required Big Rives to pay PMCC $12,380, plus interest at 8.5% per annum. On the Unwind Closing Date Big Rivers repaid the $12,380 principal amount. At December 31, 2009 the Company had no remaining liability associated with this promissory note.

**Notes Payable** — Notes payable represent the Company's borrowing on its line of credit with the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank, ACB (CoBank). The maximum borrowing capacity on the lines of credit is $100,000 consisting of $50,000 each for CFC and CoBank. There were no borrowings outstanding on the line of credit at December 31, 2009, however letter of credits issued under an associated Letter of Credit Facility with CFC reduced the borrowing capacity by $5,654. Advances on the CFC line of credit bear interest at a variable rate and outstanding balances are payable in full by the maturity date of July 16, 2014. Advances on the CoBank line of credit bear interest at a variable rate and outstanding balances are payable in full by the maturity date of July 16, 2012.

## 6. RATE MATTERS

The rates charged to Big Rivers' members consist of a demand charge per kW and an energy charge per kWh consumed as approved by the KPSC. The rates include specific demand and energy charges for its members' two classes of customers, the large industrial customers and the rural customers under its jurisdiction. For the large industrial customers, the demand charge is generally based on each customer's maximum demand during the current month. Each members rural demand charge is based upon the maximum coincident demand of their rural delivery points.

Prior to the Unwind Transaction the demand and energy charges were not subject to adjustments for increases or decreases in fuel or environmental costs. In conjunction with the Unwind Transaction, the KPSC approved the implementation of certain tariff riders; including a fuel adjustment clause and an environmental surcharge, offset by an unwind surcredit (a refund to tariff members of certain charges collected from the Aluminum Smelter in accordance with the contract terms). The net effect of these tariffs is recognized as revenue on a monthly basis with an offset to the regulatory liability – member rate mitigation described below.

The net impact of the tariff riders to members rates is currently mitigated by a Member Rate Stability Mechanism (MRSM) that was funded by certain cash amounts received from the E.ON Entities in connection with the Unwind

Transaction (the Economic and Rural Economic Reserves) and held by Big Rivers as restricted investments. An offsetting regulatory liability – member rate mitigation was established with the funding of these accounts. Big Rivers is required to file a rate case with the KPSC within three years of the unwind or July 2012.

Effective since September 1, 2000, and continuing through August 31, 2008, the KPSC approved Big Rivers' request for a $3,680 annual revenue discount adjustment for its members, effectively passing the benefit of the sale-leaseback transaction (see Note 4) to them. On September 1, 2008, Big Rivers' discontinued the revenue discount adjustment to its members in conjunction with the sale-leaseback termination.

## 7. INCOME TAXES

Big Rivers was formed as a tax-exempt cooperative organization described in Internal Revenue Code Section 501(c)(12). To retain tax-exempt status under this section, at least 85% of the Big Rivers' receipts must be generated from transactions with the Company's members. In 1983, sales to nonmembers resulted in Big Rivers failing to meet the 85% requirement. Until Big Rivers can meet the 85% member income requirement, the Company is a taxable cooperative.

Under the provisions of FASB ASC 740, *Income Taxes*, Big Rivers is required to record deferred tax assets and liabilities for temporary differences between amounts reported for financial reporting purposes and amounts reported for income tax purposes. Deferred tax assets and liabilities are determined based upon these temporary differences using enacted tax rates for the year in which these differences are expected to reverse. Deferred income tax expense or benefit is based on the change in assets and liabilities from period to period, subject to an ongoing assessment of realization. Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the more-likely-than-not recognition threshold is satisfied and measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement.

As a result of the sale-leaseback terminations in 2008 (see Note 4), Big Rivers no longer considers that it is more likely than not that it will recover its net deferred tax assets (which consisted solely of Alternative Minimum Tax (AMT) credit carryforwards). An income statement charge of $5,035 relating the AMT amounts carried forward at January 1, 2008 together with a charge of $900 relating to the 2008 AMT obligation were recorded in the *Statement of Operations* for 2008. An AMT charge of $1,025 was recorded in the *Statement of Operations* for 2009.

At December 31, 2009, Big Rivers had a nonpatron net operating loss carryforward of approximately $53,138 expiring through 2012, and an alternative minimum tax credit carryforward of approximately $7,052, which carries forward indefinitely.

The Company has not recorded any regular income tax expense for the years ended December 31, 2009, 2008 and 2007, as the Company has utilized federal net operating losses to offset any regular taxable income during those years. Had the Company not had the benefit of a net operating loss carryforward, the Company would have recorded $19,819, $20,363, and $7,724 in current regular tax expense for the years ended December 31, 2009, 2008 and 2007, respectively.

The components of the net deferred tax assets as of December 31, 2009 and 2008, were as follows:

| | 2009 | 2008 |
|---|---|---|
| Deferred tax assets: | | |
| Net operating loss carryforward | $20,990 | $40,609 |
| Alternative minimum tax credit carryforwards | 7052 | 5,935 |
| Member Rate Mitigation | 10,326 | - |
| Fixed asset basis difference | 11,420 | 33,786 |
| Total deferred tax assets | 49,788 | 80,330 |
| Deferred tax liabilities — ARVP Note | (23,793) | (25,384) |
| Net deferred tax asset (prevaluation allowance) | 25,995 | 54,946 |
| Valuation allowance | (25,995) | (54,946) |
| Net deferred tax asset | $ - | $ - |

A reconciliation of the Company's effective tax rate for 2009, 2008 and 2007, follows:

| | 2008 | 2009 | 2007 |
|---|---|---|---|
| Federal rate | 35.0 % | 35.0 % | 35.0 % |
| State rate — net of federal benefit | 4.5 | 4.5 | 4.5 |
| Patronage allocation to members | (35.4) | (31.3) | (28.0) |
| Tax benefit of operating loss carryforwards and other | (4.1) | (8.2) | (11.5) |
| Alternative minimum tax | 0.2 | 18.0 | - |
| Effective tax rate | 0.2 % | 18.0 % | - % |

The Company files a federal income tax return, as well as several state income tax returns. The years currently open for federal tax examination are 2005 through 2009 and 1990 through 1997, due to unused net operating loss carryforwards. The major state tax jurisdiction currently open for tax examination is Kentucky for years 2002 through 2009 and years 1990 through 1997, also due to unused net operating loss carryforwards. The Company has not recorded any unrecognized tax benefits or liabilities related to federal or state income taxes.

The Company classifies interest and penalties as an operating expense on the income statement and accrued expense in the balance sheet. No interest or penalties have been recorded during 2007, 2008, or 2009.

## 8. POWER PURCHASED

Prior to the Unwind Transaction and in accordance with the Lease Agreement, Big Rivers supplied all of the members' requirements for power to serve their customers, other than the Aluminum Smelters. Contract limits were established in the Lease Agreement and included minimum and maximum hourly and annual power purchase amounts. Big Rivers could not reduce the contract limits by more than 12 MW in any year or by more than a total of 72 MW over the lease term. In the event Big Rivers failed to take the minimum requirement during any hour or year, Big Rivers was liable to LEM for a certain percentage of the difference between the amount of power actually taken and the applicable minimum requirement.

Although Big Rivers was required by the Lease Agreement to purchase minimum hourly and annual amounts of power from LEM, the lease did not prevent Big Rivers from paying the associated penalty in certain hours to purchase lower cost power, if available, in the open market or reselling a portion of its purchased power to a third party. The power purchases made under this agreement for the years ended December 31, 2009, 2008, and 2007, were $51,592, $99,700, and $96,295, respectively, and are included in power purchased and interchanged on the statement of operations.

## 9. PENSION PLANS

**Defined Benefit Plans** — Big Rivers has noncontributory defined benefit pension plans covering substantially all employees who meet minimum age and service requirements and who were employed by the Company prior to the plans closure dates cited below. The plans provide benefits based on the participants' years of service and the five highest consecutive years' compensation during the last ten years of employment. Big Rivers' policy is to fund such plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

The salaried employees defined benefit plan was closed to new entrants effective January 1, 2008, and the bargaining employees defined benefit plan was closed to new hires effective November 1, 2008. The Company simultaneously established base contribution accounts in the defined contribution thrift and 401(k) savings plans, which were renamed as the retirement savings plans. The base contribution account for an eligible employee, which is one who meets the minimum age and service requirements, but for whom membership in the defined benefit plan is closed, is funded by employer contributions based on graduated percentages of the employee's pay, depending on his or her age.

The Company has adopted FASB ASC 715, *Defined Benefit Plans*, including the requirement to recognize the funded status of its pension plans and other postretirement plans (see Note 12 — Postretirement Benefits Other Than Pensions). FASB ASC 715 defines the funded status of a defined benefit pension plan as the fair value of its assets less its projected benefit obligation, which includes projected salary increases, and defines the funded status of any other postretirement plan as the fair value of its assets less its accumulated postretirement benefit obligation.

FASB ASC 715 also requires an employer to measure the funded status of a plan as of the date of its year-end balance sheet and requires disclosure in the notes to the financial statements certain additional information related to net periodic benefit costs for the next fiscal year. The Company's pension and other postretirement benefit plans are measured as of December 31, 2009 and 2008.

The following provides an overview of the Company's noncontributory defined benefit pension plans.

A reconciliation of the Company's benefit obligations of its noncontributory defined benefit pension plans at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Benefit obligation — beginning of period | $24,253 | $19,889 |
| Service cost — benefits earned during the period | 1,241 | 1,072 |
| Interest cost on projected benefit obligation | 1,466 | 1,220 |
| Participant contributions (lump sum repayment) | 40 | 318 |
| Plan settlements | 262 | - |
| Benefits paid | (3,945) | (248) |
| Actuarial loss | 2,176 | 2,002 |
| Benefit obligation — end of period | $25,493 | $24,253 |

The accumulated benefit obligation for all defined benefit pension plans was $18,630 and $18,568 at December 31, 2009 and 2008, respectively.

A reconciliation of the Company's pension plan assets at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Fair value of plan assets — beginning of period | $20,295 | $21,820 |
| Actual return on plan assets | 4,820 | (5,095) |
| Employer contributions | 1,060 | 3,500 |
| Participant contributions (lump sum repayment) | 40 | 318 |
| Benefits paid | (3,945) | (248) |
| Fair value of plan assets — end of period | $22,270 | $20,295 |

The funded status of the Company's pension plans at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Benefit obligation — end of period | $(25,493) | $(24,253) |
| Fair value of plan assets — end of period | 22,270 | 20,295 |
| Funded status | $(3,223) | $(3,958) |

Components of net periodic pension costs for the years ended December 31, 2009, 2008, and 2007, were as follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Service cost | $1,241 | $1,072 | $958 |
| Interest cost | 1,466 | 1,220 | 1,058 |
| Expected return on plan assets | (1,332) | (1,516) | (1,167) |
| Amortization of prior service cost | 19 | 19 | 19 |
| Amortization of actuarial loss | 834 | 247 | 285 |
| Settlement loss | 1,690 | - | - |
| Net periodic benefit cost | $3,918 | $1,042 | $1,153 |

A reconciliation of the pension plan amounts in accumulated other comprehensive income at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Prior service cost | $ (59) | $ (78) |
| Unamortized actuarial (loss) | (9,651) | (13,226) |
| Accumulated other comprehensive income | $(9,710) | $(13,304) |

In 2010, $19 of prior service cost and $560 of actuarial loss is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive income at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Prior service cost | $ 19 | $ 19 |
| Unamortized actuarial (loss) | 3,575 | (8,365) |
| Other comprehensive income | $3,594 | $(8,346) |

At December 31, 2009 and 2008, amounts recognized in the statement of financial position were as follows:

| | 2009 | 2008 |
|---|---|---|
| Deferred credits and other | $(3,223) | $(3,958) |

Assumptions used to develop the projected benefit obligation and determine the net periodic benefit cost were as follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Discount rate — projected benefit obligation | 5.59 % | 6.38 % | 6.25 % |
| Discount rate — net periodic benefit cost | 6.38 | 6.25 | 5.75 |
| Rates of increase in compensation levels | 4.00 | 4.00 | 4.00 |
| Expected long-term rate of return on assets | 7.25 | 7.25 | 7.25 |

The expected long-term rate of return on plan assets for determining net periodic pension cost for each fiscal year is chosen by the Company from a best estimate range determined by applying anticipated long-term returns and long-term volatility for various asset categories to the target asset allocation of the plans, as well as taking into account historical returns.

Using the asset allocation policy adopted by the Company noted in the paragraph below, we determined the expected rate of return at a 50% probability of achievement Level based on (a) forward-looking rate of return expectations for passively-managed asset categories over a 20-year time horizon and (b) historical rates of return for passively-managed asset categories. Applying an approximately 80%/20% weighting to the rates determined in (a) and (b), respectively, produced an expected rate of return of 7.28%, which was rounded to 7.25%.

Big Rivers utilizes a third party investment manager for the plan assets, and has communicated thereto the Company's Retirement Plan Investment Policy, including a target asset allocation mix of 50% U.S. Equities (an acceptable range of 45-55%), 15% International Equities (an acceptable range of 10-20%), and 35% fixed income (an acceptable range of 30-40%). As of December 31, 2009 and 2008, the investment allocation was 55% and 40%, respectively, in U.S. Equities, 11% and 7%, respectively, in International Equities, and 34% and 53%, respectively, in fixed income. The objective of the investment program seeks to (a) maximize return on investment, (b) minimize volatility, (c) minimize company contributions, and (d) provide the employee benefit in accordance with the plans. The portfolio is well diversified and of high quality. The average quality of the fixed income investments must be "A" or better. The Equity portfolio must also be of investment grade quality. The performance of the investment manager is reviewed semi-annually.

At December 31, 2009, the fair value of Big Rivers' defined benefit pension plan assets by asset category are as follows:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| Cash and Money Market | $ 815 | $ - | $ 815 |
| Equity Securities: | | | |
| U.S. large-cap stocks | 8,580 | - | 8,580 |
| U.S. mid-cap stock mutual funds | 2,064 | - | 2,064 |
| U.S. small-cap stock mutual funds | 1,282 | - | 1,282 |
| International stock mutual funds | 2,328 | - | 2,328 |
| Preferred stock | 404 | - | 404 |
| Fixed: | | | |
| U.S. Government Agency Bonds | - | 2,139 | 2,139 |
| Taxable U.S. Municipal Bonds | - | 2,282 | 2,282 |
| U.S. Corporate Bonds | - | 2,376 | 2,376 |
| | $15,473 | $6,797 | $22,270 |

Expected retiree pension benefit payments projected to be required during the years following 2009 are as follows:

| Years Ending December 31 | Amount |
|---|---|
| 2010 | $ 2,033 |
| 2011 | 1,868 |
| 2012 | 2,911 |
| 2013 | 4,043 |
| 2014 | 2,041 |
| 2015–2019 | 13,642 |
| Total | $26,538 |

In 2010, the Company expects to contribute $1,096 to its pension plan trusts.

**Defined Contribution Plans** — Big Rivers has two defined contribution retirement plans covering substantially all employees who meet minimum age and service requirements. Each plan has a thrift and 401(k) savings section allowing employees to contribute up to 75% of pay on a pre-tax and/or after-tax basis, with employer matching contributions equal to 60% of the first 6% contributed by the employee on a pre-tax basis.

A base contribution retirement section was added and the plan name changed from thrift and 401(k) savings to retirement savings, effective January 1, 2008, for the salaried plan and November 1, 2008, for the bargaining plan. The base contribution account is funded by employer contributions based on graduated percentages of pay, depending on the employee's age.

The Company's expense under these plans was $355 and $308 for the years ended December 31, 2009 and 2008, respectively.

**Deferred Compensation Plan** — Effective May 1, 2008, Big Rivers established a nonqualified deferred compensation plan for its eligible employees who are members of a select group of management or highly compensated employees. The purpose of the plan is to allow participants to receive contributions or make deferrals that they could not receive or make under the salaried employees qualified defined contribution retirement savings plan (formerly the thrift and 401(k) savings plan) as a result of nondiscrimination rules and other limitations applicable to the qualified plan under the Internal Revenue Code. The nonqualified plan also allows a participant to defer a percentage of his or her pay on a pre-tax basis.

The nonqualified deferred compensation plan is unfunded, but the Company has chosen to finance its obligations under the plan, including any employee deferrals, through a rabbi trust. The trust assets remain a part of the Company's general assets, subject to the claims of its creditors. The 2009 employer contribution was $33 and deferred compensation expense was $67. As of December 31, 2009, the trust asset was $94 and the deferred liability was $101.

## 10. RESTRICTED INVESTMENTS

The amortized costs and fair values of Big Rivers restricted investments held for member rate mitigation at December 31, 2009 are as follows:

| | Amortized Costs | Fair Values |
|---|---|---|
| Cash and Money Market | $25,186 | $25,186 |
| Debt Securities: | | |
| U.S. Treasuries | 67,895 | 67,474 |
| U.S. Government Agency | 150,144 | 150,181 |
| Total | $243,225 | $242,841 |

Gross unrealized gains and losses on restricted investments at December 31, 2009 were as follows:

| | Gains | Losses |
|---|---|---|
| Cash and Money Market | $ - | $ - |
| Debt Securities: | | |
| U.S. Treasuries | 12 | 434 |
| U.S. Government Agency | 79 | 41 |
| Total | $91 | $475 |

Debt securities at December 31, 2009 mature, according to their contractual terms, as follows (actual maturities may differ due to call or prepayment rights):

| | Amortized Costs | Fair Values |
|---|---|---|
| In one year or less | $46,102 | $46,112 |
| After one year through five years | 197,123 | 196,729 |
| Total | $243,225 | $242,841 |

Gross unrealized losses on investments and the fair values of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2009, were:

| | Less Than 12 Months | |
|---|---|---|
| | Losses | Fair Values |
| Debt securities: | | |
| U.S. Treasuries | $434 | $59,872 |
| U.S. Government Agency | 41 | 45,026 |
| Total | $475 | $104,898 |

The unrealized loss positions were primarily caused by interest rate fluctuations. The number of investments in an unrealized loss position as of December 31, 2009 was eight. Since the company does not intend to sell and will more likely than not maintain each debt security until its anticipated recovery, and no significant credit risk is deemed to exist, these investments are not considered other-than-temporarily impaired.

The restricted investments related to cash and money market investments are classified as trading securities under ASC 320 and were recorded at fair value using quoted market prices for identical assets without regard to valuation adjustment or block discount (a Level 1 measure), as follows:

| | |
|---|---|
| Cash and Money Market | $25,186 |

## 11. FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measures. It applies under other accounting standards that require or permit fair value measurements and does not require any new fair value measurements. This standard of FASB ASC 820 is effective for fiscal years beginning after November 15, 2007. The adoption of the standards of FASB ASC 820 had no impact on the Company's results of operations and financial condition.

The carrying value of accounts receivable, and accounts payable approximate fair value due to their short maturity. At December 31, the Company's cash and cash equivalents included short-term investments in an institutional money market government portfolio account classified as trading securities under ASC 320 that were recorded at fair value which were determined using quoted market prices for identical assets without regard to valuation adjustment or block discount (a Level 1 measure), as follows:

| | 2009 | 2008 |
|---|---|---|
| Institutional money market government portfolio | $59,887 | $38,424 |

It was not practical to estimate the fair value of patronage capital included within other deposits and investments due to these being untraded companies.

Big Rivers' long-term debt at December 31, 2009 consists of RUS notes totaling $706,452 and variable rate pollution control bonds in the amount of $142,100 (see Note 5). The RUS debt cannot be traded in the market and, therefore, a value other than its outstanding principal amount cannot be determined. The fair value of the Company's variable rate pollution control debt is par value, as each variable rate reset effectively prices such debt to the current market.

## 12. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Big Rivers provides certain postretirement medical benefits for retired employees and their spouses. Generally, except for generation bargaining retirees, Big Rivers pays 85% of the premium cost for all retirees age 62 to 65. The Company pays 25% of the premium cost for spouses under age 62. For salaried retirees age 55 to age 62, Big Rivers pays 25% of the premium cost. Beginning at age 65, the Company pays 25% of the premium cost if the retiree is enrolled in Medicare Part B. For each generation bargaining retiree, Big Rivers establishes a retiree medical account at retirement equal to $1,200 per year of service up to 30 years ($1,250 per year for those retiring on or after 1/1/12). The account balance is credited with interest based on the 10-year treasury rate subject to a minimum of 4% and a maximum of 7%. The account is to be used for the sole purpose of paying the premium cost for the retiree and spouse.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Medicare Act") was enacted. The Medicare Act created Medicare Part D, a new prescription drug benefit that is available to all Medicare-eligible individuals, effective January 1, 2006. National Rural Electric Cooperative Association (NRECA), the provider of Big Rivers' health plan coverage through the NRECA Group Benefits Trust, chose to become a Medicare Part D provider. Effective January 1, 2006, Part D coverage is the only drug coverage available to Big Rivers' Medicare-eligible retirees.

The discount rates used in computing the postretirement benefit obligation and net periodic benefit cost were as follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Discount rate — projected benefit obligation | 5.78 % | 6.32 % | 5.85 % |
| Discount rate — net periodic benefit cost | 6.32 | 5.85 | 5.75 |

The health care cost trend rate assumptions as of December 31, 2009 and 2008, were as follows:

| | 2009 | 2008 |
|---|---|---|
| Initial trend rate | 7.70 % | 7.90 % |
| Ultimate trend rate | 4.50 % | 4.50 % |
| Year ultimate trend is reached | 2028 | 2028 |

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

| | 2009 | 2008 |
|---|---|---|
| One-percentage-point decrease: | | |
| Effect on total service and interest cost components | $(138) | $(37) |
| Effect on year end benefit obligation | (989) | (290) |
| One-percentage-point increase: | | |
| Effect on total service and interest cost components | 162 | 44 |
| Effect on year end benefit obligation | 1,134 | 337 |

A reconciliation of the Company's benefit obligations of its postretirement plan at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Benefit obligation — beginning of period | $2,948 | $2,862 |
| Service cost — benefits earned during the period | 878 | 129 |
| Interest cost on projected benefit obligation | 464 | 167 |
| Transaction benefit obligation assumed in the unwind | 8,768 | - |
| Participant contributions | 48 | 61 |
| Plan amendments | 175 | - |
| Benefits paid | (203) | (179) |
| Actuarial (gain) or loss | 786 | (92) |
| Benefit obligation — end of period | $13,864 | $2,948 |

A reconciliation of the Company's postretirement plan assets at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Fair value of plan assets — beginning of period | $ - | $ - |
| Employer contributions | 155 | 118 |
| Participant contributions | 48 | 61 |
| Benefits paid | (203) | (179) |
| Fair value of plan assets — end of period | $ - | $ - |

The funded status of the Company's postretirement plan at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Benefit obligation — end of period | $(13,864) | $(2,948) |
| Fair value of plan assets — end of period | - | - |
| Funded status | $(13,864) | $(2,948) |

The components of net periodic postretirement benefit costs for the years ended December 31, 2009, 2008, and 2007, were as follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Service cost | $ 878 | $ 129 | $ 85 |
| Interest cost | 464 | 167 | 153 |
| Amortization of prior service cost | 17 | 2 | 2 |
| Amortization of actuarial (gain) | (17) | (60) | (70) |
| Amortization of transition obligation | 31 | 31 | 31 |
| Net periodic benefit cost | $1,373 | $269 | $201 |

A reconciliation of the postretirement plan amounts in accumulated other comprehensive income at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Prior service cost | $(165) | $ (7) |
| Unamortized actuarial gain | 407 | 1,210 |
| Transition obligation | (92) | (123) |
| Accumulated other comprehensive income | $150 | $1,080 |

In 2010, $18 of prior service cost, $0 of actuarial gain, and $31 of the transition obligation is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive income at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Prior service cost | $(157) | $ 2 |
| Unamortized actuarial gain | (803) | 33 |
| Transition obligation | 30 | 30 |
| Other comprehensive income | $(930) | $65 |

At December 31, 2009 and 2008, amounts recognized in the statement of financial position were as follows:

| | 2009 | 2008 |
|---|---|---|
| Accounts payable | $ (424) | $ (156) |
| Deferred credits and other | (13,440) | (2,792) |
| Net amount recognized | $(13,864) | $(2,948) |

Expected retiree benefit payments projected to be required during the years following 2009 are as follows:

| Year | Amount |
|---|---|
| 2010 | $424 |
| 2011 | 599 |
| 2012 | 827 |
| 2013 | 1,014 |
| 2014 | 1,245 |
| 2015–2019 | 8,342 |
| Total | $12,451 |

In addition to the postretirement plan discussed above, in 1992 Big Rivers began a postretirement benefit plan which vests a portion of accrued sick leave benefits to salaried employees upon retirement or death. To the extent an employee's sick leave hour balance exceeds 480 hours such excess hours are paid at 20% of the employee's base hourly rate at the time of retirement or death. The accumulated obligation recorded for the postretirement sick leave benefit is $375 and $408 at December 31, 2009 and 2008, respectively. The postretirement expense recorded was $45, $83, and $51 for 2009, 2008, and 2007, respectively, and the benefits paid were $78, $0, and $0 for 2009, 2008, and 2007, respectively.

## 13. RELATED PARTIES

For the years ended December 31, 2009, 2008, and 2007, Big Rivers had tariff sales to its members of $125,826, $114,514, and $113,281, respectively. In addition, for the years ended December 31, 2009, 2008, and 2007, Big Rivers had certain sales to Kenergy for the Aluminum Smelters and Domtar Paper (formerly Weyerhaeuser) loads of $167,685, $56,124, and $123,094, respectively.

At December 31, 2009 and 2008, Big Rivers had accounts receivable from its members of $35,524 and $16,540, respectively.

## 14. COMMITMENTS AND CONTINGENCIES

Big Rivers is involved in litigation arising in the normal course of business. While the results of such litigation cannot be predicted with certainty, management, based upon advice of counsel, believes that the final outcome will not have a material adverse effect on the financial statements.

* * * * * *

## MEMBER FINANCIAL AND STATISTICAL INFORMATION

Our Members operate their systems on a not-for-profit basis. Accumulated margins remaining after payment of expenses and provision for depreciation constitute patronage capital for the consumers of our Members. Refunds of accumulated patronage capital to individual consumers of our Members are made from time to time on a patronage basis subject to limitations contained in each Member's mortgage with RUS, if applicable, or other applicable debt instruments.

Our Members are our owners and not our subsidiaries. Except with respect to the obligations of our Members under their respective wholesale power contracts and the Smelter Agreements, we have no legal interest in, or obligation in respect of, any of the assets, liabilities, equity, revenue or margins of our Members, other than our rights under these contracts. The revenues of our Members are not pledged to us, but their revenues are the source from which they pay for power and energy and transmission services purchased from us. Revenues of our Members are, however, often pledged under their respective mortgages or other debt instruments.

Unaudited financial and statistical information relating to our Members is set forth below. The tables present a three-year summary of the balance sheets, statements of operations and selected statistical information with respect to our Members. The information contained below has been taken from RUS Financial and Statistical Reports (RUS Form 7) provided to us by our Members. This information about our Members may not be indicative of their future results. In addition, the assets, liabilities, equity, revenue and margins should not be attributed to us.

**Table 1**
**Big Rivers' Members**
**Selected Statistics**
**for the Years Ended December 31,**

| | Kenergy | Meade County | Jackson Purchase |
|---|---|---|---|
| **2009:** | | | |
| Average Monthly Residential Revenue ($) | 4,195,793 | 1,940,410 | 2,273,613 |
| Average Monthly kWh | 59,329,974 | 27,753,017 | 32,331,404 |
| Average Residential Revenue (cents per kWh) | 7.07 | 6.99 | 7.03 |
| Times Interest Earned Ratio | 1.48 | 1.57 | 1.26 |
| Equity/Assets | 24% | 29% | 34% |
| Equity/Total Capitalization | 30% | 32% | 40% |
| **2008:** | | | |
| Average Monthly Residential Revenue ($) | 4,173,242 | 2,016,338 | 2,272,982 |
| Average Monthly kWh | 62,689,055 | 29,421,135 | 34,638,005 |
| Average Residential Revenue (cents per kWh) | 6.66 | 6.85 | 6.56 |
| Times Interest Earned Ratio | 1.13 | 2.03 | 1.34 |
| Equity/Assets | 24% | 29% | 38% |
| Equity/Total Capitalization | 30% | 33% | 43% |
| **2007:** | | | |
| Average Monthly Residential Revenue ($) | 4,170,143 | 1,831,843 | 2,141,500 |
| Average Monthly kWh | 64,058,176 | 29,264,254 | 34,553,055 |
| Average Residential Revenue (cents per kWh) | 6.51 | 6.26 | 6.20 |
| Times Interest Earned Ratio | 1.59 | 1.54 | 1.31 |
| Equity/Assets | 25% | 29% | 39% |
| Equity/Total Capitalization | 30% | 31% | 43% |

**Table 2**
**Big Rivers' Members**
**Average Number of Customers Served by Each Member**
**for the Years Ended December 31,**

| | Kenergy | Meade County | Jackson Purchase |
|---|---|---|---|
| **2009:** | | | |
| Residential Service | 45,111 | 25,940 | 26,034 |
| Commercial and Industrial | 9,652 | 2,050 | 3,063 |
| Other | 76 | 6 | 12 |
| Total Customers Served | 54,839 | 27,996 | 29,109 |
| **2008:** | | | |
| Residential Service | 45,039 | 25,808 | 26,038 |
| Commercial and Industrial | 9,621 | 2,052 | 3,040 |
| Other | 76 | 6 | 14 |
| Total Customers Served | 54,736 | 27,866 | 29,092 |
| **2007:** | | | |
| Residential Service | 44,758 | 25,453 | 25,782 |
| Commercial and Industrial | 9,503 | 2,041 | 2,952 |
| Other | 76 | 6 | 13 |
| Total Customers Served | 54,337 | 27,500 | 28,747 |

**Table 3**
**Big Rivers' Members**
**Annual MWh Sales by Customer Class**
**for the Years Ended December 31,**

| | Kenergy | Meade County | Jackson Purchase |
|---|---|---|---|
| 2009: | | | |
| Residential Service | 711,960 | 333,036 | 387,977 |
| Commercial and Industrial | 8,009,814 | 95,266 | 232,273 |
| Other | 1,598 | 1,036 | 1,033 |
| Total MWh Sales | 8,723,372 | 429,338 | 621,283 |
| 2008: | | | |
| Residential Service | 752,269 | 353,054 | 415,656 |
| Commercial and Industrial | 8,666,261 | 98,173 | 261,187 |
| Other | 1,666 | 1,018 | 1,034 |
| Total MWh Sales | 9,420,196 | 452,245 | 677,877 |
| 2007: | | | |
| Residential Service | 768,698 | 351,171 | 414,637 |
| Commercial and Industrial | 8,602,978 | 101,494 | 265,115 |
| Other | 1,583 | 1,003 | 1,657 |
| Total MWh Sales | 9,373,259 | 453,668 | 681,409 |

**Table 4**
**Big Rivers' Members**
**Annual Revenues by Customer Class**
**for the Years Ended December 31,**

| | Kenergy | Meade County | Jackson Purchase |
|---|---|---|---|
| **2009:** | | | |
| Residential Service | $ 50,349,518 | $23,284,922 | $27,283,351 |
| Commercial and Industrial | 297,780,615 | 6,825,406 | 13,504,966 |
| Other | 252,392 | 67,802 | 109,221 |
| Total Electric Sales | $348,382,525 | $30,178,130 | $40,897,538 |
| Other Operating Revenue | 1,400,341 | 918,510 | 1,020,934 |
| Total Operating Revenue | $349,782,866 | $31,096,640 | $41,918,472 |
| **2008:** | | | |
| Residential Service | $ 50,078,902 | $24,196,053 | $27,275,780 |
| Commercial and Industrial | 307,489,509 | 6,904,260 | 13,991,782 |
| Other | 244,110 | 66,009 | 95,499 |
| Total Electric Sales | $357,812,521 | $31,166,322 | $41,363,061 |
| Other Operating Revenue | 1,686,081 | 928,236 | 1,019,877 |
| Total Operating Revenue | $359,498,602 | $32,094,558 | $42,382,938 |
| **2007:** | | | |
| Residential Service | $ 50,041,715 | $21,982,113 | $25,697,996 |
| Commercial and Industrial | 304,081,544 | 6,857,483 | 13,587,009 |
| Other | 219,014 | 64,438 | 87,394 |
| Total Electric Sales | $354,342,273 | $28,904,034 | $39,372,399 |
| Other Operating Revenue | 1,531,503 | 862,710 | 993,479 |
| Total Operating Revenue | $355,873,776 | $29,766,744 | $40,365,878 |

**Table 5**
**Big Rivers' Members**
**Summary of Operating Results**
**for the Years Ended December 31,**

| | Kenergy | Meade County | Jackson Purchase |
|---|---|---|---|
| **2009:** | | | |
| Operating Revenue and Patronage Capital | $349,782,866 | $31,096,640 | $41,918,472 |
| Depreciation and Amortization | 7,970,349 | 2,956,264 | 4,325,554 |
| Other Operating Expenses | 332,864,173 | 24,726,916 | 34,448,281 |
| Electric Operating Margin | $ 8,948,344 | $ 3,413,460 | $ 3,144,637 |
| Other Income | 985,051 | 246,919 | 551,311 |
| Gross Operating Margin | $ 9,933,395 | $ 3,660,379 | $ 3,695,948 |
| Interest on Long-term Debt [1] | 6,063,274 | 2,284,654 | 2,787,124 |
| Tax Expenses | 363,079 | 32,462 | 44,969 |
| Other Deductions | 567,124 | 52,403 | 153,032 |
| Net Margins | $ 2,939,918 | $ 1,290,860 | $ 710,823 |
| **2008:** | | | |
| Operating Revenue and Patronage Capital | $359,498,602 | $32,094,558 | $42,382,938 |
| Depreciation and Amortization | 7,726,978 | 2,842,245 | 3,881,043 |
| Other Operating Expenses | 345,289,107 | 24,822,687 | 35,414,883 |
| Electric Operating Margin | $ 6,482,517 | $ 4,429,626 | $ 3,087,012 |
| Other Income | 815,095 | 298,024 | 452,538 |
| Gross Operating Margin | $ 7,297,612 | $ 4,727,650 | $ 3,539,550 |
| Interest on Long-term Debt [1] | 5,997,518 | 2,281,927 | 2,510,302 |
| Tax Expenses | 322,879 | 32,994 | 44,038 |
| Other Deductions | 192,084 | 52,519 | 129,350 |
| Net Margins | $ 785,131 | $ 2,360,210 | $ 855,860 |
| **2007:** | | | |
| Operating Revenue and Patronage Capital | $355,873,776 | $29,766,744 | $40,365,878 |
| Depreciation and Amortization | 7,415,079 | 2,702,559 | 3,433,896 |
| Other Operating Expenses | 340,042,623 | 23,911,521 | 33,968,199 |
| Electric Operating Margin | $ 8,416,074 | $ 3,152,664 | $ 2,963,783 |
| Other Income | 1,256,081 | 363,626 | 597,872 |
| Gross Operating Margin | $ 9,672,155 | $ 3,516,290 | $ 3,561,655 |
| Interest on Long-term Debt [1] | 5,703,124 | 2,222,123 | 2,615,535 |
| Tax Expenses | 295,302 | 34,075 | 43,167 |
| Other Deductions | 266,780 | 49,369 | 82,890 |
| Net Margins | $ 3,406,949 | $ 1,210,723 | $ 820,063 |

(1) Interest on Long-term Debt is net of Interest Charged to Construction.

**Table 6**
**Big Rivers' Members**
**Condensed of Balance Sheet Information**
**As of December 31,**

| | Kenergy | Meade County | Jackson Purchase |
|---|---|---|---|
| **2009:** | | | |
| ASSETS: | | | |
| Total Utility Plant [(1)] | $239,783,186 | $91,162,723 | $126,585,904 |
| Depreciation | 62,290,462 | 24,560,838 | 39,314,177 |
| Net Plant | 177,492,724 | 66,601,885 | 87,271,727 |
| Other Assets | 60,673,832 | 12,737,097 | 19,302,499 |
| Total Assets | $238,166,556 | $79,338,982 | $106,574,226 |
| EQUITY AND LIABILITIES: | | | |
| Equity | $57,985,783 | $23,169,273 | $36,395,561 |
| Long-term Debt | 133,279,836 | 48,493,205 | 54,944,634 |
| Other Liabilities | 46,900,937 | 7,676,504 | 15,234,031 |
| Total Equity and Liabilities | $238,166,556 | $79,338,982 | $106,574,226 |
| **2008:** | | | |
| ASSETS: | | | |
| Total Utility Plant [(1)] | $233,759,559 | $87,115,338 | $119,013,194 |
| Depreciation | 59,219,789 | 22,768,128 | 37,017,719 |
| Net Plant | 174,539,770 | 64,347,210 | 81,995,475 |
| Other Assets | 49,209,717 | 10,588,234 | 10,862,358 |
| Total Assets | $223,749,487 | $74,935,444 | $ 92,857,833 |
| EQUITY AND LIABILITIES: | | | |
| Equity | $54,242,729 | $22,006,214 | $35,664,571 |
| Long-term Debt | 127,078,125 | 45,582,373 | 47,469,582 |
| Other Liabilities | 42,428,633 | 7,346,857 | 9,723,680 |
| Total Equity and Liabilities | $223,749,487 | $74,935,444 | $ 92,857,833 |
| **2007:** | | | |
| ASSETS: | | | |
| Total Utility Plant [(1)] | $224,786,800 | $83,626,010 | $113,200,271 |
| Depreciation | 53,319,541 | 20,865,845 | 34,096,756 |
| Net Plant | 171,467,259 | 62,760,165 | 79,103,515 |
| Other Assets | 53,037,690 | 8,677,372 | 9,790,190 |
| Total Assets | $224,504,949 | $71,437,537 | $ 88,893,705 |
| EQUITY AND LIABILITIES: | | | |
| Equity | $55,307,516 | $20,828,346 | $34,759,030 |
| Long-term Debt | 129,556,978 | 46,264,913 | 46,768,664 |
| Other Liabilities | 39,640,455 | 4,344,278 | 7,366,011 |
| Total Equity and Liabilities | $224,504,949 | $71,437,537 | $ 88,893,705 |

(1) Including construction work in progress.

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# SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENT AND THE NOTE

The following is a summary of certain provisions of the Financing Agreement and the Note and is not to be considered as a full statement of the provisions thereof. This summary is qualified by reference to and is subject to the complete Financing Agreement and the complete Note, copies of which are available for inspection at our principal offices and the principal offices of the Trustee. All capitalized terms used in this APPENDIX C summary and not defined herein or elsewhere in the Offering Statement shall have the meanings given to them in the Financing Agreement.

**The Note**

Concurrently with the sale and delivery by the County of the Bonds, we will execute and deliver to the Trustee a Note in an aggregate principal amount equal to the aggregate principal amount of the Bonds delivered by the County. Payments required to be made on the Note will be in amounts sufficient to pay the principal of and interest on the Bonds when due.

**Other Payment Obligations**

We will pay the reasonable fees and actual out-of-pocket expenses (including counsel fees) necessarily incurred by the County in connection with the Bonds, the issuance and sale thereof and the transaction contemplated by the Bond Indenture, the Mortgage Indenture, the Note and the Financing Agreement, and for the services of the Trustee, the Paying Agent and any co-paying agent.

**Term of Financing Agreement**

The Financing Agreement will continue in full force and effect until the principal of and interest on all of the Bonds, and all other amounts required to be paid by us under the Financing Agreement, have been paid in full or provision for such payment has been made.

**Obligations of Big Rivers Unconditional**

Our obligations to make the payments pursuant to the Financing Agreement and the Note are absolute and unconditional. Regardless of whether the Facilities are complete, operating or operable, until such time as the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Bond Indenture, we (1) will not suspend or discontinue any payments pursuant to the Financing Agreement or the Note, (2) will perform and observe all our other agreements contained in the Financing Agreement and in the Note, and (3) except in the case of a prepayment in whole of the Note, will not terminate the Financing Agreement for any cause, including any acts or circumstances that may constitute failure of consideration, destruction of or damage to the applicable Facilities, commercial frustration of purpose, any change in the tax or other laws or administrative rulings of the United States of America or the Commonwealth of Kentucky or any political subdivision thereof or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Financing Agreement, whether express or implied.

**Assignment**

Under certain conditions we may assign our interest in the Financing Agreement without the necessity of obtaining the consent of either the County or the Trustee, but such assignment shall not relieve us from primary liability for any of our obligations under the Financing Agreement. Any assignee shall assume our obligations under the Financing Agreement to the extent assigned.

**Taxes and Other Governmental Charges**

We will pay during the term of the Financing Agreement, as the same become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Facilities. Compliance with the provisions of the Mortgage Indenture shall constitute compliance with such covenant in the Financing Agreement. The Mortgage Indenture provides that we may, without violating the covenant, withhold payment of any tax or other governmental charge we are contesting the validity thereof by appropriate proceeding in good faith, so long as we shall have set aside on our books adequate reserves with respect thereto.

**Tax Covenants**

We will covenant that we will not take any action which would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1954, as amended and Title XIII of the Tax Reform Act of 1986, and the regulations promulgated thereunder (collectively, the "1954 Code"), and will take, or require to be taken, such acts as may be reasonably within our ability and as may from time to time be required under applicable law or regulation to continue the exclusion of the interest on the Bonds from gross income for federal income tax purposes; and in furtherance of such covenants, we will comply with the Tax Certificate and Agreement, dated the date of delivery of the Bonds, executed and delivered by Big Rivers and the Country, as the same may be amended from time to time (the "Tax Certificate") and the provisions of Section 103 of the 1954 Code. We will also covenant that we (1) will not take any action or fail to take any action with respect to the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as incorporated into the 1954 Code by Title XIII of the Tax Reform Act of 1986 and any regulations promulgated or proposed thereunder; and (2) will not use or permit the use of any property financed or refinanced with the proceeds of the Bonds by any person (other than a state or local governmental unit) in such manner or to such extent as would result in loss of the exclusion of the interest on the Bonds from gross income for federal income tax purposes (other than during the period the Bonds are held by a "substantial user" of the facilities financed or refinanced with the proceeds of the Bonds or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code).

Notwithstanding any other provisions of the Financing Agreement to the contrary, so long as necessary in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes under Section 103(a) of the 1954 Code, the covenants described in the preceding paragraph shall survive the payment for the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to the Bond Indenture.

**Defaults**

Any of the following events will constitute an "event of default" under the Financing Agreement:

(1) Our failure to pay when due any amount required to be paid under the Note to the Trustee for deposit into the Bond Fund.

(2) Acceleration of payment of any Mortgage Indenture Obligation pursuant to an "event of default" as such term is defined in the Mortgage Indenture.

(3) Certain events of bankruptcy, dissolution, liquidation or reorganization relating to us.

**Remedies**

Upon the happening and continuance of an event of default, the County, or the Trustee, as provided in the Bond Indenture:

(1) shall, by written notice to us, upon the acceleration of the Bonds, declare that an amount equal to the principal of and accrued interest on the Note has matured and is therefore immediately due and payable; and

(2) may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Note and the Financing Agreement, or to enforce performance and observance of any obligation, agreement or covenant of ours under the Financing Agreement or the Note.

Any declaration accelerating amounts due under the Note will be rescinded upon rescission of any declaration of any acceleration of the Bonds (see "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE – Events of Default; Remedies"). Any amounts collected pursuant to action taken upon the happening of any event of default shall be paid into the Bond Fund and applied in accordance with the provisions of the Bond Indenture.

**No Pecuniary Liability of the County**

No provision, covenant or agreement contained in the Financing Agreement or the Note, nor any breach thereof, will constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. The County has not obligated itself in making the covenants, agreements or provisions contained in the Financing Agreement, except with respect to the Financing Agreement and the application of the revenues therefrom.

**Amendments, Changes and Modifications**

No amendment, change, modification, alteration or termination of the Financing Agreement is permissible without the written consent of the Trustee, which consent shall be given in accordance with the Bond Indenture. Pursuant to the provisions of the Bond Indenture, the consent of the Holders of not less than a majority in aggregate principal amount of all Bonds then outstanding is required for any amendment, change or modification of the Financing Agreement. Without the consent or notice of the holders, the County and the Trustee may consent to any amendment, change or modification of the Financing Agreement or Note as may be required (1) by the provisions of the Financing Agreement, the Note and the Bond Indenture, (2) for the purpose of curing any ambiguity or formal defect or omission in the Financing Agreement, (3) to conform to any modifications to or alterations permitted by the Mortgage Indenture or the Bond Indenture, if such provisions are necessary or desirable and do not in the sole opinion of the Trustee materially adversely affect the interest of the Holders or (4) in connection with any other change in the Financing Agreement which, in the judgment of the Trustee, is not to the prejudice of the Trustee or materially adverse to the interests of the Holders of the Bonds. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interests of the Holders of the Bonds would be adversely affected by any such modification or amendment, and any such determination of the Trustee shall be binding and conclusive on us, the County and the Holders of the Bonds. The Trustee shall have no liability as a result of any such determination made in good faith.

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## SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE

The following is a summary of certain provisions of the Bond Indenture and is not to be considered as a full statement of the provisions thereof. This summary is qualified by reference to and is subject to the complete Bond Indenture, copies of which are available for inspection at our principal offices and the principal offices of the Trustee. The Bonds are issued under the Bond Indenture and are payable from and secured by a pledge of the Trust Estate for the Bonds, including revenues derived by the County under the Financing Agreement and the Note. All capitalized terms used in this APPENDIX D and not defined herein or elsewhere in this Offering Statement shall have the meanings given to them in the Bond Indenture.

**Limited Pledge**

The Bonds issued and at any time Outstanding are in all respects equally and ratably secured by the Bond Indenture, without preference, priority or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds, so that all Bonds at any time issued and Outstanding under the Bond Indenture have the same right, lien and preference under and by virtue of the Bond Indenture. The principal of and interest on the Bonds is payable solely out of the Receipts and Revenues of the County from the Financing Agreement and other security pledged by the Bond Indenture and are not general obligations of the County and will never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers.

**Bond Fund; Application of Revenues**

A Bond Fund is established under the Bond Indenture as a trust fund to be used by the Trustee to pay when due the principal of and interest on the Bonds. The payments on the Note are to be remitted directly to the Trustee for the account of the County and deposited in the Bond Fund. The Bond Indenture provides that said payments shall be sufficient in amount to pay the principal of and interest on the Bonds when due. The entire amount of Receipts and Revenues are pledged to the payment of the principal of and interest on the Bonds.

The Receipts and Revenues are the amounts payable by us under the Financing Agreement. These amounts are equal to the principal of the Bonds when due at maturity and interest on the Bonds when due from time to time. Our obligation to pay these amounts is evidenced by the Note under the Financing Agreement.

Under the Financing Agreement, the County has covenanted and agreed that so long as any of the Bonds are Outstanding it will deposit, or cause to be deposited, in the Bond Fund sufficient sums from the Receipts and Revenues promptly to meet and pay the principal of and interest on the Bonds when due. A Bond is "Outstanding" within the meaning of the Bond Indenture if it has been authenticated and delivered, unless (i) such Bond has been cancelled or acquired by the Trustee for cancellation, (ii) cash has been deposited with the Trustee in an amount equal to the principal thereof and interest thereon to maturity, (iii) such Bond has otherwise been paid in accordance with the defeasance provisions of the Bond Indenture, or (iv) another Bond has been authenticated and delivered in exchange or in substitution for such Bond.

**Investments**

Any moneys held as a part of the Bond Fund shall be invested or reinvested by the Trustee, to the extent permitted by law, and in accordance with the Bond Indenture, in Investment Securities selected by us. Investment Securities are defined as the following securities, maturing or redeemable at the option of the holder thereof at such time or times as to enable disbursements to be made from the Bond Fund, in accordance with the terms of the Bond Indenture, or which shall be marketable prior to the maturities thereof:

(a) Direct obligations of, or obligations guaranteed by, the United States of America;

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America:

Export-Import Bank
Farm Credit System Financial Assistance Corporation
Farmers Home Administration
General Services Administration
U.S. Maritime Administration
Small Business Administration
Government National Mortgage Association
U.S. Department of Housing & Urban Development; and
Federal Housing Administration;

(c) United States dollar denominated certificates of deposit (whether negotiable or non-negotiable), demand deposits, time deposits and banker's acceptances with any bank or trust company organized under the laws of any state of the United States of America or any national banking association whose deposit obligations on the date of purchase are rated either "A-1" or better by S&P and "P-1" or better by Moody's (provided that a rating on a holding company shall not be deemed to be such rating on a subsidiary bank);

(d) Commercial paper which is rated at the time of purchase either "A-1" or better by S&P and "P-1" or better by Moody's and which matures not more than 270 days after the date of purchase;

(e) Senior debt obligations rated "AAA" by S&P and "Aaa" by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

(f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(g) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(2)(A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate and (B) which escrow is sufficient, as verified by a nationally recognized firm of independent certified public accountants, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

**Tax Covenant**

The County covenants to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1954, as amended and Title XIII of the Tax Reform Act of 1986 (the "1954 Code"), and will take, or require to be taken, such acts as may be reasonably within its ability and as may from time to time be required under applicable law and regulation to continue the exclusion of the interest on the Bonds from gross income for federal income tax purposes; and in furtherance of such covenants, the County agrees to comply with the Tax Certificate and the provisions of Section 103 of the 1954 Code. The County further covenants that it will not take any action or fail to take any action with respect to the Bonds which would cause the Bonds to be "arbitrage Bonds" within the meaning of such term as used in Section 148 of the Internal Revenue Code of 1986 (the "1986 Code"), as incorporated into the 1954 Code by Title XIII of the Tax Reform Act of 1986, and any regulations promulgated or proposed thereunder. The County shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the 1986 Code, as incorporated into the 1954 Code by Title XIII of the Tax Reform Act of 1986, from amounts on deposit in the funds and accounts established under the Bond Indenture and available therefor. The County covenants that it will not use or permit the use of any property financed or refinanced with the proceeds of the Bonds by any person (other than a state or local governmental unit) in such manner or to such extent as would result in a loss of exclusion of the interest on the Bonds from gross income for federal income tax purposes (other than during the period the Bonds are held by a "substantial user" of the facilities financed or refinanced with proceeds of the Bonds or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code).

Notwithstanding any other provisions of the Bond Indenture to the contrary, so long as necessary in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes under Section 103(a) of the 1954 Code, the covenants described in the preceding paragraph shall survive the payment of the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to the Bond Indenture.

**Events of Default; Remedies**

The following each constitute an "Event of Default" for the purposes the Bond Indenture:

(a) payment of the principal of any of the Bonds (whether maturity, upon a call for redemption or otherwise) or interest on any of the Bonds shall not be made within one Business Day of when due with the result that such principal or interest remains unpaid as of such date; or

(b) failure by us to pay when due any amount required to be paid under the Note to the Trustee for deposit into the Bond Fund; or

(c) acceleration of payment of any Mortgage Indenture Obligations pursuant to an event of default as defined in the Mortgage Indenture; or

(d) we file a petition in bankruptcy or are adjudicated as bankrupt or insolvent; or we make an assignment for the benefit of our creditors, or consent to the appointment of a receiver of ourselves or of our property, or institute proceedings for our reorganization, or proceedings instituted by others for our reorganization are not dismissed within thirty days after the institution thereof, or a receiver or liquidator of us or of any substantial portion of our property is appointed and the order appointing such receiver or liquidator shall not be vacated within thirty days after the entry thereof.

Upon the occurrence and continuance of an Event of Default described in clause (c) above under the Bond Indenture, the Trustee shall, and upon the occurrence and continuance of any other Event of Default under the Bond Indenture, the Trustee may, and upon the written request of the holders of not less than 25.0 percent in aggregate principal amount of the Bonds then Outstanding shall, declare the principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable and said principal and interest shall thereupon become immediately due and payable, and the Trustee shall give notice thereof in writing to the County and us, and notice to holders in the same manner as a notice of redemption. Upon any declaration of acceleration under the Bond Indenture, the County and the Trustee shall immediately declare all payments due on the Note to be immediately due and payable as provided in the Financing Agreement.

If at any time after such declaration, but before the Bonds have matured by their terms, all overdue installments of principal and interest upon such Bonds, together with interest on such overdue installments of principal and interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the County under the Bond Indenture (except the principal of, and interest accrued since the next preceding interest payment date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the County or provision satisfactory to the Trustee shall be made for such payment, and all defaults under such Bonds or under the Bond Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the holders of fifty percent in aggregate principal amount of the Bonds Outstanding, by written notice to the County and to the Trustee may rescind such declaration and annul such default in its entirety. In such event, the Trustee shall rescind any declaration of acceleration of maturity of principal and interest on the Note, as provided in the Financing Agreement.

In case of any rescission, then and in every such case the County, the Trustee and the holders shall be restored to their former positions and rights under the Bond Indenture, respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon, nor shall such rescission extend to any instance in which the holder of any Mortgage Indenture Obligation other than the Note has subsequent to a request for rescission declared all unpaid principal of and accrued interest on such other Mortgage Indenture Obligation to be due and payable immediately.

**Exercise of Remedies by Trustee**

Upon the happening of any Event of Default or upon the failure by the County to observe and perform any covenant, condition, agreement or provision contained in the Bonds or the Bond Indenture, then and in every such case the Trustee in its discretion may, and upon the written request of the holders of not less than twenty-five percent in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction shall, in its own name and as the Trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the holders, and require us or the County to carry out any agreements with or for the benefit of the holders and to perform its or their duties under the Act, the Financing Agreement, the Note and the Bond Indenture;

(b) bring suit upon the Bonds;

(c) by action or suit in equity require the County to account as if it were the trustee of an express trust for the holders; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the holders.

In case any proceeding taken by the Trustee to enforce any right under the Bond Indenture shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every case the County, the Trustee and the holders shall be restored to their former positions and rights thereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

**Holder Direction of Remedial Proceedings**

The holders of a majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under the Bond Indenture or exercising any trust or power conferred on the Trustee by the Bond Indenture.

**Limitations on Proceedings by Holders**

No holders shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Bond Indenture, or any other remedy thereunder or on the Bonds, unless such holders previously shall have given to the Trustee written notice of an Event of Default as described above and unless also the holders of not less than twenty-five percent in principal amount of the Bonds then Outstanding shall have made written request of the Trustee to do so, after the right to institute said suit, action or proceeding shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are in every such case, at the option of the Trustee, to be conditions precedent to the institution of said suit, action or proceeding; it being understood and intended that no one or more of the holders shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of the Bond Indenture, or to enforce any right thereunder or under the Bonds of the applicable series, except in the manner therein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all holders.

**Application of Moneys Recovered**

Any moneys received by the Trustee, by any receiver or by any holder pursuant to any right given or action taken under the Bond Indenture, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, shall be deposited in the Bond Fund, and all moneys so deposited in the Bond Fund during the continuance of an Event of Default (other than moneys for the payment of Bonds which had matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default) shall be applied as follows:

(a) Unless the principal of all the Bonds has become due and payable, all such moneys shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, with interest on overdue installments, if lawful, at the same rate or rates per annum as specified in such Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment with such interest, then to the payment ratably, according to the amounts due on such installment, and (ii) second, to the payment to the persons entitled thereto of the unpaid principal of any of such Bonds which shall have become due at maturity (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of the Bond Indenture), in the order of their due dates, with interest on such Bonds which shall have become due at their respective rates from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full such Bonds which shall have become due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the Bonds has become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the such Bonds, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds has become due and payable, and if such event shall thereafter have been rescinded and annulled under the provisions of the Bond Indenture, then, subject to the provisions of paragraph (b) which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a).

Whenever moneys are to be applied pursuant to the provisions of the Bond Indenture described above, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal, premium and interest to be paid on such dates shall cease to accrue. The Trustee shall give notice, by mailing, of the deposit with it of any such moneys and of the filing of any such date to any holder until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

**Modifications and Amendments**

***Supplemental Bond Indenture without Holder Consent***

The County and the Trustee may, from time to time and at any time, without the consent of or notice to holders, enter into supplemental Bond Indentures as follows:

(a) To specify and determine any matters and things relative to the Bonds which are not contrary to or inconsistent with the Bond Indenture and which shall not adversely affect the interests of the holders; or

(b) To cure any ambiguity, or to cure, correct or supplement any defect, omission or inconsistent provisions contained in the Bond Indenture, the Financing Agreement, the Mortgage Indenture, or the Note, or to make any provisions with respect to matters arising under the Bond Indenture or for any other purpose if such provisions are necessary or desirable and if such action does not in the sole opinion of the Trustee adversely affect the interests of the holders; or

(c) To grant to or confer upon the Trustee for the benefit of the holders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Bond Indenture as theretofore in effect; or

(d) To add to the covenants and agreements of the County in the Bond Indenture, other covenants and agreements to be observed by the County which are not contrary to or inconsistent with the Bond Indenture as theretofore in effect; or

(e) To add to the limitations and restrictions in the Bond Indenture, other limitations and restrictions to be observed by the County which are not contrary to or inconsistent with the Bond Indenture as theretofore in effect; or

(f) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Bond Indenture, of the Receipts and Revenues of the County from the Financing Agreement or of any other moneys, securities or funds; or

(g) To comply with the requirements of the Trust Bond Indenture Act of 1939, as from time to time amended; or

(h) To subject to the Bond Indenture additional revenues; or

(i) To make any other changes which do not in the sole opinion of the Trustee materially adversely affect the interest of the holders.

The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interest of any holders would be adversely affected by any modification or amendment of the Bond Indenture and any such determination shall be binding and conclusive on us, the County, and all holders. The Trustee shall have no liability as a result of any such determination made in good faith. The interests of a holder shall be deemed to be adversely affected by any modification or amendment of the Bond Indenture if such modification or amendment adversely affects or diminishes the rights of such holder.

Before the County may enter into any supplemental Bond Indenture without the consent of the holders, there shall have been filed with the Trustee an opinion of a nationally recognized bond counsel firm experienced in the financing of pollution control and solid waste disposal and sewage facilities and acceptable to us and the Trustee (such counsel, a "Bond Counsel") stating that such supplemental Bond Indenture is authorized or permitted by the Bond Indenture and complies with its terms, and that it will be valid and binding upon the County in accordance with its terms; provided, however, that such opinion may take exception for the effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally.

***Supplemental Bond Indentures with Holder Consent***

For amendments not described immediately above, (i) the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, and (ii) in case of a change in the terms of any sinking fund installment (except as provided in clause (A) of the proviso of this paragraph), the holders of not less than a majority in aggregate principal amount of each maturity of Bonds so affected and Outstanding shall have the right, from time to time to consent to and approve the execution by the County and the Trustee of any supplemental Bond Indenture as shall be deemed necessary or desirable by the County for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture; *provided, however*, that, unless approved in writing by the holders of all affected Bonds then Outstanding, nothing in the Bond Indenture shall permit, or be construed as permitting, (A) a change in the times, amounts or currency of payment of the principal of and interest on any Outstanding Bond, or a reduction in the principal amount or redemption price of any Outstanding Bond or the rate of interest thereon or in any maturity with respect thereto or any sinking fund payment with respect to any Bond, or (B) the creation of a claim or lien upon, or a pledge of, the Receipts and Revenues of the County from the Financing Agreement ranking prior to or on a parity with the claim, lien or pledge created by the Bond Indenture, or (C) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (D) a reduction in the aggregate principal amount of Bonds the consent of the holders of which is required for any such supplemental Bond Indenture.

If at any time the County shall determine to enter into any supplemental Bond Indenture for any of the permitted purposes, it shall cause notice of the proposed supplemental Bond Indenture to be mailed to the holders. Such notice shall briefly set forth the nature of the proposed supplemental Bond Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all holders.

Within one year after the date of such notice, the County may enter into such supplemental Bond Indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee (a) the written consents of holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or, if required thereunder, by all holders, and (b) an opinion of Bond Counsel stating that such supplemental Bond Indenture is authorized or permitted by the Bond Indenture and complies with its terms, and that upon execution and delivery it will be valid and binding upon the County in accordance with its terms; *provided, however*, that such opinion may take exception for the effect of bankruptcy, insolvency, reorganization, moratorium and other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally.

**When Big Rivers Consent Required**

Any supplemental Bond Indenture which affects any of our rights, powers and authority under the Bond Indenture, the Financing Agreement or the Note or requires a revision of the Financing Agreement, the Note or the Mortgage Indenture shall not become effective unless and until we have consented in writing to such supplemental Bond Indenture.

**Amendment of Financing Agreement or the Note without Holder Consent**

Without the consent of or notice to the holders, the County and the Trustee may consent to any amendment, change or modification of the Financing Agreement or the Note as may be required (i) by the provisions of the Financing Agreement or the Note, as the case may be, and the Bond Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission in the Bond Indenture, the Financing Agreement or the Note, (iii) to conform to any modifications to or alterations permitted by the Mortgage Indenture or the Bond Indenture, if such provisions are necessary or desirable and do not in the sole opinion of the Trustee materially adversely affect the interest of the holders or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee, or materially adverse to the holders. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interests of the holders would be adversely affected by any such modification or amendment and any such determination shall be binding and conclusive on us, the County and all holders and the Trustee shall have no liability as a result of any such determination made in good faith.

**Amendment of Mortgage Indenture and Note**

The Trustee shall not exercise any of the rights of a holder of the Note under the Mortgage Indenture to permit any amendment, modification, supplement or consolidation of the Mortgage Indenture or the Note, whereby any such amendment, modification, supplement or consolidation results in changing the times, amounts or currency of payment of the payments due on the Note, without the prior written consent of the holders of the Bonds adversely affected thereby. The Trustee may otherwise consent to the amendment or modification of the Mortgage Indenture or exercise any other rights thereunder of a holder of the Note either (i) without notice to or consent of any holder if the Trustee, in its sole discretion, deems the effects of such exercise, taken as a whole, to be not materially adverse to the interests of the holders or (ii) in any event, upon notice by the Trustee to the holders of the action proposed to be taken and the consent thereto of the holders of a majority in aggregate principal amount of the Bonds then Outstanding;

provided, however, that no such notice to or consent of the holders shall be required in connection with any supplemental Mortgage Indenture or other instrument as may be required by the provisions of the Mortgage Indenture. The Trustee has agreed, pursuant to the terms of the Bond Indenture, to execute and deliver all such further supplemental Mortgage Indentures and other instruments as may be required by the provisions of the Mortgage. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interests of the holders would be adversely affected by any modification or amendment of the Mortgage Indenture or the Note, and any such determination shall be binding and conclusive on us, the County and all holders and the Trustee shall have no liability as a result of any such determination made in good faith.

**Defeasance**

Any Bond shall, prior to the maturity or redemption date thereof, be deemed to have been paid and all covenants, agreements and other obligations of the County to the holders shall thereupon cease, terminate and become void if the following conditions are met: (i) in case such Bond is to be redeemed, we and the County shall have given to the Trustee unconditional and irrevocable instructions and notice to give notice of redemption of such Bond on said redemption date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or obligations of or guaranteed as to principal and interest by the United States of America, or certificates of an ownership interest in the principal of, premium, if any, or interest on obligations of or guaranteed as to principal and interest by the United States of America, which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of, premium, if any, and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee or any co-paying agent at the same time, shall be sufficient to pay when due the principal of and interest due and to become due on such Bond, and (iii) in the event such Bond does not mature or is not by its terms subject to redemption within the next succeeding 60 days, we and the County shall have given the Trustee irrevocable instructions to give, as soon as practicable, a notice to the holders of such Bond that the deposit required by clause (ii) above has been made with the Trustee and that said Bond is deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and interest on such Bond.

Any cash received from such principal or interest payments on such obligations deposited with the Trustee, (a) to the extent such cash will not be required at any time for the payment of the principal of, premium, if any, and interest on such Bond, shall be paid to us as received by the Trustee, free and clear of any trust, lien or pledge, and (b) to the extent such cash will be required for the payment of the principal of, premium, if any, and interest on such Bond at a later date, shall, to the extent practicable, be reinvested in obligations or certificates of the type described in clause (ii) of the preceding paragraph maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on such Bond on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid to us as received by the Trustee, free and clear of any trust, lien or pledge.

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## SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE

The Note will be secured under the Mortgage Indenture on a parity basis with other obligations issued or to be issued under the Mortgage Indenture. The following is a summary of the provisions of the Mortgage Indenture. All references to the Mortgage Indenture are qualified by reference to such document, copies of which are on file at our principal office or the principal office of the Trustee, and are available upon request. Capitalized terms used in this APPENDIX E but not otherwise defined in this Offering Statement shall have the meaning set forth in the Mortgage Indenture.

**Security for Payment of the Mortgage Indenture Obligations**

The Note will be secured equally and ratably with any other obligations issued under the Mortgage Indenture by a lien on substantially all our owned tangible and some of our intangible properties, including our electric generation and transmission facilities and certain of our contracts relating to the purchase, sale or transmission of electricity of more than one year in duration and relating to the ownership, operation or maintenance of electric generation, transmission or distribution facilities owned by us, but excluding all Excepted Property (defined below). The lien of the Mortgage Indenture also extends to revenue generated from the sale or transmission of electricity under certain of these contracts.

The Mortgage Indenture defines Excepted Property to include, among other things:

- Cash on hand or in banks or other financial institutions (excluding such cash to the extent it constitutes proceeds of the Trust Estate in which the security interest created by the Mortgage Indenture is perfected pursuant to the Uniform Commercial Code, for so long as such perfection continues, and also excluding cash deposited or required to be deposited with Trustee pursuant to the Mortgage Indenture);

- Contracts, contract rights and associated general intangibles not specifically subject to the lien of the Mortgage Indenture;

- Equity or debt securities (other than those securities specifically subject to the lien of the Mortgage Indenture), with limited exceptions;

- Allowances for emissions or similar rights granted by any governmental authority;

- Patents, patent licenses, and other patent rights, patent applications, service marks, trade names and trademarks (other than those specifically subject to the lien of the Mortgage Indenture);

- Claims, choses in action and judgments;

- Transportation equipment (including vehicles, vessels, airplanes and barges and all parts and supplies used in connection with that equipment);

- Goods or inventory acquired or produced for the purpose of resale in the ordinary course of business and other personal property consumable in the operation of our business, and all hand and other portable tools, equipment and fuel;

- Office furniture, equipment and supplies and data processing, accounting and other computer equipment, software and supplies;

- Our leasehold interests as lessee (other than for office purposes) under leases for an original term of less than five years;

- Our leasehold interests as lessee for office purposes;

- Timber (separated from the land included in the Trust Estate), coal, ore, gas, oil, minerals, and other natural resources, and all electric energy, gas, steam, water, or other products generated, produced or purchased;

- Non-assignable permits, licenses, franchises, our interest in leases as lessee or lessor, contracts and contractual and other rights not specifically subject to the lien of the Mortgage Indenture;

- Real, personal and mixed property located outside of the Commonwealth of Kentucky not specifically subject to the lien of the Mortgage Indenture;

- Any personal property located outside the Commonwealth of Kentucky in which a security interest cannot be perfected by filing a financing statement under the Uniform Commercial Code; and

- Our interest in other property in which a security interest cannot legally be perfected in the United States.

Our title to the Trust Estate and the lien of the Mortgage Indenture are subject to Permitted Exceptions which include, among other things, restrictions, exceptions, reservations, terms, conditions, agreements, leases, subleases, covenants, limitations, interests and other matters of record on the date of the Mortgage Indenture, or on property we acquire after the date of the Mortgage Indenture as long as those matters do not materially impair the use of our property, reservations contained in U.S. patents, liens for non-delinquent taxes, and liens for delinquent taxes which are being contested in good faith, mechanics', materialmen's or contractors' liens arising in the ordinary course of business which are not delinquent or are being contested in good faith, local improvement district assessments, liens for judgments which are fully covered by insurance or as to which we are prosecuting an appeal and have set aside adequate reserves, leases as a lessor for a term of not more than ten years entered into after the date of the Mortgage Indenture, or, if more than ten years that do not materially impair our use of the leased property in the conduct of our business, easements, rights-of-way and other rights of others in our property for limited purposes to the extent those rights do not in aggregate materially impair the use of the Trust Estate, liens for non-delinquent or contested rent, the undivided or other interests of other owners, liens on those undivided interests and rights of the owners in property owned jointly with us, the pledge of current assets in the ordinary course of business to secure current liabilities, and liens which have been bonded for the amount of obligations secured by those liens or for the payment of which a deposit had been made in the full amount of those liens or privileges of our employees for salary or wages earned but not payable, any right of any municipal or governmental authority and the burdens of any law or regulations, restrictions or other deficiencies of title to easements used by us for pipelines, electric transmission lines or substations or similar facilities if we obtained sufficient right from the apparent owner for the use for which the same are used or we have power of eminent domain to correct the differences or the deficiencies may be remedied without undue effort or expense. The lien of the Mortgage Indenture will also be subject to the lien in favor of Trustee to recover amounts owed to it under the Mortgage Indenture.

The Mortgage Indenture contains provisions subjecting all of our after-acquired property, other than Excepted Property, to the lien of the Mortgage Indenture with limited exceptions relating to purchase money and pre-existing liens (provided, in the case of real property, we file a Supplemental Indenture describing such property). In the case of any consolidation, merger, or conveyance or transfer of the Trust Estate substantially as an entirety, the Mortgage Indenture is not required to be a lien upon any property then owned or thereafter acquired by the successor entity other than upon:

- Betterments, extensions, improvements, additions, repairs, renewals, replacements, substitutions and alterations to or upon the Trust Estate;
- Property made the basis of withdrawal of cash from Trustee or the release of property from the lien of the Mortgage Indenture;
- Property acquired or constructed with the proceeds of (i) insurance on any part of the Trust Estate or (ii) any part of the Trust Estate released from the lien of the Mortgage Indenture or disposed of free from any such lien or taken by eminent domain;
- Property acquired to maintain and repair the property subject to the lien of the Mortgage Indenture in accordance with the requirements of the Mortgage Indenture;
- Property acquired or constructed with Trust Moneys (as defined below) paid upon our request; and
- All property, leases, contracts, rights-of-way, franchises, licenses, permits or easements acquired in alteration, substitution, surrender or modification of those property rights, and all monies deposited with Trustee in connection with the disposition, alteration, or modification of those property rights.

In the event the Mortgage Indenture was not a lien on any such properties then owned or thereafter acquired by the successor entity, no additional Mortgage Indenture Obligations could be issued under the Mortgage Indenture (other than Mortgage Indenture Obligations issued in exchange or substitution for outstanding Mortgage Indenture Obligations).

**Release and Substitution of Property**

So long as no Event of Default exists under the Mortgage Indenture, we will be able to use and deal with the real and personal property (including licenses, permits, contracts and cash proceeds of the Trust Estate subject to the lien of the Mortgage Indenture, other than cash deposited or required to be deposited with the Indenture Trustee) subject to the lien of the Mortgage Indenture (including releasing, amending, terminating, abandoning or disposing of such property) to facilitate our day-to-day operations. Certain of these transactions will require that we find that such transactions will not adversely affect in any material respect the security afforded by the Mortgage Indenture and are:

- Desirable in the conduct of our business; or
- Made in lieu and reasonable anticipation of the taking by eminent domain or purchase of such property by a governmental entity.

Certain of these transactions also would require the substitution of Bondable Additions, the deposit of cash with the Indenture Trustee or the retirement or defeasance of Mortgage Indenture Obligations, in each case of equivalent value of the fair value of the property to be released. Cash deposited with the Indenture Trustee as a result of the authentication and delivery of Mortgage Indenture Obligations can be withdrawn against 90.91% of Bondable Additions or retired or defeased Mortgage Indenture Obligations of equivalent value. Trust Moneys (as hereinafter defined) can be withdrawn against Bondable Additions or retired or defeased Mortgage Indenture Obligations, in either case of equivalent value, and can, at our option, be used for the redemption of Mortgage Indenture Obligations prior to their maturity, for the payment of principal on Mortgage Indenture Obligations at their maturity or for the purchase of Mortgage Indenture Obligations. To the extent that any Trust Moneys consist of the proceeds of insurance upon any part of the property subject to the lien of the Mortgage Indenture, such Trust Moneys can be withdrawn to reimburse us for costs to repair, rebuild or replace the destroyed or damaged property.

"Trust Moneys" is defined in the Indenture as all money received by the Indenture Trustee:

- Upon the release of any part of the Trust Estate from the lien of the Mortgage Indenture, including all moneys received in respect of the principal of all purchase money obligations deposited with the Indenture Trustee in respect of its release of property;

- As compensation for, or proceeds of the sale of, any part of the Trust Estate subject to the lien of the Mortgage Indenture taken by eminent domain or purchased by, or sold pursuant to an order of, a governmental authority or otherwise disposed of;

- As proceeds of insurance upon any part of the Trust Estate subject to the lien of the Mortgage Indenture required to be paid to the Indenture Trustee pursuant to the Mortgage Indenture; or

- For application as Trust Moneys under the relevant provision of the Mortgage Indenture or whose disposition was not otherwise specifically provided for in the Mortgage Indenture.

**Covenants**

The Indenture requires us to establish and collect rates, rents, charges, fees and other compensation (collectively, the "Rates") that produce money sufficient, together with other moneys available to us, to enable us to comply with all covenants under the Mortgage Indenture. Subject to the approval or determination of any regulatory or judicial authority with jurisdiction over Rates, the Mortgage Indenture requires us to establish and collect Rates which are reasonably expected, together with our other revenue, to yield a MFI Ratio equal to at least 1.10 for each fiscal year. Promptly upon any material change in the circumstances which were not contemplated at the time such Rates were most recently reviewed but not less frequently than once every 12 months, we will be required to review the Rates so established and, subject to any necessary regulatory approval and the approval of the RUS, if required, promptly establish or revise such Rates as necessary to comply with the foregoing requirements. We will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of our business with respect to which a charge is regularly or customarily made, free of charge to any Person, and we will use commercially reasonable efforts to enforce the payment of any and all accounts owing to us with respect to the use, output, capacity or service of our business. A failure by us to actually achieve a 1.10 MFI Ratio will not itself constitute an Indenture Event of Default under the Mortgage Indenture. A failure to establish Rates reasonably expected to achieve a 1.10 MFI Ratio, however, will be an Indenture Event of Default if such failure continues for 30 days after we receive notice thereof from either the Indenture Trustee or the holders of not less than 20% in principal amount of the outstanding Mortgage Indenture Obligations, unless such failure results from our inability to obtain regulatory approval.

MFI Ratio, for any period, is (i) the sum of (a) Margins for Interest (as defined below) for such period, plus (b) Interest Charges (as defined below) for such period, divided by (ii) Interest Charges for such period. Margins for Interest means, for any period, the sum of each of the following for such period:

- Our net margins (which include our revenues subject to refund at a later date but exclude provisions for (i) non-recurring charges to income, including the non-recoverability of assets or expenses, except to the extent we determine to recover such charges in Rates and (ii) refunds of revenues collected or accrued in any prior year subject to possible refund; plus

- Any amount included in net margins for accruals for federal and state income and other taxes imposed on income after deduction of interest expense; plus

- Any amount included in net margins for any losses incurred by any subsidiary or affiliate of ours; plus

- Any amount we actually receive in such period as a dividend or other distribution of earnings of any subsidiary or affiliate of ours (whether or not such earnings were for such period or any earlier period); minus

- Any amount included in net margins for any earnings or profits of any subsidiary or affiliate of ours; and minus

- Any amount we actually contribute to the capital of, or actually pay under a guarantee by us of an obligation of, any subsidiary or affiliate in such period to the extent of any accumulated losses incurred by such subsidiary or affiliate (whether or not such losses were for such period or any earlier period), but only to the extent (i) such losses have not otherwise caused other contributions or payments to be included in net margins for purposes of computing Margins for Interest for a prior period and (ii) such amount has not otherwise been included in net margins.

Margins for Interest are determined in accordance with Accounting Requirements; provided, however, that such determination may not be made on a consolidated basis.

"Interest Charges" is defined in the Mortgage Indenture to mean, for any period, the total interest charges (whether capitalized or expensed) for such period (which, except as otherwise provided in this definition, shall be determined in accordance with Accounting Requirements) related to (i) our Outstanding Secured Obligations or (ii) our outstanding Prior Lien Obligations, in all cases including amortization of debt discount and premium on issuance, but excluding all interest charges related to Mortgage Indenture Obligations that have actually been paid by another Person that has agreed to be primarily liable for such Indenture Obligation pursuant to an assumption agreement or similar undertaking, provided such assumption agreement or similar undertaking is not a mechanism by which we continue to make payments to such Person based on payments made by such Person on account of its assumed liability or by which we otherwise seek to avoid having interest related to such Mortgage Indenture Obligations included in the definition of Interest Charges without the economic substance of an assumption of liability on the part of such Person.

The Mortgage Indenture prohibits us from making any distribution, payment or retirement of patronage capital to our members if, at the time thereof or after giving effect thereto:

- An Indenture Event of Default then exists;

- Our aggregate margins and equities as of the end of the immediately preceding fiscal quarter would be less than 20% of our total long-term debt and equities at such time; or

- The aggregate amount expended for all such distributions to our members on and after the date on which our aggregate margins and equities first reached 20% of our long- term debt and equities shall exceed 35% of our aggregate net margins earned after such date.

Notwithstanding such restrictions, so long as no Indenture Event of Default exists, we may make distributions, payments or retirements of patronage capital to members if, after giving effect thereto, our aggregate margins and equities as of the end of our most recent fiscal quarter would have been not less than 30% of our total long-term debt and equities as of such date.

The Mortgage Indenture obligates us to keep all of our property subject to the lien of the Mortgage Indenture free and clear of other liens, subject to Permitted Exceptions and certain purchase money on our after-acquired property not in excess of 80% (or with respect to property that is not necessary to the operations of the remaining portion of our business, 100%) of the lesser of the cost or the fair value of such property and in the aggregate not in excess of 15% of the aggregate principal amount of all Mortgage Indenture Obligations.

**Credit Enhancement**

The Mortgage Indenture provides that Mortgage Indenture Obligations of any series may have the benefit of an insurance policy, letter of credit, surety bond, or other similar unconditional obligation to pay when due the principal and interest of the Mortgage Indenture Obligations of such series (each, a "Credit Enhancement") issued by a credit enhancer (a "Credit Enhancer").

**Additional Mortgage Indenture Obligations**

The principal amount of Mortgage Indenture Obligations that can be issued under the Mortgage Indenture is limited to three billion dollars ($3,000,000,000). However, the Mortgage Indenture may be amended to increase such limit without the consent of holders of Mortgage Indenture Obligations. Additional Mortgage Indenture Obligations, ranking equally and ratably with the Mortgage Indenture Obligations issued to refinance or evidence our secured indebtedness outstanding at such time, may be issued from time to time:

- Against:
  - 90.91% of Bondable Additions;
  - 90.91% of Certified Progress Payments;
  - The aggregate principal amount of retired or defeased Mortgage Indenture Obligations;
  - The amount of cash deposited with the Indenture Trustee; and
- To evidence reimbursement Obligations to Credit Enhancers in connection with Credit Enhancement or guarantees of other Mortgage Indenture Obligations.

Bondable Additions are equal to (i) the bondable value of all certified Property Additions (as to which the lien of the Mortgage Indenture shall be subject only to Permitted Exceptions), less (ii) property ("Retirements") subject to the lien of the Mortgage Indenture that is retired after December 31, 2008 (the "Cut-Off Date"). Property Additions are limited under the Mortgage Indenture to certain of our property chargeable to our fixed plant accounts, subject to the lien of the Mortgage Indenture, acquired or constructed by us since the Cut-Off Date, and not subject to pre existing liens securing indebtedness prior to or on a parity with the lien of the Mortgage Indenture. In addition Property Additions include tangible property we acquired from WKEC as part of the Unwind, including the flue gas desulphurization system and associated equipment at our Coleman Mortgage Plant, regardless of when we acquired title to such property. For the purpose of calculating the amount of Property Additions and Retirements, (i) the bondable value of property acquired after the Cut Off Date is the lesser of its cost or fair value to us (determined as of the time of acquisition) and (ii) the bondable value of the tangible property acquired from WKEC in the Unwind is $98.5 million plus the cost of acquisition by WKEC of all such tangible property (other than the flue gas desulphurization system and associated equipment at our Coleman Plant) as reflected on the books of WKEC. The amount of Bondable Additions available for the issuance of additional Mortgage Indenture Obligations is the bondable value of all Property Additions (calculated as described above) after December 31, 2008 plus the bondable value of the tangible property acquired from WKEC in the Unwind on July 16, 2009, minus the bondable value of all property subject to the lien of the Mortgage Indenture that is retired or disposed after December 31, 2008. As a result, as of December 31, 2009, we could have issued approximately $194.6 million of additional Mortgage Indenture Obligations on the basis of Bondable Additions.

In order to finance the construction of generation and related facilities on a contract basis, we can issue additional Mortgage Indenture Obligations in an aggregate principal amount up to 90.91% of the progress payments ("Certified Progress Payments") made under qualified contracts for engineering, construction or procurement services which have been assigned to the Indenture Trustee ("Qualified EPC Contracts"). Such additional Mortgage Indenture Obligations are limited in principal amount to 30% of the Outstanding Secured Obligations under the Mortgage Indenture. As Property Additions are added to the Trust Estate as a consequence of Certified Progress Payments, we can certify such Property Additions as Bondable Additions to (i) issue additional Mortgage Indenture Obligations on the basis of Bondable Additions provided that we use a portion of the proceeds of such additional Mortgage Indenture Obligations to pay a specified portion of the Mortgage Indenture Obligations issued on the basis of Certified Progress Payments or (ii) convert principal amounts outstanding under the Mortgage Indenture Obligations issued on the basis of Certified Progress Payments to principal amounts outstanding under the Mortgage Indenture Obligations issued on the basis of Bondable Additions.

Before we may issue additional Mortgage Indenture Obligations on the basis of Bondable Additions, retirement or defeasance of Mortgage Indenture Obligations, the deposit of cash with the Indenture Trustee or Certified Progress Payments, we must certify that our MFI Ratio was at least 1.10 during the immediately preceding fiscal year (or, if the certification is made within 90 days of the end of a fiscal year, our second preceding fiscal year) or during any consecutive 12-month period within the 15 month period immediately preceding our request for the issuance of additional Mortgage Indenture Obligations.

**Events of Default and Remedies**

The following are Indenture Events of Default:

- Failure to pay principal of or premium, if any, on any Indenture Obligation when due after any applicable grace period;
- Failure to pay any interest on any Indenture Obligation when due which continues for 5 days;
- Any other breach by us of any of our warranties or covenants contained in the Indenture which continues for 30 days after written notice thereof from the Indenture Trustee or the holders of not less than 25% in principal amount of the outstanding Mortgage Indenture Obligations, unless such default cannot be reasonably cured within such 30 day period in which case, so long as a cure is being

diligently pursued, we shall have a reasonable period of time beyond such 30 day period to complete such cure;

- Failure to pay when due the principal of any other indebtedness for money borrowed, which failure has resulted in the declaration of acceleration of indebtedness in excess of $10 million, if such indebtedness is not discharged or such declaration of acceleration is not rescinded or annulled within 10 days after such acceleration;

- A judgment against us in excess of $10 million which remains unsatisfied or unstayed for 45 days after either entry of judgment or termination of stay, and such judgment remains unstayed or unsatisfied for a period of 10 days after notice thereof from the Indenture Trustee or the holders of not less than 25% in principal amount of the outstanding Mortgage Indenture Obligations; or

- Certain other proceedings in bankruptcy, receivership, insolvency, liquidation or reorganization.

Subject to the provisions of the Mortgage Indenture relating to the duties of the Indenture Trustee, in case an Indenture Event of Default should occur and be continuing, the Indenture Trustee is under no obligation to exercise any of its rights or powers under the Mortgage Indenture at the request or direction of any of the holders, unless such holders shall have offered to the Indenture Trustee a reasonable indemnity. Subject to provisions for the indemnification of the Indenture Trustee, the holders of a majority in aggregate principal amount of the outstanding Mortgage Indenture Obligations have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee or exercising any trust or power conferred on the Indenture Trustee, except that, so long as it is not in default with respect to its Credit Enhancement for any Mortgage Indenture Obligations, a Credit Enhancer for, and not the actual holders of, Mortgage Indenture Obligations subject to Credit Enhancement would be deemed to be the holder of such Mortgage Indenture Obligations for purposes of, among other things, taking action in connection with the remedies set forth in the Mortgage Indenture.

If an Indenture Event of Default should occur and be continuing, either the Indenture Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Mortgage Indenture Obligations may accelerate the maturity of all Mortgage Indenture Obligations. However, after such declaration of acceleration, but before a sale of any of the property subject to the lien of the Mortgage Indenture or a judgment or decree based on such declaration of acceleration, the holders of a majority in aggregate principal amount of outstanding Mortgage Indenture Obligations may, under certain circumstances, rescind such declaration of acceleration if we have paid or deposited sufficient amounts with the Indenture Trustee and all Events of Default, other than the non-payment of accelerated principal, had been cured or waived as provided in the Mortgage Indenture.

No holder of any Indenture Obligation has any right to institute any proceeding with respect to the Mortgage Indenture or for any remedy thereunder, unless:

- Such holder had previously given to the Indenture Trustee written notice of a continuing Indenture Event of Default;

- The holders of not less than 25% in aggregate principal amount of the outstanding Mortgage Indenture Obligations had made written request and such holders (other than the Government) have offered reasonable indemnity to the Indenture Trustee to institute such proceeding as Indenture Trustee;

- The Indenture Trustee for 60 days after its receipt of such notice, request and indemnity had failed to institute any such proceeding; and

- The Indenture Trustee had not received during such 60 day period from the holders of a majority in aggregate principal amount of the outstanding Mortgage Indenture Obligations a direction inconsistent with such request.

However, such limitations on the holders' rights to institute proceedings would not apply to a suit instituted by a holder of an Indenture Obligation for the enforcement of payment of the principal of, and premium, if any, or interest on such Indenture Obligation on or after the respective due dates expressed in such Indenture Obligation.

The Mortgage Indenture provides that the Indenture Trustee, within 90 days after the occurrence of the Mortgage Indenture Event of Default (but at least 60 days after the occurrence of certain specified Indenture Events of Default), shall give to the holders of Mortgage Indenture Obligations notice of all uncured defaults known to it, provided that, except in the case of an Indenture Event of Default in the payment of principal of, and premium, if any, or interest on Mortgage Indenture Obligations, the Indenture Trustee would be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the holders of Mortgage Indenture Obligations.

If an Indenture Event of Default should occur and be continuing, the Indenture Trustee may sell the property subject to the lien of the Mortgage Indenture, in either a judicial or nonjudicial proceeding, and the proceeds for disposition of such property, after payment of amounts owing to the Indenture Trustee, shall be applied as follows:

- *First*, to the payment of all amounts due to the Indenture Trustee;
- *Second*,
    - If all Mortgage Indenture Obligations shall have become due and payable, to the payment of outstanding Mortgage Indenture Obligations without preference or priority between interest or principal or among Mortgage Indenture Obligations, or
    - If the principal of all Mortgage Indenture Obligations shall not have become due and payable, then (A) first to interest installments in the order of their maturity and (B) second to principal or redemption price;
- *Third*, to payment of all other amounts due and unpaid on Mortgage Indenture Obligations;
- *Fourth*, to payment of amounts to maintain the value of reserve funds relating to certain tax exempt bonds; and
- *Fifth*, to us or whosoever may be lawfully entitled to receive any remaining amount.

The Indenture requires us to deliver to the Indenture Trustee, within 120 days after the end of each calendar year, a written statement as to our compliance with all our obligations under the Mortgage Indenture. In addition, we are required to deliver to the Indenture Trustee, promptly after any of our officers may be reasonably deemed to have knowledge of a default under the Mortgage Indenture, a written notice specifying the nature and duration of the default and the action we are taking and propose to take with respect thereto.

**Amendments and Supplemental Indentures**

**Waiver of Covenants**

Our compliance with the covenants contained in the Mortgage Indenture relating to (i) limitation on liens, (ii) payment of taxes, (iii) maintenance of properties, (iv) insurance, (v) delivery of annual compliance certificates and notice of default under the Mortgage Indenture, (vi) establishing and reviewing certain Rates (other than establishing Rates necessary to comply with the covenants of the Mortgage Indenture), (vii) distributions to our members and (viii) investment of certain moneys, may be waived by a vote of the holders of a majority of the aggregate principal amount of the Mortgage Indenture Obligations outstanding.

**Supplemental Indentures Without Consent of Holders**

Without the consent of the holders of any Mortgage Indenture Obligations, we, when authorized by a board resolution, and the Indenture Trustee will be able, from time to time, to enter into one or more supplemental Indentures:

- To correct or amplify the description of any property at any time subject to the lien of the Mortgage Indenture;
- To confirm property subject or required to be subjected to the lien of the Mortgage Indenture or to subject additional property to the lien of the Mortgage Indenture;
- To add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the issue, authentication and delivery of Mortgage Indenture Obligations or of any series of Mortgage Indenture Obligations under the Mortgage Indenture;
- To create any new series of Mortgage Indenture Obligations;
- To modify or eliminate any of the terms of the Mortgage Indenture, provided in the event any such modification or elimination would adversely affect or diminish the rights of any holder, such supplemental Indenture shall state that any such modification or elimination shall become effective only when there are no Mortgage Indenture Obligations outstanding under any series created prior to such supplemental Indenture and provided the Indenture Trustee may decline to execute such supplemental Indenture which does not afford adequate protection to the Indenture Trustee;
- To evidence the succession of another corporation to us and the assumption by any such successor of our covenants;
- To evidence the succession of another Indenture Trustee or the appointment of a co-Indenture Trustee or separate Indenture Trustee;
- To add to our covenants or the Indenture Events of Default for the benefit of all or any series of Mortgage Indenture Obligations or to surrender any of our rights or powers;
- To cure any ambiguity, to correct or supplement any provision in the Mortgage Indenture which may be inconsistent with any other provisions or to make any other provisions, with respect to matters or questions arising under the Mortgage Indenture, which shall not be inconsistent with the provisions of the Mortgage Indenture, provided such action shall not in our opinion, as evidenced by an officer's

certificate delivered to the Indenture Trustee, adversely affect the interests of the holders of the Mortgage Indenture Obligations in any material respect;

- To modify, eliminate or add to the provisions of the Mortgage Indenture to the extent necessary to effect the qualification of the Mortgage Indenture under any federal statute, to modify, eliminate or add to the provisions of the Indenture to the extent that any such provisions relating to requirements under the Trust Indenture Act of 1939 (the "TIA") have been modified or eliminated in the TIA after the date of the Mortgage Indenture, to add or change any provisions of the Indenture to the extent necessary to permit or facilitate the issuance of Mortgage Indenture Obligations in bearer or book-entry form;

- To permit the issuance of Mortgage Indenture Obligations in bearer or book-entry form;

- To make any change in the Mortgage Indenture that, in the reasonable judgment of the Indenture Trustee, would not materially and adversely affect the rights of holders of Mortgage Indenture Obligations. A supplemental Indenture will be presumed not to materially and adversely affect the rights of holders if (i) the Mortgage Indenture, as so supplemented and amended, secures equally and ratably the payment of principal of (and premium, if any) and interest on the Mortgage Indenture Obligations which are to remain outstanding and (ii) we shall furnish to the Indenture Trustee written evidence from (x) the nationally recognized statistical rating organization or organizations then rating the Mortgage Indenture Obligations (or other Obligations primarily secured by Mortgage Indenture Obligations) or (y) if there are more than two (2) such organizations, at least two (2) of such organizations, that its ratings of the Mortgage Indenture Obligations (or other Obligations primarily secured by Mortgage Indenture Obligations) will not be withdrawn or reduced as a result of the changes in the Indenture affected by such supplemental Indenture, provided that any changes in the Mortgage Indenture that require the consent of all of the holders of Mortgage Indenture Obligations affected thereby may not be made on the basis that they do not materially and adversely affect the rights of holders. See "Supplemental Indentures With Consent of Holders;" and

- To increase the maximum principal amount of Mortgage Indenture Obligations which may be authenticated and delivered under the Mortgage Indenture.

**Supplemental Indentures With Consent of Holders**

With the consent of the holders of not less than a majority in principal amount of the Mortgage Indenture Obligations of all series then outstanding affected by such supplemental Indenture, we and the Indenture Trustee will be able, from time to time, to enter into one or more supplemental Indentures to add, change or eliminate any of the provisions of the Mortgage Indenture or modify the rights of the holders of such Mortgage Indenture Obligations, but no such supplemental Indenture will, without the consent of the holder of each outstanding Indenture Obligation affected thereby:

- Change the Stated Maturity (the date specified in each Mortgage Indenture Obligations as the date on which the principal of such Mortgage Indenture Obligations or an installment of interest on any Indenture Obligation is due and payable);

- Reduce the principal of, or any installment of interest on, any Indenture Obligation, or any premium payable upon the redemption thereof;

- Change any Place of Payment (the city or political subdivision thereof in which we are required by the Indenture to maintain an office or agency for payment of the principal of or interest on the Mortgage Indenture Obligations) where any Indenture Obligation, or the interest thereon, is payable;

- Impair the right to institute suits for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);

- Reduce the percentage in principal amount of the outstanding Mortgage Indenture Obligations the consent of the holders of which is required for various purposes;

- Modify certain other provisions of the Mortgage Indenture;

- Permit the creation of any lien (other than as permitted in the Mortgage Indenture) ranking prior to or on a parity with the lien of the Mortgage Indenture with respect to all or substantially all of the property subject to the lien of the Mortgage Indenture; or

- Modify the provisions of any mandatory sinking fund so as to affect the rights of a holder to the benefits thereof.

**Defeasance**

Subject to certain other conditions, the Mortgage Indenture provides that Mortgage Indenture Obligations will be deemed to have been paid and any of our Obligations to the holders of such Mortgage Indenture Obligations will be discharged, if we deposit with the Indenture Trustee or paying agent cash or Defeasance Securities (as defined below) maturing as to principal and interest in such amounts and at such times as are sufficient, without consideration of reinvestment of such interest, to pay when due the principal or (if applicable) redemption price and interest due and to become due on such Mortgage Indenture Obligations. "Defeasance Securities" is defined in the Mortgage Indenture to include non-callable bonds or other obligations of the principal and interest on which constitute direct obligations of, or are unconditionally guaranteed by the United States of America, or certificates of interest or participation in any such obligations, or in specified portions thereof (which may consist of specified portions of the interest thereon).

## SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS

The following is a summary of certain provisions of the Smelter Agreements. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the summarized documents, copies of which are available for inspection at our principal offices and the principal offices of the Trustee. The Smelters have largely identical obligations under the agreements described below, so this summary does not distinguish between obligations to a particular Smelter, even though, from a legal perspective, their rights and obligations are separate and not joint. All capitalized terms used in this APPENDIX F summary and not defined herein or elsewhere in the Offering Statement shall have the meanings given to them in the Smelter Agreements.

**Structure**

The principal terms and conditions relating to our sale of electric services to Kenergy for resale to the Smelters are set forth in six agreements, three with respect to service to each Smelter. The basic structure of the sale of electric services is that we sell the electric services to Kenergy and then Kenergy in turns sells those electric services to each Smelter. Because the Smelters are customers of Kenergy, Big Rivers has entered into two, separate wholesale service agreements (each a "Smelter Agreement") with Kenergy. Under each Smelter Agreement, we supply Kenergy with electric service for resale to a particular Smelter. Kenergy has entered into a separate retail electric service agreement (a "Smelter Retail Agreement") with each Smelter. We and each Smelter have also entered into a Smelter Coordination Agreement (a "Smelter Coordination Agreement" and, together with the Smelter Agreements and the Smelter Retail Agreements, the "Smelter Agreements") that sets forth certain direct obligations between us and a Smelter. Due to the pass-through nature of the principal obligations between us and each Smelter, the Smelter Agreement and the Smelter Retail Agreement relating to each Smelter are substantially the same.

**Nature of Service**

The aggregate amount of energy made available to the Smelters under the Smelter Retail Agreements consists of three types of energy referred to as (1) Base Monthly Energy, (2) Supplemental Energy and (3) Back-Up Energy.

***Base Monthly Energy***

The primary type of energy provided is Base Monthly Energy. "Base Monthly Energy" is the actual amount of energy delivered to the Smelter other than Supplemental Energy provided by Big Rivers or Market Energy provided by third-party suppliers plus energy not delivered as a result of the Smelter's exercise of certain rights to curtail deliveries of energy. Base Monthly Energy is capped at 368 MW per hour for Alcan and 482 MW per hour for Century. The Smelter Retail Agreements do not require the Smelters to schedule Base Monthly Energy but do require each Smelter to use reasonable commercial efforts to inform Kenergy and us promptly of any material change in its intended usage of Base Monthly Energy.

***Supplemental Energy***

In addition to Base Monthly Energy, the Smelters may purchase Supplemental Energy in certain circumstances. "Supplemental Energy" itself consists of three distinct subsets of energy products in excess of Base Monthly Energy:

*Interruptible Energy.* Each of the Smelters may purchase up to 10 MW per hour in excess of Base Monthly Energy, from our power supply resources on an interruptible basis ("Interruptible

Energy"). Interruptible Energy may be interrupted if we determine in good faith that our energy resources will be insufficient to supply both the requested Interruptible Energy and our obligations to our Members, all other obligations to the Smelters, and any firm commitments to third parties made prior to our agreement to sell such Interruptive Energy.

*Buy-Through Energy*. If we interrupt any Interruptible Energy, then we may, at our option, offer energy at a quoted price following the notice of interruption ("Buy-Through Energy"). In practice, we purchase this energy from a third-party supplier in the market and then re-sell it to Kenergy for resale to the Smelter. If the Smelter agrees to purchase Buy-Through Energy, we will have a firm obligation to supply Buy-Through Energy, subject to limited exceptions.

*Market Energy*. Apart from all other energy, at the request of a Smelter, Kenergy will use reasonable commercial efforts to purchase separately negotiated additional energy and related services ("Market Energy") from either us or third-party suppliers. We have no obligation to provide Market Energy to Kenergy for resale to the Smelters but may elect to do so.

***Back-Up Energy***

Because the Smelter's receive in each hour energy that meets their actual demand in the hour, the Smelters also purchase and pay for "Back-Up Energy." Back-Up Energy is, for any hour, energy in excess of Base Monthly Energy and Supplemental Energy. Back-Up Energy is intended to be imbalance energy, that is, energy actually used in excess of the Smelter's planned usage in any hour. The Smelters are not required to schedule Back-Up Energy, but the Smelters must use reasonable commercial efforts to inform Kenergy and us promptly of any material change in their intended usage of Back-Up Energy.

**Smelter Payment Obligations**

***Base Monthly Energy Charge***

The calculation of the charges for Base Monthly Energy contains numerous components. In sum, the charges are intended to result in the Smelters making payments that help us achieve a net margin so that our net margin plus interest expenses divided by interest expenses is 1.24. This ratio is referred to herein as a "TIER". The charges to reach a TIER of 1.24 are subject to specified limits on the maximum amount payable by the Smelters and certain other adjustments.

*Base Energy Charge*. The "Base Energy Charge" is the charge for Base Monthly Energy made available to the Smelters. The Base Energy Charge is equal to the Smelter's Base Demand (368 MW or 482 MW, respectively) per hour, assuming a 98% load factor, multiplied by our tariff rate for sales to our Members for resale to large direct-served industrial customers (the "Large Industrial Rate") (inclusive of any surcharges, surcredits and rebates, exclusive of certain fuel adjustment charges and environmental surcharges, the Rebate and the Surcharge (each as defined below)), plus an additional amount of $0.25 per MWh. In addition, the Base Energy Charge includes an adjustment, either positive or negative, for specified variable costs, based on the Smelters' actual energy curtailments.

*Supplemental Energy Charges*. The charges for Supplemental Energy are the sum of charges for the Interruptible Energy Charge, the Buy-Through Energy Charge, and the Market Energy Charge, calculated as follows:

1. The "Interruptible Energy Charge" is the product of (a) the quantity of Interruptible Energy metered at the point of delivery during the billing month, and (b) the rate or rates for Interruptible Energy proposed by us and accepted by the Smelter with respect to such billing month;

2. The "Buy-Through Energy Charge" is a "pass-through" amount for our costs to purchase such Buy-Through Energy from a third-party supplier for sale to Kenergy for resale to the applicable Smelter, including any amount paid for transmission and ancillary services and all other charges payable by us in connection with Buy-Through Energy; and

3. The "Market Energy Charge" equals the product of the rate agreed to by the supplier of the energy, which may be but is not necessarily us, and the amount of the Market Energy and any amount paid for transmission and ancillary services.

*Back-Up Energy Charges.* The rates for Back-Up Energy depend on whether we had to purchase that energy in the market. If so, the rate is 110% of the highest price for energy purchased by and delivered to us during that hour. If the Back-Up Energy was not purchased in the market, then the rate is the greater of the locational marginal price at our interface with Midwest Independent System Operator or our system lambda. If Back-Up Energy exceeds 10 MW in any hour, the rate for the excess over 10 MW is computed differently. If this excess Back-Up Energy is required due to a third-party breaching a contract to supply Market Energy (and thereby reducing the energy supplied to a Smelter), then the rate is 110% of the highest price for energy purchased by or sold by us in that hour. If there is no such contractual breach, then the rate for Back-Up Energy in excess of 10 MW is the higher of $250 per MWh or 110% of the highest hourly rate for energy purchased or sold by Big Rivers and delivered to an interconnection with our transmission system in such hour.

***TIER Adjustment Charge***

Prior to each fiscal year, we determine the expected total amount of additional revenue we will need during the fiscal year to achieve a TIER of 1.24, subject to certain limitations (the "TIER Adjustment"). Each Smelter is obligated to pay a pro rata share (calculated based on its Base Demand) of the TIER Adjustment. If one Smelter's Retail Agreement terminates early, the other Smelter will continue to be obligated to pay only its pro rata share of the TIER Adjustment calculated based on the terminated Smelter's Base Demand, which is 368 MW for Alcan and 482 MW for Century. Each month, one-twelfth of each Smelter's share of the estimated TIER Adjustment for such fiscal year is charged to the Smelter as a "TIER Adjustment Charge". These monthly amounts are further subject to quarterly adjustments based on year-to-date results of operations.

The Smelters' obligations to pay amounts toward our achieving a TIER of 1.24 are not unlimited. Each Smelter's obligation with respect to the TIER Adjustment in any fiscal year may not exceed an amount equal to the product of (a) the Smelters' Based Fixed Energy, for such fiscal year, and (b) the applicable amount set forth below for such year:

| Years | Applicable Amount |
|---|---|
| 2009-2011 | $0.00195 per kWh |
| 2012-2014 | $0.00295 per kWh |
| 2015-2017 | $0.00355 per kWh |
| 2018-2020 | $0.00415 per kWh |
| 2021-2023 | $0.00475 per kWh |

*Assumptions in the TIER Adjustment.* We and Kenergy have agreed with the Smelters to make certain assumptions and adjustments in the calculation of the TIER Adjustment. These assumptions and adjustments are intended to limit the Smelters' obligations in some specified circumstances. Specifically, for purposes of calculating the TIER Adjustment, it will be assumed that:

1. We raise our base rates for service to our Members for their non-Smelter customers by a weighted average of 2.00% in 2010, 2.50% in 2018 and 4.00% in 2021 to the extent we in

fact previously had not increased revenues as a result of rate increases by at least such amount. To date, we have not requested a raise in these base rates.

2. Any entity which becomes a direct-serve customer of a Member after the closing of the Unwind with firm demand in excess of 15 MW paid at least an amount equal to the Smelter Base Rate adjusted for the entity's actual load factor, plus a proportionate share of the TIER Adjustment, if any, and additional amounts relating to the Fuel Adjustment Clause, the Environmental Surcharge, the Purchased Power Adjustment, and the Surcharge. An entity which becomes a direct-serve customer of a Member with a demand of 15 MW or less paid at least an amount equal to the Large Industrial Rate, plus additional amounts relating to the Fuel Adjustment Clause, the Environmental Surcharge, and the Purchased Power Adjustment. This assumption will not be made in the last three years of the term of either Smelter Retail Agreement or following notice of termination of either Smelter Retail Agreement.

3. We will have incurred no expenses that are impermissible for inclusion in rates of electric generation and transmission cooperative utilities subject to the jurisdiction of the KPSC or disallowed by another governmental authority, provided however that a denial by the KPSC or another governmental authority of expense recovery through the Fuel Adjustment Clause or the Environmental Surcharge shall not make such expense impermissible for the purpose of this assumption if the nature of the expense is recoverable in base rates.

4. There are no revenues and expenses associated with our non-regulated businesses.

5. Additional costs related to a change in our depreciation rates may not be included in calculation of the Tier Adjustment unless such changes have been approved, consented to, or accepted by the KPSC, or any other governmental authority if the KPSC no longer has jurisdiction over the change.

In general, these assumptions attempt to ensure that the TIER Adjustment payable by the Smelters is not changed in ways outside the expectations of the parties as a result of known anticipated events.

Other assumptions attempt to net out certain effects of, among other things, (a) patronage capital retirements, (b) interest imputed on debt related to new non-peaking facilities to the extent such new facilities are not included in our revenue requirements for rate-making purposes, (c) interest related to construction-work-in-progress to the extent not included in our revenue requirements for rate-making purposes, (d) possible future indemnification payments under a Smelter Agreement, (e) agreed curtailments, (f) certain penalties, including possible criminal penalties imposed by governmental authorities, (g) penalty interest due to Kenergy or us because of a default by a Smelter, (h) interest on payments made under protest by the Smelters, (i) certain excess reactive demand charges, (j) certain administrative fees paid in connection with certain energy curtailment and resale under a Smelter Agreement.

*Rebate.* If our TIER in any year exceeds 1.24, as calculated under the Smelter Agreements, then during the next fiscal year we may elect to rebate on a kWh basis a portion of the excess amount, subject to certain limitations, to our Members. Big Rivers has a rider to its tariff to effect this transfer to the Members. Kenergy then would credit to the Smelters a pro rata portion of the amount it received from us on a kWh basis (the "Rebate"). If we do not elect to rebate such excess amount to all our Members, we will still distribute a pro rata portion of the excess to Kenergy for distribution to the Smelters (the "Equity Development Credit"), subject to certain limitations.

***Additional Charges***

*Transmission and Ancillary Services Charge*. The Smelters are charged for network transmission service and ancillary services in accordance with our Open Access Transmission Tariff in connection with their purchases of Supplemental Energy..

*Variable Charges*. The Smelters pay charges under our Fuel Adjustment Clause, and an environmental surcharge (the "Environmental Surcharge") as though they were large industrial tariff customers of one of our Members. The Smelters also pay a charge relating to a purchased power adjustment (the "Purchased Power Adjustment") with respect to purchased power costs not recovered under the Fuel Adjustment Clause.

*Surcharge*. In addition to any other amounts payable under the Smelter Agreements, the Smelters pay a Surcharge, comprised of four separate components. The first component of the Surcharge is a fixed annual payment, in such amount as follows: (1) an aggregate annual payment of $5,110,000, payable in equal monthly installments through 2011, (2) an aggregate annual payment of $7,300,000, payable in equal monthly installments from 2012 through and including 2016, and (3) an aggregate annual payment of $10,182,816, payable in equal monthly installments from 2017 through 2023. The second component is a fixed reduction to the Surcharge of $86,588 per month for Alcan and $113,412 per month for Century until July 2017. The third and fourth components of the Surcharge are not fixed dollar amounts. The third component is the product of Base Fixed Energy for the billing month (where "Base Fixed Energy" equals the product of the Base Demand (368 MW or 482 MW, respectively), the number of hours in the billing month, and 0.98) multiplied by $0.60 per MWh. The fourth component is the product of Base Fixed Energy for the billing month and the number of cents (between zero and 60) per MW per hour that our budgeted annual average fuel costs for coal-fired generation per MWh for the fiscal year exceed the amounts specified in the Smelter Retail Agreements for that fiscal year, subject to a quarterly true-up based on a comparison of actual fuel costs to budgeted fuel costs and an annual true-up to insure that the Smelters do not pay under this fourth component more than 60 cents per MW per hour of Base Fixed Energy for the fiscal year.

**Termination Rights**

The obligation of Kenergy to supply electric services to the Smelters pursuant to the Smelter Retail Agreements will terminate on December 31, 2023, unless terminated earlier pursuant to the terms thereof. If no such early termination occurs, we, and Kenergy are obligated, by no later than January 1, 2023, to undertake good faith negotiations with each other and the applicable Smelter for a replacement agreement.

A Smelter may terminate its Smelter Retail Agreement upon not less than one year's prior written notice of such termination to Kenergy and us if it's corporate parent has made a business judgment in good faith to terminate and cease, and has no current intention to re-commence, aluminum smelting operations at the Smelter's Sebree, Kentucky site, in the case of Alcan, or Hawesville, Kentucky site, in the case of Century. Such a termination by a Smelter cannot be effective prior to December 31, 2010; *provided, that* if one Smelter has given notice of termination to be effective on or after December 31, 2010 and improvements to Big Rivers transmission facilities to permit Big Rivers to transmit all Smelter loads to a delivery point of Big Rivers' transmission system have not been completed. A notice of termination by the other Smelter may not be effective prior to December 31, 2011. We have no indication that either Smelter plans to file an early termination notice.

**Curtailments**

There are five specified circumstances under which the Smelters may curtail their receipt of energy from us. In each case, the Smelters remain obligated to pay for the amount of curtailed energy as though it had been delivered, and receive a credit with respect to the curtailed energy which differs depending on the circumstances of the curtailment.

*Surplus Sales*. We are required to use reasonable commercial efforts to market amounts of Monthly Energy for Kenergy that a Smelter is obligated to purchase under its Smelter Retail Agreement but which is surplus to such Smelter's needs, with some exceptions. We must credit back to Kenergy, for credit to the applicable Smelter, an amount of net proceeds from such sales which is generally equivalent to the amount of the Smelters' charges otherwise payable with respect thereto.

*Undeliverable Energy Sales*. If an event occurs that causes damage or destruction to the plant or equipment at a Smelter's facility that limits that Smelter's ability to engage in smelting operations for a period of 48 consecutive hours or longer and the Smelter's demand drops by at least 50 MW (other than as a result of the Smelter's willful or intentional misconduct), the Smelter can request such energy be resold for five or six months ("Undeliverable Energy Sales"). If the Smelter certifies that such condition cannot be remedied with reasonable diligence within six months, such sales may be extended for an additional three months. We must credit back Kenergy, for credit to the Smelter, the net proceeds of the Undeliverable Energy Sales, less an administrative fee of $0.25 per MWh.

*Potline Reduction Sales*. A Smelter, upon the ceasing of aluminum smelting operations on one of its potlines (a "Potline Reduction"), may request that Kenergy cause us to sell 115 MW (plus or minus 10 MW) per hour on the open market ("Potline Reduction Sales") if certain other conditions are met These conditions include among others: (a) such Smelter is reasonably likely to be able to continue aluminum smelting operations with respect to all of its other potlines; (b) such Smelter reasonably estimates the Potline Reduction will equal or exceed 12 months; and (c) no Potline Reduction Sales have been made for a period of twelve consecutive months prior to the date of such notice. We must credit back Kenergy, for credit to the Smelter, the net proceeds of Potline Reduction Sales, less an administrative fee of $0.25 per MWh.

*Economic Sales*. Each Smelter may, not more than 12 times in any fiscal year, voluntarily curtail its energy requirements and request that we sell the curtailed energy ("Economic Sales"). Each Economic Sale is subject to our consent, limited to up to 100 MW, and may not be longer than four hours. We must credit back to Kenergy, for credit to the Smelter, 75% of the net proceeds of Economic Sales.

Neither we nor Kenergy have any obligation to market energy as Surplus Sales, Undeliverable Energy Sales, Potline Reduction Sales or Economic Sales until we have sold or chosen not to sell all amounts of its own surplus power, nor do Kenergy or we have any obligation to the Smelters if we are unable to sell this energy as a result of transmission or other constraints.

*Other Curtailments*. If mutually agreed by a Smelter, Kenergy and us, a Smelter may curtail its energy requirements in an amount and for a period agreed upon by such Smelter, Kenergy and us. Regardless of whether we sell any of such curtailed energy, we must credit back to Kenergy, for credit to the Smelter, an amount equal to the product of (a) the amount of Base Demand per Hour curtailed and (b) the "Market Reference Rate." The Market Reference Rate is the rate (inclusive of all transmission and related charges on any third-party's transmission system) we estimate in good faith we would have paid to purchase energy from a third-party for such amount of curtailed energy to meet our energy delivery obligations under the Smelter Agreements during such period. This curtailment option allows us, if consented to by a Smelter in each instance, to mitigate our exposure to short-terms price spikes in the wholesale power markets during periods when we would otherwise need to purchase power from the market to meet our energy delivery obligations under the Smelter Agreements.

**Other Matters**

*Covenants.* We are obligated to our Members to operate our system for the benefit of the Members consistent with prudent utility practices. Under the Smelter Agreements we will apply the same standards to operating decisions that may affect the monthly charges to the Smelters. We will not use a Smelter's payment obligation with respect to the Tier Adjustment as the basis for making an operating decision.

*Restructuring.* Because of the Smelters' obligations relating to the TIER Adjustment, we have agreed that the effects of certain restructuring transactions (a "Restructuring") on the TIER Adjustment will be implemented over an extended period of time. A restructuring will occur if (i) we, any Affiliate of ours or a Member engages in a merger, consolidation or other combination with another entity, or we admit a new member, and such transaction results in a 5% increase in our sales to our Members on a pro forma basis or (ii) we are acquired. We may, however, seek approval of an increase in the Large Industrial Rate which will increase amounts otherwise payable by the Smelters pursuant to the Smelter Base Rate upon the occurrence of a Restructuring. In connection with such a Restructuring, Big Rivers, Kenergy and the Smelters will determine a good faith estimate of the cumulative increase or decrease in the TIER Adjustment that such a Restructuring would cause over the 24 Billing Month period following the date of the effectiveness of the Restructuring (the "Restructuring Amount") and would increase or decrease the Smelters' charges for 48 months by 1/48th of the Restructuring Amount (subject to a lower limit on the overall MWh rate payable by the Smelters). If we, Kenergy and the Smelters are not able to determine a mutually agreeable estimate of the appropriate economic adjustment according to the procedures set forth in the Smelter Retail Agreements, then Kenergy, Alcan, Century, or we may petition to the KPSC to determine the Restructuring Amount.

*Budgets.* Each year, we must provide the Smelters with a copy of our then-current projected operating and capital budgets for the following fiscal year. This estimated budget may be reviewed by a mutually agreed independent expert if requested by a Smelter who will evaluate the proposed budgeted operating expense and capital expenditures. The Smelters have the opportunity to present the conclusions and recommendations of the independent expert to the Coordinating Committee (defined below) and to our Board of Directors. We have no duty to take any action based on such report. We must also provide the Smelters with notice of certain significant capital expenditures or operating expenses in excess of our budget made during the fiscal year and allow the Smelters to make a presentation to our Board of Directors in some cases.

*Coordinating Committee.* The Smelter Agreements provide for the establishment of a committee (the "Coordinating Committee"), consisting of representatives of the Members, Alcan, Century, and our management, organized for the purpose of analyzing information relating to our operational and financial performance, including among others, (i) analysis criteria and procedures for evaluating plans and expenditures, (ii) budgets, (iii) fuel procurement or supply, and (iv) actual budget performance and variances.

*Large Industrial Rate Service.* We have agreed that if a Smelter's Retail Agreement is terminated pursuant to the termination rights with respect to a cessation of all smelting operations at the Smelter's site, the Smelter will be entitled to be served by Kenergy under our Large Industrial Rate for any non-smelting load up to a maximum load of 15MW.

**Smelter Credit Support**

The U.S. parent of Alcan and the ultimate parent of Century have entered into agreements guaranteeing the payment and performance of Alcan and Century, respectively, to Kenergy and to us of all obligations under the Smelter Coordination Agreements.

Because the parent guarantor of each Smelter does not have an "A+" or higher credit rating, each Smelter is required to provide and maintain credit support in the form of a letter of credit from a bank rated "A+" or higher, or other credit support acceptable to us and Kenergy, in an amount equal to the amounts estimated to be due for a period of two months under that Smelter's Smelter Retail Agreement and any amount that we estimate reasonably could be due with respect to taxes relating to certain sales of energy on behalf of the Smelters.

Both Smelters have negotiated other credit support acceptable to us and Kenergy. Alcan has pledged its interests in an escrow account. We or Kenergy are permitted to draw amounts from the escrow account at any time to satisfy an overdue Alcan payment obligation up to a specified threshold, initially set at $23 million. Alcan is prohibited from drawing amounts out of the escrow account if the remaining balance would be less than the specified threshold in effect at any time. Century's credit support secures Century's payment obligations to us and Kenergy up to a specified threshold, initially set at $27 million. Century provided its credit support in three parts: (i) a letter of credit issued by E.ON in the amount of $7.5 million, (ii) a cash collateral account in the amount of $7.5 million, and (iii) payments under a swap agreement with E.ON. Under the swap agreement, E.ON pays amounts directly into the lockbox account in which monthly payments under the Smelter Retail Agreement are deposited. The amounts payable by E.ON depend on our cost to produce energy, the sale price for energy not consumed by Century and the amount of aluminum produced by Century. In the event of an early termination of the swap agreement, a termination payment would be directed into the cash collateral account. Both the swap agreement and the letter of credit expire at the end of 2010, and Century is required to provide substitute collateral acceptable to Kenergy and us at that time.

**Patronage Capital**

Our and Kenergy's allocation and distribution of patronage capital is controlled by our respective by-laws. The Smelter Agreements restrict Kenergy and us from modifying our respective by-laws in a manner that would be adverse to the Smelters with respect to the distribution of patronage capital. The decision to make any payments with respect to the distribution of patronage capital is in the sole discretion of Kenergy or us, as applicable.

**PROPOSED FORM OF**
**OPINION OF BOND COUNSEL**

*Upon the delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel, proposes to render its final approving opinion with respect to such Bonds in substantially the following form:*

__________, 2010

Ohio County Fiscal Court
County of Ohio, Kentucky
Hartford, Kentucky

Re: County of Ohio Kentucky
Pollution Control Refunding Revenue Bonds, Series 2010A
(Big Rivers Electric Corporation Project)

Ladies and Gentlemen:

We have acted as bond counsel in connection with issuance by the County, of Ohio, Kentucky (the "Issuer") of $83,300,000 aggregate principal amount of County of Ohio Kentucky Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project) (the "Bonds"), issued pursuant to the provisions of the Constitution and laws of the Commonwealth of Kentucky, including Sections 103.200 through 103.285, inclusive, of the Kentucky Revised Statutes, as amended (the "Act"), and pursuant to a Trust Indenture, dated as of June 1, 2010 (the "Bond Indenture"), between the Issuer and U.S. Bank National Association, as Trustee (the "Trustee"). The Bond Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to Big Rivers Electric Corporation ("Big Rivers") pursuant to a Loan Agreement, dated as of June 1, 2010 (the "Financing Agreement"), between the Issuer and Big Rivers. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Indenture.

In such connection, we have reviewed the Bond Indenture, the Financing Agreement, the Big Rivers Indenture, the Note, the Tax Certificate and Agreement, dated the date hereof, between the Issuer and Big Rivers (the "Tax Certificate"), certain resolutions of the Issuer, opinions of counsel to Big Rivers, the Trustee and the Issuer, certificates of the Issuer, the Trustee, Big Rivers and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph of this letter. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Indenture, the Financing Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Indenture, the Financing Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the Commonwealth of Kentucky. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Offering Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer is a political subdivision and body politic and corporate of the Commonwealth of Kentucky, created and existing pursuant to the Constitution and laws of such Commonwealth.

2. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer.

3. The Bond Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Bond Indenture creates a valid pledge to secure the payment of the principal of and interest on the Bonds (to the extent provided therein). The Bond Indenture also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Financing Agreement other than the rights of the Issuer set forth in Sections 5.4 and 9.4 of the Financing Agreement.

4. The Financing Agreement has been duly authorized, executed and delivered by, and constitutes a valid and binding agreement of, the Issuer.

5. All approvals or consents of governmental authorities required to be obtained by the Issuer in connection with the issuance and sale of the Bonds have been obtained.

6. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the Commonwealth of Kentucky or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

7. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code") and Title XIII of the Tax Reform Act of 1986, except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. Further, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings in calculating federal corporate alternative minimum taxable income.

We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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# CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement"), dated as of June 1, 2010, by and between Big Rivers Electric Corporation ("Big Rivers") and U.S. Bank National Association, as trustee (the "Trustee") under the Trust Indenture, dated as of June 1, 2010 (the "Indenture"), between the County of Ohio, Kentucky (the "Issuer") and the Trustee, is executed and delivered in connection with the issuance of the Issuer's $83,300,000 principal amount of County of Ohio, Kentucky Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project) (the "Bonds"). The proceeds of the sale of the Bonds will be used to refund the entire outstanding principal amount of the Issuer's Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Rate Securities. In connection therewith, the Issuer and Big Rivers have entered into a Loan Agreement dated as of June 1, 2010 (the "Financing Agreement"), pursuant to which the Issuer has loaned to Big Rivers the aggregate principal amount of the Bonds. Capitalized terms used in this Agreement shall have the meanings given to them in the Indenture; capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified in Article IV hereof.

## ARTICLE I
## The Undertaking

Section 1.1. Purpose: No Issuer Responsibility or Liability. This Agreement is being executed and delivered solely to assist the Underwriter in complying with paragraph (b)(5) of the Rule. Big Rivers acknowledges that the Issuer has undertaken no responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Agreement, and shall have no liability to any person, including any holder of the Bonds, with respect to any such reports, notices or disclosures.

Section 1.2. Annual Financial Information.

(a) Big Rivers shall provide Annual Financial Information with respect to each fiscal year, commencing with the fiscal year ending December 31, 2010, by no later than six months after the end of the respective fiscal year to (i) the MSRB and (ii) the Issuer (with copies to the Trustee).

(b) Big Rivers shall provide, in a timely manner, notice of any failure of Big Rivers to provide the Annual Financial Information by the date specified in subsection (a) above to (i) the MSRB and (ii) the Issuer (with copies to the Trustee).

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2 hereof because Audited Financial Statements are not available, Big Rivers shall provide Audited Financial Statements, when and if available, to (i) the MSRB and (ii) the Issuer (with copies to the Trustee).

Section 1.4. Material Events Notices.

(a) If a Material Event occurs, Big Rivers shall provide, in a timely manner, a Material Event Notice to (i) the MSRB and (ii) the Issuer (with copies to the Trustee).

(b) Any such notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise Big Rivers and the Issuer whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence which, if material, would require Big Rivers to provide a Material Event Notice hereunder; provided, however, that the failure of the Trustee so to advise Big Rivers or the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Indenture.

Section 1.5. Information. Nothing in this Agreement shall be deemed to prevent Big Rivers from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Agreement. If Big Rivers chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Agreement, Big Rivers shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information or Material Event Notice.

Section 1.6. No Previous Non-Compliance. Big Rivers represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II
Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if Big Rivers provides Annual Financial Information by specific reference to documents (i) either (1) provided to the MSRB or (2) filed with the SEC, or (ii) if such document is an offering statement provided in connection with a subsequent financing and meeting the definition of "final official statement" as defined in paragraph (f)(3) of the Rule, available from the MSRB.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law and, in Big Rivers' sole determination, subject to technical and economic feasibility, Big Rivers shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of Big Rivers' information and notices. Notwithstanding the foregoing, all documents provided to the MSRB shall be in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 2.5. Fiscal Year. Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than twelve calendar months. Big Rivers' current fiscal year is January 1 - December 31, and Big Rivers shall promptly notify (i) the MSRB and (ii) the Issuer, of each change in its fiscal year.

## ARTICLE III
## Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination.

(a) This Agreement shall be effective upon issuance of the Bonds.

(b) If Big Rivers' obligations under the Financing Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Agreement in the same manner as if it were Big Rivers, and thereupon Big Rivers shall have no further responsibility hereunder.

(c) Big Rivers' obligations under this Agreement shall terminate upon the legal defeasance pursuant to Section VII of the Indenture, prior redemption or payment in full of all of the Bonds.

(d) This Agreement, or any provision hereof, shall be null and void in the event that Big Rivers delivers to (i) the MSRB, (ii) the Issuer and (iii) the Trustee, an opinion of Counsel, addressed to Big Rivers, the Issuer and the Trustee, to the effect that those portions of the Rule which require this Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion.

Section 3.2. Amendment.

(a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4) (ii) in this paragraph), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of Big Rivers or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) Big Rivers shall have delivered to the Trustee an opinion of Counsel, addressed to Big Rivers, the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) Big Rivers shall have delivered to the Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer or Big Rivers (such as bond counsel or the Trustee) and acceptable to Big Rivers and the Trustee, addressed to Big Rivers, the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Bonds pursuant to Section 11.03 of the Indenture as in effect on the date of this Agreement, and (5) Big Rivers shall have delivered copies of such opinion(s) and amendment to (i) the MSRB, and (ii) the Issuer.

(b) In addition to subsection (a) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) Big Rivers shall have delivered to the Trustee an opinion of Counsel, addressed to Big Rivers, the Issuer and the Trustee, to the effect that performance by Big Rivers under this Agreement as so amended will not result in a violation of the Rule and (3) Big Rivers shall have delivered copies of such opinion and amendment to (i) the MSRB, and (ii) the Issuer.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by Big Rivers in preparing its financial statements, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement.

(a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and subsection (b) of this Section.

(b) The obligations of Big Rivers to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds; *provided, however*, that the Trustee shall not be required to take any enforcement action with respect to the Bonds, except at the direction of the Issuer (but the Issuer shall have no obligation to take any such action), or the holders of not less than twenty-five percent in aggregate principal amount of the Bonds at the time Outstanding, who shall have provided the Trustee with security and indemnity determined by the Trustee to be adequate. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of Big Rivers' obligations under this Agreement. In recognition of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by Big Rivers or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture or the Financing Agreement, and the rights and remedies provided by the Indenture or the Financing Agreement, as the case may be, upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; *provided, however*, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

## ARTICLE IV
## Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the following financial information and operating data with respect to Big Rivers and the Members, updated on an annual basis (capitalized terms used in this definition of Annual Financial Information and not otherwise defined in this Agreement shall have the meanings set forth in the Offering Statement):

- "BIG RIVERS ELECTRIC CORPORATION – Introduction – General": the numbers set forth in the second and fourth paragraphs thereof;

- "BIG RIVERS ELECTRIC CORPORATION – Introduction – The Members": the numbers set forth therein;

- "SELECTED BIG RIVERS' FINANCIAL DATA";

- "CAPITALIZATION";

- "Management's Discussion and Analysis of Financial Condition and Results of Operations": all of the information contained therein other than forecasted capital expenditures;

- "QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK – Interest Rate Risk and Commodity Price Risk": the numbers or percentages set forth;

- "GENERATION AND TRANSMISSION ASSETS – Generating Resources – General": the table set forth therein;

- "GENERATION AND TRANSMISSION ASSETS – Generating Resources – Kenneth C. Coleman Plant, Robert D. Green Plant, Robert A. Reid Plant, D.B. Wilson Unit No. 1 Plant and Station Two Facility": the numbers set forth under such captions;

- "GENERATION AND TRANSMISSION ASSETS – Transmission": the numbers set forth under such caption;

- "APPENDIX B – Member Financial and Statistical Information": the tables set forth therein;

- "APPENDIX E-1 – SUMMARY OF MORTGAGE INDENTURE – Additional Mortgage Indenture Obligations": the numbers set forth in the second paragraph thereof;

and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data should explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) "Audited Financial Statements" means (i) the annual financial statements, if any, of Big Rivers, audited by such auditor as shall then be required or permitted by State law or the Indenture and (ii) audited financial statements of each of the Members for the prior fiscal year. Audited Financial

Statements shall be prepared in accordance with GAAP; provided, however, that, pursuant to Section 3.2(a) hereof, Big Rivers or the Members, as the case may be, may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Written notice of any such modification shall be provided by Big Rivers to the Trustee, pursuant to Section 3.2(d) hereof, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

(3) "Business Day" means any day other than a Saturday, Sunday, a legal holiday or a day on which banking institutions in the State or the state where the principal office of the Trustee is located are authorized or required by law to remain closed.

(4) "Counsel" means Orrick, Herrington & Sutcliffe LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(5) "GAAP" means generally accepted accounting principles as prescribed from time to time by the Financial Accounting Standards Board.

(6) "Material Event" means any of the following events with respect to the Bonds, whether relating to Big Rivers or otherwise, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of the security;

(vii) modifications to rights of security holders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities; and

(xi) rating changes.

(7) "Material Event Notice" means notice of a Material Event.

(8) "Members" means the Members.

(9) "MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

(10) "Offering Statement" means the "final official statement," as defined in paragraph (f)(3) of the Rule, relating to the Bonds.

(11) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued before or after the effective date of this Agreement which are applicable to this Agreement.

(12) "SEC" means the United States Securities and Exchange Commission.

(13) "State" means the Commonwealth of Kentucky.

(14) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

(15) "Underwriter" means Goldman, Sachs & Co.

ARTICLE V
Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of Trustee. Article IX of the Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Indenture.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives all as of the date first above written.

BIG RIVERS ELECTRIC CORPORATION

______________________________

Attest: U.S. BANK NATIONAL
ASSOCIATION, as Trustee

By:______________________________

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Offering Statement. You must not rely on any unauthorized information or representations. This Offering Statement is an offer to sell only the Bonds offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Offering Statement is current only as of its date.

TABLE OF CONTENTS



# $83,300,000

# COUNTY OF OHIO, KENTUCKY

## POLLUTION CONTROL REFUNDING REVENUE BONDS, SERIES 2010A

## (BIG RIVERS ELECTRIC CORPORATION PROJECT)

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

**Goldman, Sachs & Co.**


Mixed Sources
FSC

Printed by: ImageMaster, Inc.

**Filing Requirement**
**807 KAR 5:001 Section 10(6)(q)**
**Sponsoring Witness: C. William Blackburn**

**Description of Filing Requirement:**

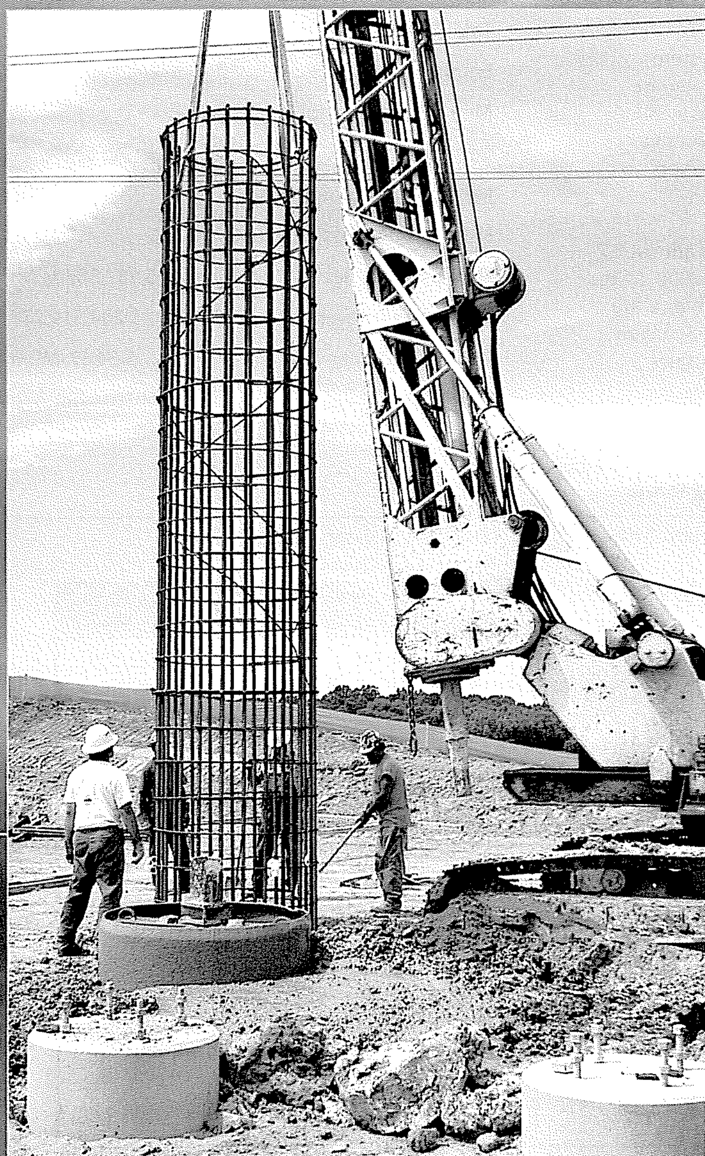
*Annual report to shareholders, or members, and statistical supplements covering the two (2) most recent years from the utility's application filing date.*

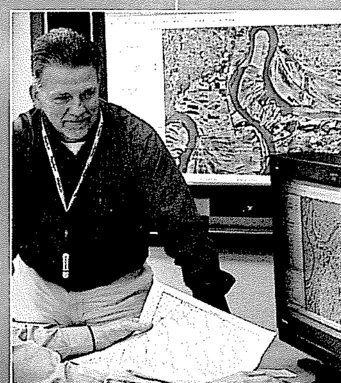
**Response:**

Big Rivers' 2008 and 2009 Annual Reports are attached. Big Rivers will provide its 2010 Annual Report once it has been completed.

# Building a Brighter Future

2008 ANNUAL REPORT



Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

# At-a-Glance

Big Rivers Electric Corporation is a generation and transmission cooperative (G&T) headquartered in Henderson, Kentucky.

It is owned by three distribution system member cooperatives—Jackson Purchase Energy Corporation, Kenergy Corp., and Meade County Rural Electric Cooperative Corporation—that serve rural members across 22 counties in western Kentucky.

Big Rivers had total energy sales of almost 5.2 million megawatt-hours (MWh) in 2008. Of the total sales, 3.3 million MWh were sold to the member cooperatives. The other 1.8 million MWh sold were contract or market sales.

| | |
|---|---|
| Incorporated | June 1961 |
| Generating Capacity | 1,459 MW |
| Total Power Capacity | 1,854 MW |
| Employees | 113 |
| Member Distribution Systems | 3 |
| Counties Reached | 22 |
| Member Consumers Served | 111,000 |
| Miles of Transmission Line | 1,262 |
| Total Energy Sales | 5,157,386 MWh |
| Total Energy Revenue | $ 204,519,278 |
| Average Member Cost | $ 34.57/MWh |

# Financial Highlights

*For the years ended December 31, 2008, 2007, 2006, 2005, and 2004 | (Dollars in thousands)*

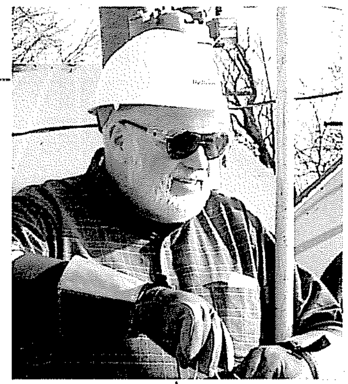
| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Margins | 27,816 | 47,177 | 34,542 | 26,343 | 22,025 |
| Equity | (154,602) | (174,137) | (217,371) | (251,913) | (278,256) |
| Capital Expenditures* | 22,760 | 18,682 | 13,189 | 12,904 | 12,203 |
| Cash & Cash Equivalents | 38,903 | 148,914 | 96,143 | 67,264 | 54,891 |
| New RUS Note Voluntary Prepayment Status | – | – | 34,995 | 55,357 | 53,518 |
| Times Interest Earned Ratio | 1.37 | 1.64 | 1.47 | 1.37 | 1.32 |
| Debt Service Coverage Ratio | 1.17 | 2.04 | 1.86 | 1.79 | 1.76 |
| Cost of Debt | 6.33% | 5.76% | 5.83% | 5.57% | 5.35% |
| Cost of Capital | 8.33% | 7.75% | 7.82% | 7.58% | 7.38% |

** Big Rivers' share only.*

*Printed on recycled paper*

# Building a Brighter Future

2008 ANNUAL REPORT



## Table of Contents

# About the Big Rivers System


Big Rivers Electric Corporation is a generation and transmission cooperative (G&T) headquartered in Henderson, Kentucky. It is owned by three distribution system member cooperatives that serve rural members across 22 counties in western Kentucky.

Big Rivers supplies the wholesale power needs of the member cooperatives and markets surplus power to non-member utilities and power markets.

### Member cooperatives

The member cooperatives are Jackson Purchase Energy Corporation, headquartered in Paducah; Kenergy Corp., headquartered in Henderson; and Meade County Rural Electric Cooperative Corporation, headquartered in Brandenburg.

Combined, they provide retail electric power and other services to more than 111,000 residential, commercial and industrial members in western Kentucky.

### Generation resources

Big Rivers owns 1,459 megawatts (MW) of generating capacity in four plants:

| | |
|---|---|
| Robert A. Reid | 130 MW |
| Kenneth C. Coleman | 455 MW |
| Robert D. Green | 454 MW |
| D.B. Wilson | 420 MW |
| Owned Generation | 1,459 MW |

Total power capacity is 1,854 MW, including rights to Henderson Municipal Power and Light (HMP&L) Station Two and contracted capacity from Southeastern Power Administration (SEPA).

| | |
|---|---|
| Owned Generation | 1,459 MW |
| HMP&L Station Two | 217 MW |
| SEPA | 178 MW |
| Total Power Capacity | 1,854 MW |

In July 1998, Big Rivers leased the operation of its generation to LG&E Energy Corp. affiliates (now E.ON U.S., LLC). Big Rivers provides power to the member cooperatives principally under a power purchase agreement with certain E.ON U.S. affiliates.

### Transmission system

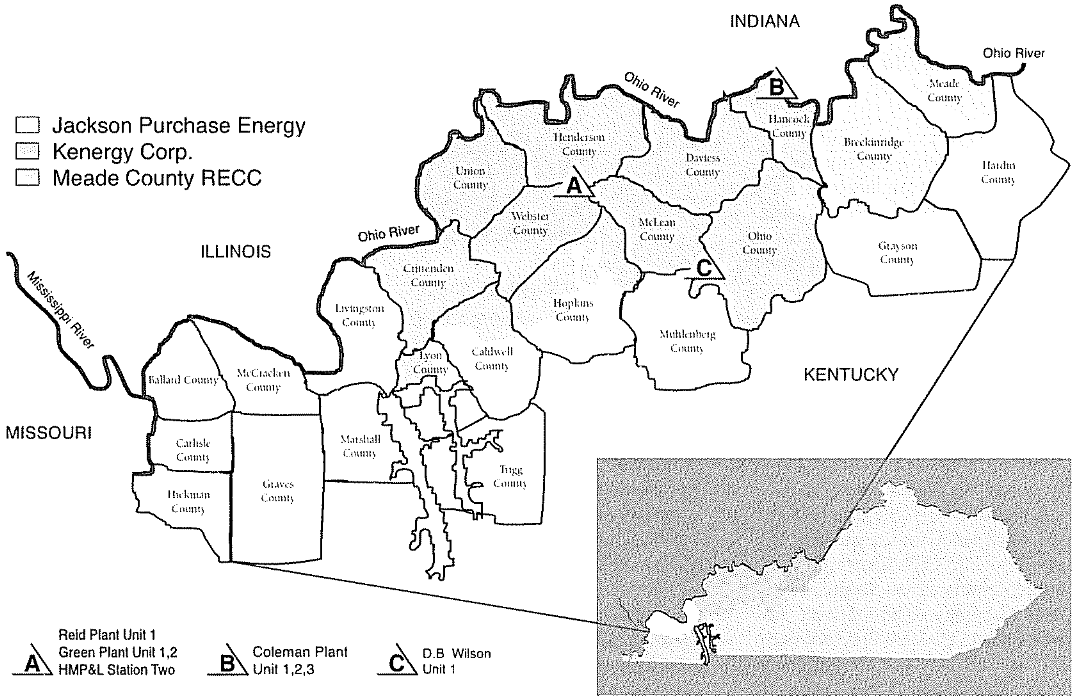
Big Rivers owns, operates, and maintains its 1,262-mile transmission system primarily to deliver power to the three distribution system member cooperatives. In addition, available transmission capacity is sold to third parties for moving power into, out of, or through the Big Rivers control area.

Power is delivered through 80 substations owned by Big Rivers or the member cooperatives and 22 interconnects with seven surrounding utilities.

### The cooperative difference

Big Rivers is constantly focused on the needs and local priorities of the member cooperatives. Computer services, economic development, mapping, planning, safety, marketing and customer support services are just a few of the areas in which Big Rivers is able to provide assistance when called on to do so.

As a long-standing member of Touchstone Energy®, Big Rivers and the member cooperatives pledge to serve western Kentucky with integrity, accountability, innovation and a commitment to community. Keeping the cost of electricity low and the reliability high is a priority.




# Member Cooperatives

### Jackson Purchase Energy Corporation

(270) 442-7321
www.JPEnergy.com

Serves: Ballard, Carlisle, Graves, Livingston, Marshall and McCracken

Headquartered: Paducah, KY

Number of accounts: 29,186

Miles of line: 2,891

### Kenergy Corp.

(270) 826-3991
www.kenergycorp.com

Serves: Breckinridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McLean, Muhlenberg, Ohio, Union and Webster

Headquartered: Henderson, KY

Number of accounts: 54,896

Miles of line: 6,997

### Meade County Rural Electric Cooperative Corporation

(270) 422-2162
www.mcrecc.coop

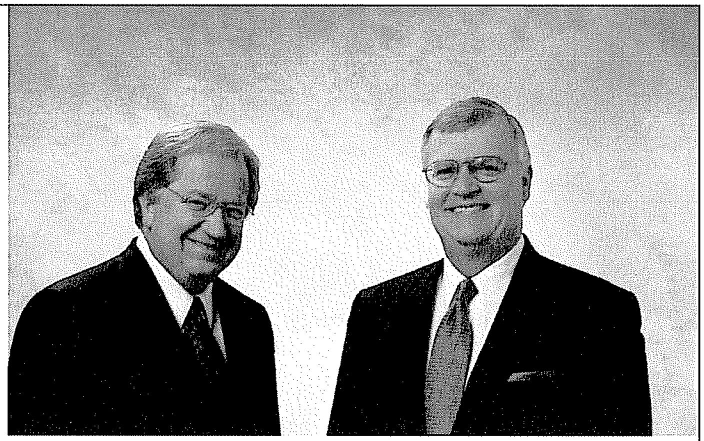
Serves: Breckinridge, Grayson, Hancock, Hardin, Meade and Ohio

Headquartered: Brandenburg, KY

Number of accounts: 27,969

Miles of line: 2,972

# Message from the CEO and Board Chair



Like any electric utility, a future focus and planning for tomorrow have always been an integral part of the operations of Big Rivers Electric Corporation. Being a member-owned organization means that our planning always involves our members—Jackson Purchase Energy, Kenergy Corp., and Meade County RECC—and their futures, as well. In 2008, these efforts took on special meaning for Big Rivers and the members.

An important element of our focus was the careful preparation and smooth implementation of a succession plan for the position of president and CEO. Successfully implementing a plan developed in 2006 by Big Rivers' board of directors when then CEO Mike Core notified the board of his planned retirement in a couple of years, Mark Bailey was elected president and CEO on October 17, 2008. Bailey, who had joined Big Rivers on June 1 2007 as executive vice president, had formerly been CEO of Kenergy Corp., and prior to that was employed at American Electric Power for 30 years. We thank Mike Core for his fine leadership the past 12 years and wish him the very best as he begins his planned retirement in April 2009.

Another important area of future focus reached a milestone in early December when the Kentucky Public Service Commission held a hearing in response to an application Big Rivers had filed with the Commission in late 2007 for approval to "unwind" the 1998 transaction with certain affiliates of E.ON U.S.

Since mid-1998, Western Kentucky Energy, a subsidiary of E.ON, has operated the Big Rivers generating stations, supplying the wholesale power needs of Big Rivers and a portion of the power supply for the smelters through Kenergy Corp. Big Rivers was approached in 2003 by E.ON to determine whether Big Rivers had an interest in unwinding the transaction. Since that time, a major effort and focus involved negotiating both a termination of that arrangement and a long-term power supply for each of Kenergy's two aluminum smelter customers.

Several conditions remain to be satisfied before there can be a closing of the proposed unwind transaction, and a great deal of activity must occur to successfully implement the long-planned transition so that Big Rivers can resume its role of generation operator. Big Rivers pursued the unwind because it would position us well for the future: it would provide Big Rivers with strong financial metrics, help keep more than 1,400 smelter jobs in western Kentucky and allow Big Rivers the flexibility to meet the significant challenges of wholesale power supply to the member cooperatives for the long-term power requirements of their member-owners.

Future planning was not all that was successfully accomplished by Big Rivers in 2008; it was also a year of successful operations. Proving that the time-consuming effort required to pursue an unwind transaction was not a total distraction, Big Rivers posted $27.8 million in margins continuing the strong operating trend begun in 1998.

The future challenges of wholesale power supply are numerous and include rising fuel costs, global climate change and other environmental issues, transmission expansion and load growth just to name a few. In addition, safety and reliability are important areas of focus for any utility and they remain a primary focus for us. As strong as our relationships are now with our members and throughout our industry and the region, we will strive for an even higher level of performance and are confident we will succeed.

Big Rivers has many strengths, but by far the biggest is its conscientious and dedicated workforce. Big Rivers is well positioned with the managerial expertise and talent, financial flexibility, and member support and participation required to sustain a reliable, economical power supply for western Kentucky. We are proud to be part of the Big Rivers' team and look forward to working with all our stakeholders as we continue to move ahead.

Mark A. Bailey

Mark A. Bailey
President and CEO

Bill Denton

William Denton
Chair of the Board of Directors

# Board of Directors

*Back row (left to right):*

Dr. James Sills, Vice-Chair
Meade County RECC

Wayne Elliott
Jackson Purchase Energy

William Denton, Chair
Kenergy Corp.

*Front row (left to right):*

Lee Bearden, Secretary-Treasurer
Jackson Purchase Energy

Paul Edd Butler
Meade County RECC

Larry Elder
Kenergy Corp.

# Management Team

*Back row (left to right):*

Al Yockey, V.P. Enterprise Risk Management & Strategic Planning

C. William Blackburn, Senior V.P. Financial & Energy Services & Chief Financial Officer

David Spainhoward, Senior V.P. External Relations & Interim Chief Production Officer

Paula Mitchell, Executive Assistant

James Miller, Corporate Counsel

James Haner, V.P. Administrative Services

*Front row (left to right):*

David Crockett, V.P. System Operations

Mark Bailey, President & CEO

Travis Housley, V.P. Special Projects

Mark Hite, V.P. Accounting

# Building a Brighter Future

## 2008 : YEAR IN REVIEW

An annual report, by definition, provides an overview of what happened in the previous year. While this report certainly serves that purpose, a careful reading also will demonstrate how Big Rivers continues to look ahead and position itself for the future.

In 2008, the extensive activity of Big Rivers' various departments and employees was focused on providing the best service possible to the company's three member cooperatives and their retail members. At the same time, Big Rivers continued building on an already solid foundation to keep momentum moving forward. The goal is always to make Big Rivers an ever-better partner for the member cooperatives and the people of western Kentucky.

This strategy of looking ahead led Big Rivers in 2008 to invest in new communication technology, expand transmission systems, initiate a new risk management process, reorganize staffing, and get more involved with the national renewable energy movement.

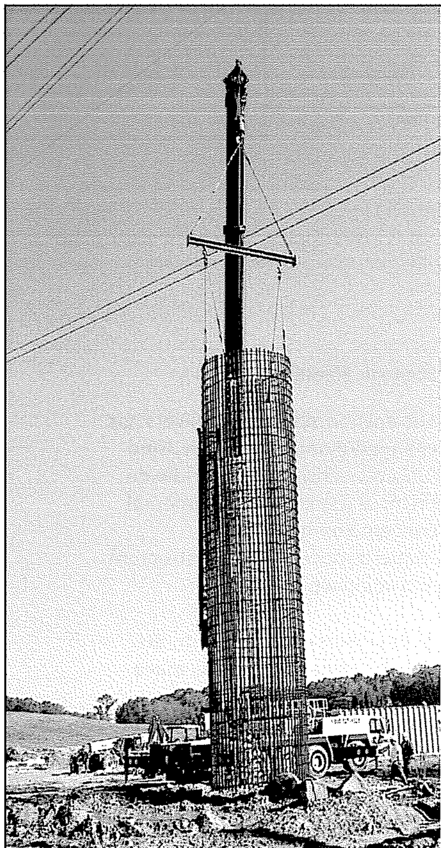
The company transitioned to new leadership in October 2008 as Mike Core prepared for retirement. A strong team of experienced hands set the stage for an orderly transition, as Executive Vice President Mark Bailey assumed the role of President and CEO.

The company moved ahead with its work to "Unwind" the lease agreements with E.ON U.S. for its power plants. Significant progress was made, and if successful, this move will allow Big Rivers and the member cooperatives to make an even greater long-term economic impact on the region and provide additional flexibility for response to challenges and opportunities.

Partnerships with Big Rivers' member cooperatives were strengthened, as well. Services managed by Big Rivers deepened the relationships with the member cooperatives and helped them deliver safe, dependable, low-cost power to their retail members. And at all times, one eye was kept on the future to make sure that the actions of today continue to set the stage for tomorrow.

### Safety

Safety is at the heart of everything that Big Rivers does. The company provides an extensive array of training programs for the member cooperatives and employees. Topics include the use of equipment, procedures for working on live lines and



Opposite page and left—A second 161 kV line and substation line terminal for Meade County RECC were completed and placed into service, as were new 345 kV interconnection facilities with Kentucky Utilities

de-energized circuits, as well as all OSHA-required topics such as trenching, fall protection, and working in confined spaces. Big Rivers also spends a great deal of time on public safety training with schools, fire departments, and industry.

Safety achievements in 2008 include:

- Big Rivers continues to perform better than the national average when it comes to safety. Over the last five years, the national average has ranged from 4.4 to 5.4 recordable incidents per year per 100 workers. Big Rivers 113 employees sustained two recordable incidents in 2008.
- Big Rivers worked 355 continuous days in 2008 without a lost time incident.

**System Operations**

Work on system operations demonstrated both good stewardship of existing facilities as well as careful planning for future needs and opportunities. All scheduled line, station, and communication system maintenance work was completed along with necessary pole inspections and change-outs.

A number of new transmission and communication facilities were placed into service in 2008:

- Skillman tap to Meade County 17-mile 161kV line
- Two 345kV interconnections with Kentucky Utilities at Daviess EHV station
- Digital microwave system expansion into Meade County RECC and Jackson Purchase Energy service areas
- Patriot Coal Niagara Portal 69kV line (new Kenergy contract service)
- Armstrong Dock 69kV metering (new Kenergy contract service)

Existing transmission facilities were upgraded, as well:

- Reid plant to Daviess County reconductored 22 miles of 161kV line
- Reid plant to Onton reconductored 10 miles of 69kV line
- Hopkins County to South Hanson tap reconductored 14 miles of 69kV line
- Geneva Junction line switching replacement
- Reid plant 161kV switchyard 9 switches replaced
- Relocated 0.75 mile of Henderson County to Vectren 138kV line out of a wetland area

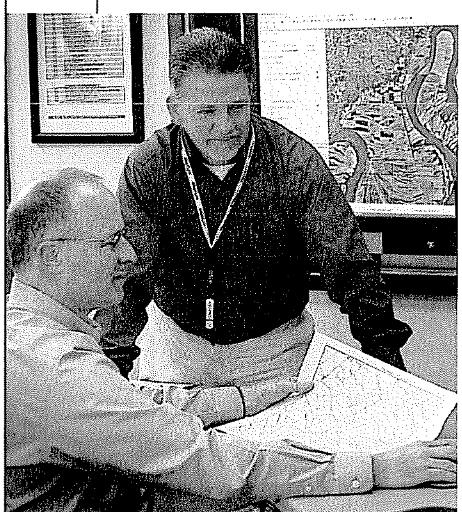
Transmission system maintenance:

- 3200 poles inspected and treated
- 121 poles replaced
- 31 power transformers tested
- 369 miles of line right-of-way treated or cut for vegetation maintenance
- Tested 44 circuit breakers and overhauled 27
- Repaired 21 transmission line switches

Other system operations tasks completed in 2008:

Completed development of 2009-2011 transmission construction work plan for Rural Utilities Service (RUS)

Completed secondary oil spill containment upgrades at four stations to meet new Environmental Protection Agency (EPA) regulation



Above—Big Rivers GIS specialist, Bert Thomas (R), works with Kenergy manager of planning and design, Rob Stump (L) to create mapping of the distribution network, which allows Kenergy to issue work orders, track outages, dispatch service crews, and plan service expansions Bert is certified as one of 1600 geographic information systems professionals within the United States

Found fully compliant with North American Electric Reliability Corporation (NERC) operating standards via compliance program audit by Southeastern Electric Reliability Council (SERC)

Finalized development of short- and long-term communication system plans for the Unwind

Substantially completed the design phase of two-way radio system replacements for Big Rivers and the member cooperatives

### Enterprise Risk Management

The relationship between a company's strategic plans and various key risk factors is a critical element in how the organization moves into the future. During 2008, Big Rivers initiated its enterprise risk management function, taking a disciplined and consistent approach to identify, communicate, and manage risks.

Rating agencies, regulators, creditors, and members all watch a company's risk management closely. Specific policies are now in place covering a variety of areas such as energy risk assessment, financial issues, trading sanctions, safety, and economic development.

### Strategic Planning

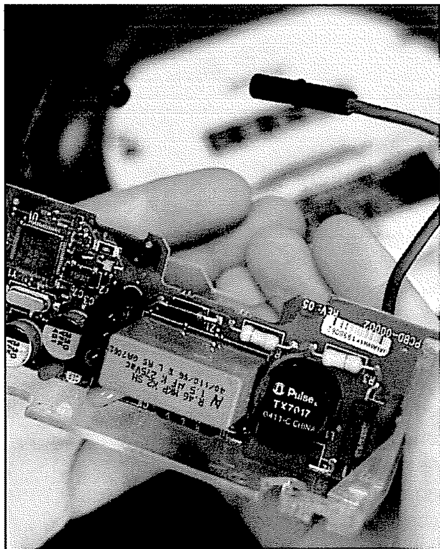
The environment for Big Rivers has changed dramatically with rising fuel costs, crisis in the worldwide financial markets, environmental concern about carbon sequestration, aging infrastructure and aging work force.

As Big Rivers continues with the Unwind transaction, it will make adjustments in its operations, plans, risk management, and strategies to meet the challenges of this opportunity. If Big Rivers remains in the existing pre-Unwind arrangement, then it will continue to enhance its present operations, plans, risk management and strategic planning activities.

### Renewable Energy

Big Rivers is well positioned in the national renewable energy movement. Power supplies of the future will include a growing emphasis on renewable energy as these sources gain more attention, popularity, and viability.

In the tradition of working together, cooperatives across the country have formed the National Renewables Cooperative Organization (NRCO) to promote and facilitate the development of renewable energy resources.



Above—Meade County RECC uses a "turtle" such as this for automatic meter reading of residential accounts

Membership in the NRCO is open to generation and transmission cooperatives (G&Ts) and distribution cooperatives with the legal ability to buy power in the wholesale market. Big Rivers was one of 24 founding members of the organization, which formed in November 2008.

The NRCO will allow cooperatives to pool their expertise so that the knowledge base of cooperatives with experience in developing renewable energy will be available to all. At the outset, the NRCO will serve in a consulting capacity, evaluating renewable resource opportunities, facilitating participation in renewable energy projects and assist in creating optimal arrangements for members like Big Rivers.

The NRCO will also assist cooperatives in the on-going management of renewable resources.

Locally, Big Rivers began making renewable energy available to the member cooperatives in 2007 through a program called EnviroWatts. This program supports operation and production of energy generated from renewable resources in western Kentucky. Retail members of Big Rivers' member cooperatives may buy this environmentally friendly power in 100 kWh blocks.

Big Rivers continues to evaluate renewable energy sources along with the regulatory and legislative efforts that impact development of additional sources of generation.

**Energy Efficiency Education**

Big Rivers continued to assist the member cooperatives in educating their retail members about energy efficiency, continued distributing thousands of energy-saving compact fluorescent light bulbs, and developed localized advertising campaigns to support these efforts.

Kenergy and Jackson Purchase Energy held their first Home Energy Expos in 2008, while Meade County RECC hosted its second annual expo. On average, a thousand customers from each of the cooperatives attended.

**Power Supply**

Ultimately, the goal of those responsible for power supply at Big Rivers is to ensure there is enough power available when it is needed by effectively managing available resources. A variety of approaches help accomplish this goal.

Big Rivers has been a member/owner of ACES Power Marketing, one of the nation's largest electricity traders, since January 2003. ACES operates as an energy risk management and hedge manager. Member/owners like

Above—Renewable energy generated in Hawesville, KY utilizes biomass power produced from woodchips that would otherwise be sent to landfills.

Above—Big Rivers manager marketing & member relations, Russ Pogue, provides training on energy efficiency to employees of Jackson Purchase Energy, which helps them to better assist their retail members.

Big Rivers actively participate by utilizing the ACES infrastructure and resources to assess their risks and execute specific, customized portfolio strategies.

A portion of the power delivered to member cooperatives by Big Rivers is produced by hydroelectric dams operated by the U.S. Army Corps of Engineers. Big Rivers contracts 178 MW from the Southeastern Power Administration (SEPA) which markets power from the dams. This is another example of the commitment of Big Rivers to deliver renewable energy and also to diversify its supply to better protect the interests of the member cooperatives.

**Information Technology**

Good communication is vital to the work of Big Rivers, whether it is between the company and the member cooperatives or among the automated systems within Big Rivers' extensive operations. Whether the purpose is improved safety, convenience, efficiency, or simply to keep everyone better informed, Big Rivers took a number of steps in 2008 to enhance information technology.

Integrated voice recorder (IVR) was interfaced to the Geographic Information System (GIS) and Customer Information System (CIS) to automatically handle customer outage call-ins.

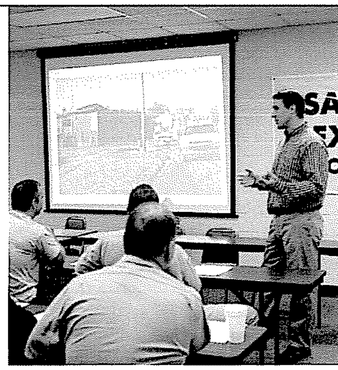
Big Rivers and the member cooperatives developed the Check Remittance System that allows the cooperatives to use the "Check21" feature. This feature interfaces directly to the bank for check imaging and faster turnaround.

Big Rivers continued efforts to comply with the Energy Act of 2005.

**Environmental Compliance**

Because of the myriad of environmental regulations placed on utilities at the state and federal levels, Big Rivers provides training and services to keep the member cooperatives in compliance. In addition to conducting annual training sessions required by OSHA and the EPA, Big Rivers also assists the member cooperatives with a host of other environmental rules and regulations, assists in preparing specific environmental related reports, and provides consultation to the member cooperatives if a chemical is accidentally released into the environment.

Above—Big Rivers supervisor application development, Nancy Utley (R), reviews the new check processing system installed at Meade County RECC with Diane Bevel (L), one of their customer service representatives



Above—Big Rivers environmental compliance specialist. Mark Bertram. provides refresher training to Kenergy employees, required by OSHA and EPA to maintain their annual certifications

**Legislative Issues**

Big Rivers monitors and reacts to legislative issues impacting its business, the member cooperatives and the electric industry as a whole.

**Regulatory Affairs**

A number of regulatory case filings were submitted to the Kentucky Public Service Commission in 2008. The continuing effort to unwind the lease agreements with affiliates of E.ON U.S. remained on the front burner as the process moved forward. A number of other regulatory issues were addressed in addition as the country continues to evaluate energy supply options, such as renewable energy and energy efficiency improvement.

**Economic Development**

Despite an ailing economy in late 2008, Big Rivers experienced a high level of interest in economic development projects. Available natural resources drew the interest of multiple renewable energy projects such as carbon sequestration, photovoltaic, bio-fuels, algae, ethanol, and coal-related inquiries. Furthermore, Big Rivers encountered a steady flow of projects focused in automotive manufacturing, steel, aluminum, and various other energy intensive projects during 2008.

**Status of the " Unwind"**

Big Rivers is continuing to pursue the early termination of its lease agreements with affiliates of E.ON U.S. – the process known as the Unwind. While Big Rivers' financial position has consistently improved over the eleven years that the lease has been in place, it would be beneficial in the long run to resume control of the company's generating facilities.

A successful Unwind would provide a strong balance sheet, tremendous financial and operational flexibility for response to changing market conditions, the ability to be a more dynamic player in regional economic development, and the renewed chance for Big Rivers to chart its own future.

In addition, it would help safeguard thousands of jobs in western Kentucky related to the Rio Tinto Alcan and Century aluminum smelters by providing long-term power agreements that help the smelters remain competitive. This significant list of benefits continues to drive the Unwind process.

The tumultuous year in the world's financial markets in 2008 had an impact on the Unwind process, with Big Rivers ultimately terminating the sale-leaseback arrangement of the Wilson & Green plants. Details of the Unwind plan were filed with the Kentucky Public Service Commission (PSC) in October for review and approval. The transaction also needs sign-off from Big Rivers' member cooperatives, other creditors, the parent companies of the smelters, and Henderson Municipal Power & Light.

Considering the continuous improvement in performance by Big Rivers over the past eleven years, the future looks bright whether the Unwind is completed or not. But should this landmark transaction be closed successfully, Big Rivers and the member cooperatives will be in a far stronger position than ever before.

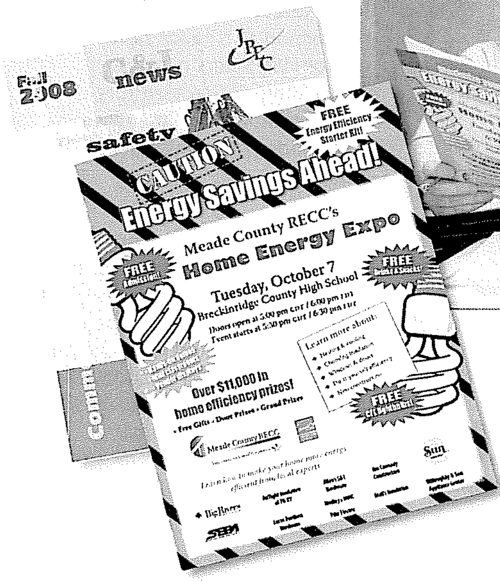
# Working with the Member Cooperatives

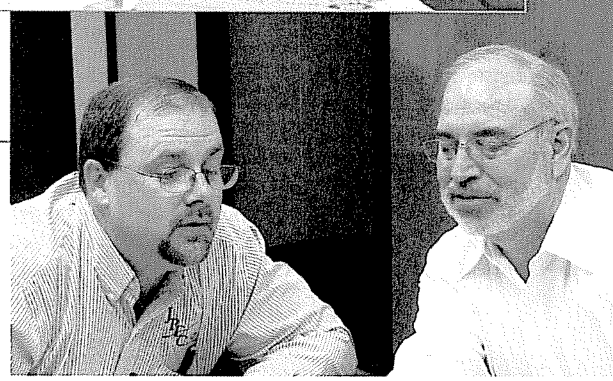
Burns Mercer, President & CEO
Meade County RECC

"The billing support that we get through Big Rivers is an important part of creating a positive experience between Meade County RECC and our members. Obviously, those bills have to be right and we have to be responsive if there's ever a question, and we trust Big Rivers to make that happen.

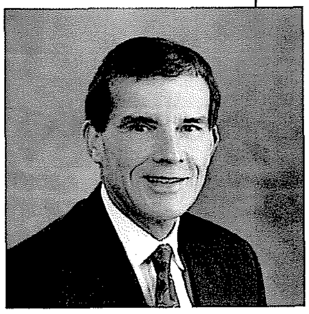
Another example of the partnership that we have with Big Rivers is the Energy Expo that we produced for our members in 2008. Big Rivers helped in developing education initiatives, arranging for exhibitors, and providing us with communication materials and marketing support, as well. They are a tremendous resource for us on a day-to-day basis."

Right—Big Rivers senior communications coordinator, Angela Ackerman (L), creates marketing materials for the Meade County RECC Home Energy Expo with their vice president of member services and marketing, Tim Gossett (R).



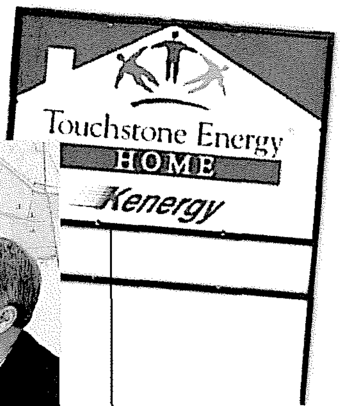
Right—Big Rivers manger information systems, Dave Titzer (R), reviews ongoing projects for Jackson Purchase Energy with their vice president of finance & accounting Charles "Chuck" Williamson (L).

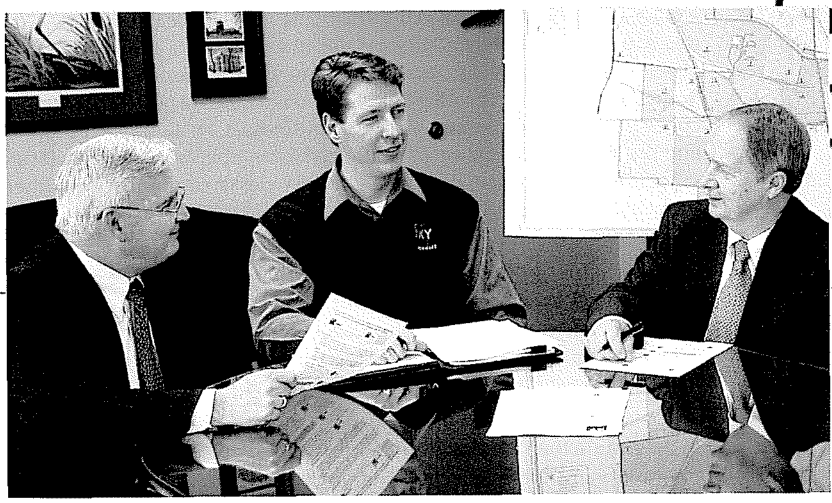


"When we are talking to a company considering locating or expanding in our service area, Big Rivers works with us on quoting power rates and providing other economic development assistance. Because of this service, we are a strong player in creating new jobs and opportunities in our territory.

The incentives for residential customers, offered through Big Rivers, are another great resource that we use extensively to promote energy efficiency measures."

Sandy Novick, President & CEO
Kenergy Corp.

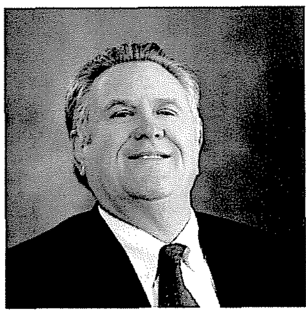


Left—Big Rivers senior vice president external relations & interim chief production officer, David Spainhoward (R), meeting with Kenergy member services director, David Hamilton (L), and Northwest Kentucky Forward president & CEO, Kevin Sheilley (M)

"One outstanding area of our partnership with Big Rivers is in customer service training. We consistently get some of the highest scores in the country on customer satisfaction surveys, and the assistance that Big Rivers provides in training and in assessing what our members think is a key to that success.

In addition, our relationship with our commercial and industrial accounts is enhanced through the energy audits that Big Rivers conducts for us with them. Whether a question arises because of an unusual change in a member's bill or merely through curiosity about his or her overall energy use, the audits performed by Big Rivers provide good information and enhance our relationships with our members."



Kelly Nuckols, President & CEO
Jackson Purchase Energy

# The Philippine Project

Working toward the future in a responsible way means recognizing that the world is truly a global community in which every part affects another. In this spirit, Big Rivers and the member cooperatives continued in 2008 to lend expertise, equipment, financial support, and human resources to the Philippine Project—an NRECA humanitarian effort to bring sustainable development to the island of Mindanao, Philippines.

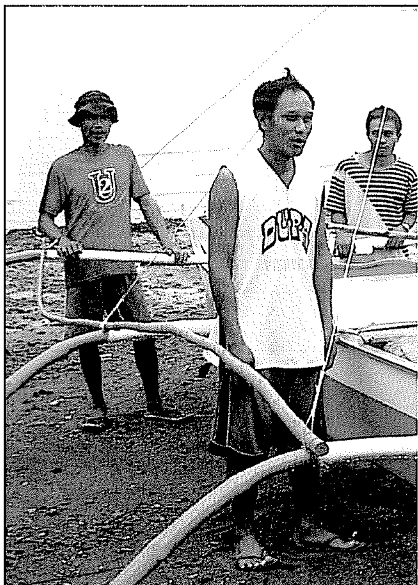
The heart of the project is the extension of electric distribution lines to remote villages. After power arrives, program managers work with electric cooperatives based in the Philippines to help local residents develop income-producing projects. Technical expertise and low-interest loans are provided, both to start new businesses and to wire homes for electricity. The effort has funded agricultural projects, sewing cooperatives, a furniture shop, welding businesses, an auto repair shop, and the financing of two small, motorized fishing boats. In addition, local schools have been given donated textbooks, desks, computers, and other supplies.

Big Rivers and the member cooperatives are vital players in the Philippine Project, providing electrical equipment, engineering assistance, financial donations, and overall supervision. In 2008, 159 used transformers, three 69kV oil circuit breakers, two meter test boards and nine single-phase breakers were shipped along with 14 computers.

To date, more than 31 villages have been energized and over 400 computers and 4,000 pounds of text books have been distributed to schools. House wiring loans have been extended to over 450 homes and more than 50 livelihood projects have been started. This equates to more than 7,500 people directly impacted by the project, realizing better lives as a result of Big Rivers and the member cooperatives' efforts. Seven additional villages have been approved for electrification in 2009.

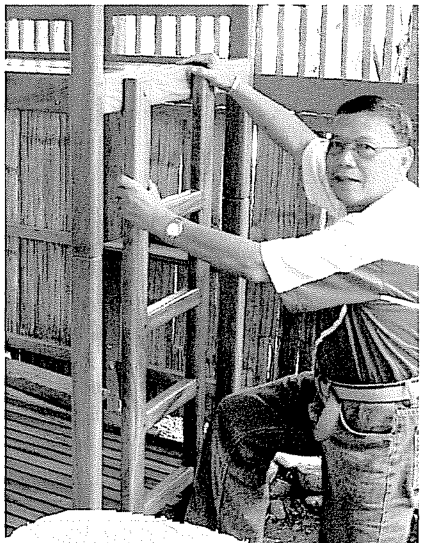
The driving force behind Big Rivers' involvement has been Travis Housley, vice president special projects. He has made 17 trips to the Philippines to lend his considerable expertise in planning, engineering, and overall facilitation of these extensive efforts. He plans to retire in 2009. The Philippine Project has flourished during his tenure, and his legacy is a strong program undergirded by faith, hard work, and the active participation of electric cooperatives across the country.

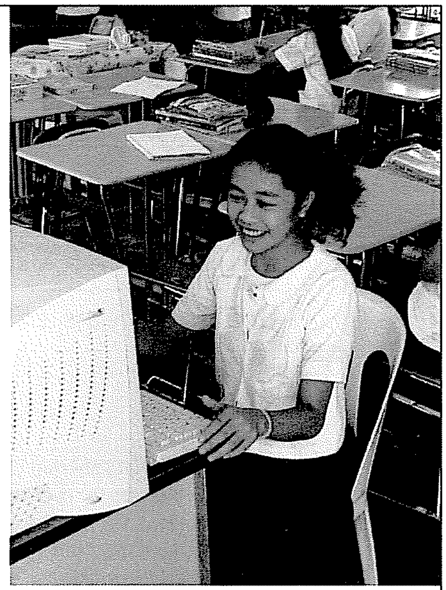
Post retirement, Travis will carry on his work in the Philippines, which former President & CEO Mike Core called "an effort to offer an alternative to terrorism as a reaction to poverty." Such efforts promise a brighter future for these villages, the entire Philippines archipelago, and the world.



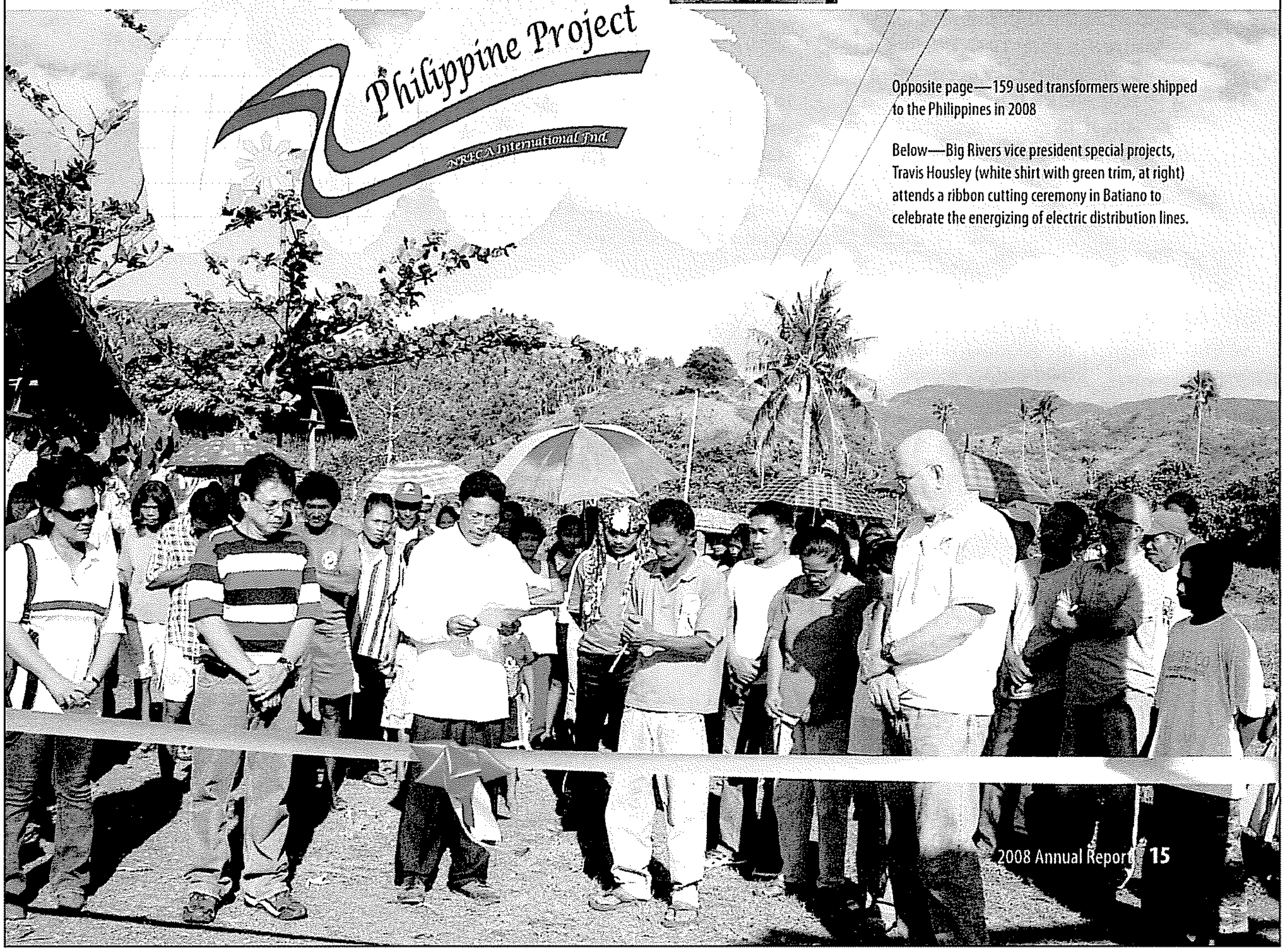
Above—This motorized fishing boat is one of many new income-producing livelihood projects financed through low-interest loans.

Below—Gil Medina, NRECA in-country representative shows off a wooden bunk bed made at a new furniture shop opened through the Philippine Project





Above—This student enjoys new computers and modern school desks at a classroom in Lanao




Opposite page—159 used transformers were shipped to the Philippines in 2008

Below—Big Rivers vice president special projects, Travis Housley (white shirt with green trim, at right) attends a ribbon cutting ceremony in Batiano to celebrate the energizing of electric distribution lines.

# Reflections on the Past

## A RETIRED CEO'S OBSERVATIONS

### It's About The "We"

I have been told that I am the first CEO at Big Rivers to reach a normal retirement. On the cusp of retirement, I am granting myself the liberty of making a few observations about Big Rivers.

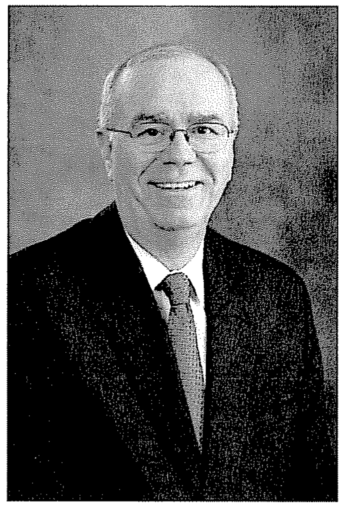
Big Rivers is a resilient organization. It has seen its share of rough times, but has always found a way to work through them. When I arrived in early 1997, Big Rivers was in bankruptcy and it was a hectic and chaotic time, but we made it. Its successes in the past eleven years were due not to any specific individual, but entirely to the "we" effort.

The "we" is about Big Rivers' board and the member cooperatives setting a course to correct its financial ills, because we knew that success would come from working together and not separately. The "we" includes a dedicated group of professionals and consultants who take much more than just a professional interest. The "we" also involved improving relationships and working with our regulators, creditors and other businesses associated with Big Rivers.

Perhaps the most important "we" is our dedicated group of employees who certainly were not the cause of rough times, but were roughed up a time or two as a result of them. I have always told our employees that they are our most important asset, even though you won't find them on the balance sheet.

As I leave Big Rivers, I leave with the satisfaction of working together to achieve successes and strengths, which will afford stability and flexibility in meeting future challenges. I will depart being grateful that I was permitted to be a part of the "we."

Big Rivers' success will continue because it's all about the "we."



Mike Core

Michael Core
President and CEO

1996-2008

# Financial Review : 2008

The year 2008 began with an expanding economy and a continuing rise in energy prices as global demand for energy resources pushed supply. As a result, electric generation costs continued to rise throughout the first half of the year as fuel costs set new peaks in the U.S.

Beginning around the third quarter, it was evident the world was entering what would later likely be called the worst economic downturn since World War II. Demand for oil, gas and coal quickly collapsed and prices plummeted. As a result, the market for electricity in the Southeast U.S. also took a plunge.

Financial institutions were sent into a tail-spin in an undercurrent of fear regarding toxic debt and a renewed sense of risk aversion. Many pillars of the financial community lost footing and were "downgraded" by rating agencies.

One of those financial institutions was Ambac Financial Group, Inc. (Ambac), which provided credit enhancement for the Big Rivers sale-leaseback and continues to provide credit enhancement for the pollution control bonds.

As a result, Big Rivers was required to find another guarantor for the sale-leaseback, but with the financial markets in chaos, Big Rivers was unable to locate a financial institution with the appropriate credit rating that was willing to provide support. Therefore, during 2008 Big Rivers negotiated a cash buyout of the sale-leaseback it entered in 2000.

**Net margins**

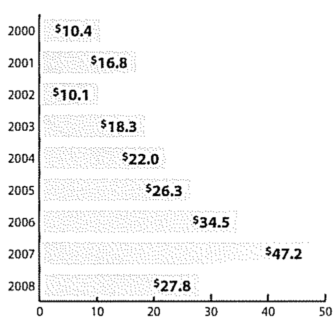
While Big Rivers considers $27.8 million net margins a very good year, six items account for the $19.4 million reduction in margins realized in 2008 vs. the $47.2 million of 2007.

First, Big Rivers intensified its work toward an "unwind" of the 1998 transaction with certain affiliates of E.ON U.S. Accordingly, significant professional services costs were incurred in 2008, $1.5 million more than in 2007.

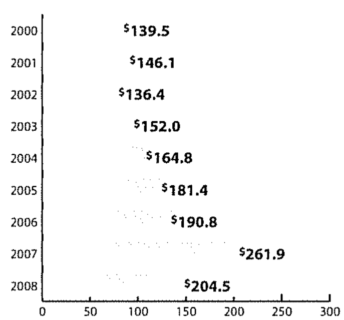
Second, resulting from the credit downgrade of Ambac, interest rates on the $142.1 million pollution control bonds increased significantly during the latter part of 2008, $5.2 million more than in 2007.

Third, the resulting buyout of the 2000 sale-leaseback significantly reduced Big Rivers' cash reserves. In addition, investment interest rates significantly declined

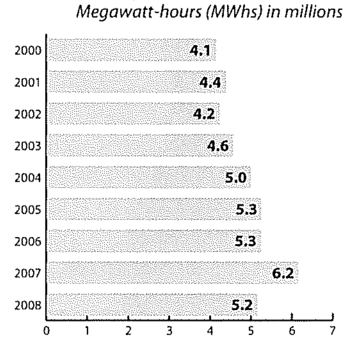
Net Margins
*Dollars in millions*




Electric Energy Revenue
*Dollars in millions*




Energy Sales
*Megawatt-hours (MWhs) in millions*



during 2008. Together, these two factors account for the significant reduction in interest income, $3.6 million less than in 2007.

Fourth, the net sale-leaseback buyout cost is being amortized over its original life, through 2027. The 2008 amortization expense reduced margins $1.7 million more than in 2007.

Fifth, since consummating the sale-leaseback in 2000, Big Rivers has been paying alternative minimum tax. The buyout and termination of the sale-leaseback results in it being unlikely that Big Rivers will become a regular taxpayer when its remaining net operating loss carryforward expires. Accordingly, the associated deferred tax asset, $5.9 million, was expensed in 2008. No such expense was recognized in 2007.

Finally, Big Rivers realized a reduction in net sales margin of $2.2 million for 2008 vs. 2007, as discussed in the next few sections.

### Electric energy revenue

Revenue earned from arbitrage and other sales returned to a normal level in 2008, following a considerable increase in 2007 due to forward market sale activity of 51,089 megawatt-hours, and the pass-through sale of 1,129,589 megawatt-hours for certain large industrial members of Kenergy Corp., one of Big Rivers' member distribution cooperatives.

This reduction of resale power led to a drop in electric energy revenue of $57.4 million dollars in 2008 vs. 2007. Total member tariff revenue increased by $1.2 million in 2008.

### Wholesale member rates

Big Rivers' wholesale rates continue to be among the lowest in the nation. A member rate discount of 3.3 percent, which had been in effect since April 2000, was discontinued on September 1, 2008. This benefit to members came from the April 2000 sale-leaseback and ended with the buyout and termination of that agreement.

Even with the member rate discount no longer in place, average wholesale prices to members increased only slightly from $34.04 per megawatt-hour in 2007 to $34.57 per megawatt-hour in 2008.

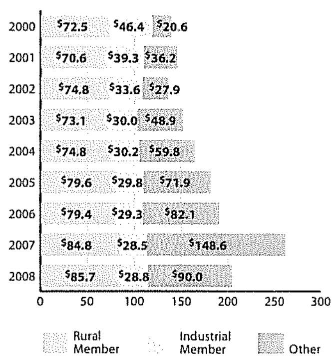
Member sales to rural loads totaled 2.4 million megawatt-hours in 2008. The average wholesale price per megawatt-hour for rural loads was $35.90, up from $35.22 per megawatt-hour in 2007. Sales to large industrial customers totaled 926 thousand megawatt-hours in 2008, and the price increased from an average of $30.96 per megawatt-hour in 2007 to $31.12 per megawatt-hour in 2008.

The member tariff net sales margin increased $0.9 million in 2008 vs. 2007.

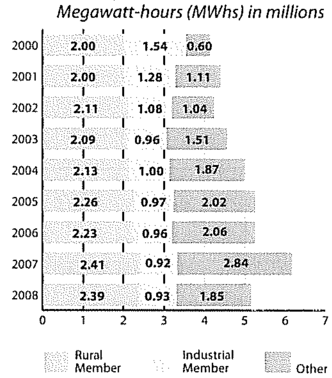
### Arbitrage and other sales

Once the power supply needs of the members have been met, Big Rivers markets surplus power to non-member utilities and power markets.

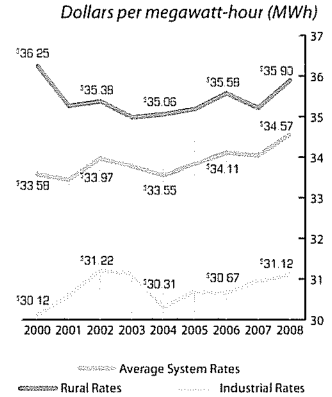
Electric Energy Revenue
*Dollars in millions*




Energy Sales
*Megawatt-hours (MWhs) in millions*




Wholesale Member Rates
*Dollars per megawatt-hour (MWh)*



A decrease in the wholesale power markets, the downturn in the economy, and a drop in price for natural gas led to lower prices in 2008 on arbitrage and other sales. Net sales margin on arbitrage and other sales decreased $3.1 million in 2008 vs. 2007.

The net sales margin on arbitrage and other sales since the inception of the lease agreement in 1998 is in excess of $240 million, which has significantly improved Big Rivers' equity position.

### Lines & letters of credit

Big Rivers holds a line of credit with National Rural Utilities Cooperative Finance Corporation (NRUCFC) for $15 million. The line of credit has an underlying $15 million master letter of credit facility for supporting off-system sales.

For participation in the Midwest Independent Transmission Operator (MISO) Energy Market, a letter of credit was required from Big Rivers in the amount of $2 million. That letter of credit remained outstanding as of December 31, 2008.

A letter of credit was also required for a construction agreement with Kentucky Utilities related to Armstrong Coal service of $670,000, which remained outstanding as of December 31, 2008.

### Equity

Big Rivers' equity position improved significantly, from a negative equity of $174.1 million in 2007 to a negative equity of $154.6 million in 2008.

### Cash flow

Thanks to the cash reserve Big Rivers was able to build over the years, it was in a position to negotiate the sale-leaseback cash and promissory note buyout with the equity participants in that transaction during 2008.

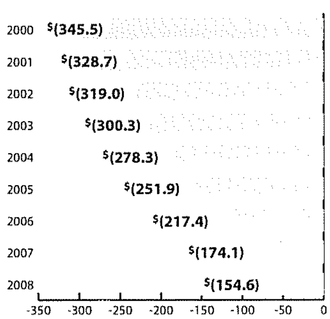
But with the buyout resulting in a $107.1 million net cash payment, Big Rivers' cash reserves were significantly reduced. Big Rivers' year-end 2008 cash position was $38.9 million, vs. $148.9 million at year-end 2007.

### The "Unwind"

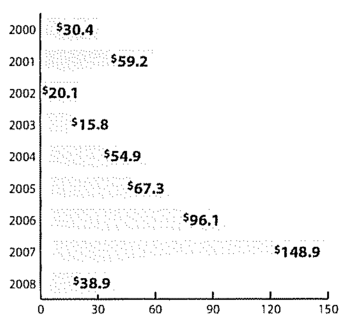
The Kentucky Public Service Commission offered its conditional approval of the "unwind" transaction in March of 2009. Assuming that the final pieces of the complex plan fall into place, Big Rivers anticipates closing the "unwind" transaction in 2009.

An "unwind" closing will return to Big Rivers the operation of its owned and leased generation facilities. Big Rivers will be able to resume its historic role as a generation and transmission cooperative, providing low-cost power, assisting in economic development, and helping improve the quality of life throughout western Kentucky.

Equity (deficit)
*Dollars in millions*




Cash & Cash Equivalents
*Dollars in millions*



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Rivers Electric Corporation:

We have audited the accompanying balance sheets of Big Rivers Electric Corporation (the "Company") as of December 31, 2008 and 2007, and the related statements of operations, equities (deficit), and of cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Rivers Electric Corporation as of December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 23, 2009, on our consideration of Big Rivers Electric Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

March 23, 2009

Member of
Deloitte Touche Tohmatsu

# Balance Sheets

*As of December 31, 2008 and 2007 | (Dollars in thousands)*

## ASSETS

| | 2008 | 2007 |
|---|---|---|
| UTILITY PLANT—Net | $ 912,699 | $ 911,634 |
| RESTRICTED INVESTMENTS UNDER LONG-TERM LEASE | - | 192,932 |
| OTHER DEPOSITS AND INVESTMENTS—At cost | 4,693 | 4,240 |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 38,903 | 148,914 |
| Accounts receivable | 20,464 | 26,683 |
| Materials and supplies inventory | 756 | 768 |
| Prepaid expenses | 450 | 131 |
| Total current assets | 60,573 | 176,496 |
| DEFERRED LOSS FROM TERMINATION OF SALE-LEASEBACK | 76,001 | - |
| DEFERRED CHARGES AND OTHER | 20,470 | 28,856 |
| **TOTAL** | $ 1,074,436 | $ 1,314,158 |

## EQUITIES (DEFICIT) AND LIABILITIES

| | 2008 | 2007 |
|---|---|---|
| CAPITALIZATION: | | |
| Equities (deficit) | $ (154,602) | $ (174,137) |
| Long-term debt | 987,349 | 1,022,345 |
| Obligations related to long-term lease | - | 183,891 |
| Total capitalization | 832,747 | 1,032,099 |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term obligations | 51,771 | 39,392 |
| Purchased power payable | 9,336 | 13,038 |
| Accounts payable | 5,832 | 4,932 |
| Accrued expenses | 3,134 | 3,014 |
| Accrued interest | 8,018 | 7,811 |
| Total current liabilities | 78,091 | 68,187 |
| DEFERRED CREDITS AND OTHER: | | |
| Deferred lease revenue | 10,955 | 15,537 |
| Deferred gain on sale-leaseback | - | 53,480 |
| Residual value payments obligation | 145,145 | 141,370 |
| Other | 7,498 | 3,485 |
| Total deferred credits and other | 163,598 | 213,872 |
| COMMITMENTS AND CONTINGENCIES (see note 13) | | |
| **TOTAL** | $ 1,074,436 | $ 1,314,158 |

***See notes to financial statements.***

# Statements of Operations

*For the years ended December 31, 2008, 2007 and 2006 | (Dollars in thousands)*

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| POWER CONTRACTS REVENUE | $ 214,758 | $ 271,605 | $ 200,692 |
| LEASE REVENUE | 58,423 | 58,265 | 57,896 |
| Total operating revenue | 273,181 | 329,870 | 258,588 |
| OPERATING EXPENSES: | | | |
| Operations: | | | |
| Power purchased and interchanged | 114,643 | 169,768 | 114,516 |
| Transmission and other | 28,600 | 27,196 | 21,684 |
| Maintenance | 4,258 | 4,240 | 3,652 |
| Depreciation and amortization | 31,041 | 30,632 | 30,408 |
| Total operating expenses | 178,542 | 231,836 | 170,260 |
| ELECTRIC OPERATING MARGIN | 94,639 | 98,034 | 88,328 |
| INTEREST EXPENSE AND OTHER: | | | |
| Interest | 65,719 | 60,932 | 60,754 |
| Interest on obligations related to long-term lease | 6,991 | 9,919 | 9,505 |
| Amortization of loss from termination of long-term lease | 811 | – | – |
| Income tax expense | 5,934 | – | – |
| Other—net | 123 | 103 | 111 |
| Total interest expense and other | 79,578 | 70,954 | 70,370 |
| OPERATING MARGIN | 15,061 | 27,080 | 17,958 |
| NON-OPERATING MARGIN: | | | |
| Interest income on restricted investments under long-term lease | 8,742 | 12,481 | 12,069 |
| Interest income and other | 4,013 | 7,616 | 4,515 |
| Total non-operating margin | 12,755 | 20,097 | 16,584 |
| **NET MARGIN** | $ 27,816 | $ 47,177 | $ 34,542 |

***See notes to financial statements.***

# Statements of Equities (Deficit)

*For the years ended December 31, 2008, 2007 and 2006 | (Dollars in thousands)*

| | Total Equities (Deficit) | Accumulated Deficit | Other Equities: Donated Capital and Memberships | Other Equities: Consumers' Contributions to Debt Service | Accumulated Other Comprehensive Income |
|---|---|---|---|---|---|
| BALANCE – December 31, 2005 | $ (251,913) | $ (256,358) | $ 764 | $ 3,681 | $ – |
| Net margin/ total comprehensive income | 34,542 | 34,542 | – | – | – |
| BALANCE – December 31, 2006 | (217,371) | (221,816) | 764 | 3,681 | – |
| Net margin/ total comprehensive income | 47,177 | 47,177 | – | – | – |
| FAS 158 adoption | (3,943) | – | – | – | (3,943) |
| BALANCE – December 31, 2007 | (174,137) | (174,639) | 764 | 3,681 | (3,943) |
| Comprehensive income: | | | | | |
| Net margin | 27,816 | 27,816 | – | – | – |
| FAS 158 funded status adjustment | (8,281) | – | – | – | (8,281) |
| Total comprehensive income | 19,535 | – | – | – | – |
| **BALANCE – December 31, 2008** | $ (154,602) | $ (146,823) | $ 764 | $ 3,681 | $ (12,224) |

***See notes to financial statements.***

# Statements of Cash Flows

*For the years ended December 31, 2008, 2007 and 2006 | (Dollars in thousands)*

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net margin | $ 27,816 | $ 47,177 | $ 34,542 |
| Adjustments to reconcile net margin to net cash provided by operating activities: | | | |
| Depreciation and amortization | 34,320 | 33,866 | 33,592 |
| Increase in restricted investments under long-term lease | (2,502) | (6,242) | (6,040) |
| Decrease in deferred AMT Income Taxes | 5,035 | – | – |
| Amortization of deferred gain on sale-leaseback | (1,998) | (2,900) | (2,882) |
| Amortization of deferred loss on sale-leaseback | 811 | – | – |
| Deferred lease revenue | (4,582) | (1,779) | (4,439) |
| Residual value payments obligation gain | (6,748) | (6,591) | (6,187) |
| Increase in RUS ARVP Note | 5,841 | 5,572 | 5,313 |
| Increase in New RUS Promissory Note | – | 15,761 | 13,889 |
| Increase in obligations under long-term lease | 2,749 | 6,580 | 6,356 |
| Changes in certain assets and liabilities: | | | |
| Accounts receivable | 6,218 | (8,934) | (1,398) |
| Materials and supplies inventory | 12 | 43 | (144) |
| Prepaid expenses | (319) | 3,477 | (3,517) |
| Deferred charges | 1,871 | (2,429) | (694) |
| Purchased power payable | (3,702) | 3,818 | (1,513) |
| Accounts payable | 899 | 1,566 | 972 |
| Accrued expenses | 327 | 1,033 | 81 |
| Other—net | (4,940) | (5,465) | (1,170) |
| Net cash provided by operating activities | 61,108 | 84,553 | 66,761 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures | (22,760) | (18,682) | (13,189) |
| Proceeds from disposition of investments related to sale-leaseback | 222,739 | – | – |
| Other deposits and investments | (401) | (424) | (419) |
| Net cash used in investing activities | 199,578 | (19,106) | (13,608) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Principal payments on long-term obligations | (40,838) | (12,676) | (24,274) |
| Payments upon termination of sale-leaseback | (329,859) | – | – |
| Net cash used in financing activities | (370,697) | (12,676) | (24,274) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (110,011) | 52,771 | 28,879 |
| CASH AND CASH EQUIVALENTS—Beginning of year | 148,914 | 96,143 | 67,264 |
| CASH AND CASH EQUIVALENTS—End of year | $ 38,903 | $ 148,914 | $ 96,143 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | |
| Cash paid for interest | $ 74,819 | $ 45,600 | $ 47,277 |
| Cash paid for taxes | $ 1,220 | $ 420 | $ 375 |

***See notes to financial statements.***

# Notes to Financial Statements

*AS OF DECEMBER 31, 2008 AND 2007, AND FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2008, 2007, AND 2006 (Dollars in thousands)*

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***General Information***—Big Rivers Electric Corporation ("Big Rivers" or the "Company"), an electric generation and transmission cooperative, supplies wholesale power to its three member distribution cooperatives (Kenergy Corp., Jackson Purchase Energy Corporation, and Meade County Rural Electric Cooperative Corporation) under all requirements contracts, excluding the power needs of two large aluminum smelters (the "Aluminum Smelters"), sells surplus power under separate contracts to Kenergy Corp. for a portion of the Aluminum Smelters load, and markets power to nonmember utilities and power marketers. The members provide electric power and energy to industrial, residential, and commercial customers located in portions of 22 western Kentucky counties. The wholesale power contracts with the members extend to January 1, 2023. Rates to Big Rivers' members are established by the Kentucky Public Service Commission (KPSC) and are subject to approval by the Rural Utilities Service (RUS). The financial statements of Big Rivers include the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulation,* which was adopted by the Company in 2003, and gives recognition to the ratemaking and accounting practices of the KPSC and RUS.

In 1999, Big Rivers Leasing Corporation (BRLC) was formed as a wholly owned subsidiary of Big Rivers. BRLC's principal assets are the restricted investments acquired in connection with the 2000 sale leaseback transaction discussed in Note 4.

***Principles of Consolidation***—The financial statements of Big Rivers include the accounts of Big Rivers and its wholly owned subsidiary, BRLC. All significant intercompany transactions have been eliminated.

***Estimates***—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates.

***System of Accounts***—Big Rivers' accrual basis accounting policies generally follow the Uniform System of Accounts as prescribed by the RUS Bulletin 1767B-1, as adopted by the KPSC. These regulatory agencies retain authority and periodically issue orders on various accounting and ratemaking matters.

***Revenue recognition***—Revenues generated from the Company's wholesale power contracts are based on month-end meter readings and are recognized as earned. In accordance with SFAS No. 13, *Accounting for Leases,* Big Rivers' revenue from the Lease Agreement is recognized on a straight-line basis over the term of the lease. The major components of this lease revenue include the annual lease payments and the Monthly Margin Payments (described in Note 2).

In conjunction with the Lease Agreement, Big Rivers expects to realize the minimum lease revenue for the years ending December 31, as follows:

| *Year* | *Amount* |
|---|---|
| 2009 | $ 52,332 |
| 2010 | 52,332 |
| 2011 | 41,291 |
| 2012 | 35,076 |
| 2013 | 35,076 |
| Thereafter | 350,756 |
| | $ 566,863 |

***Utility Plant and Depreciation***—Utility plant is recorded at original cost, which includes the cost of contracted services, materials, labor, overhead, and an allowance for borrowed funds used during construction. Replacements of depreciable property units, except minor replacements, are charged to utility plant.

Allowance for borrowed funds used during construction is included on projects with an estimated total cost of $250 or more before consideration of such allowance. The interest capitalized is determined by applying the effective rate of Big Rivers' weighted-average debt to the accumulated expenditures for qualifying projects included in construction in progress.

In accordance with the terms of the Lease Agreement, the Company generally records capital additions for Incremental Capital Costs and Nonincremental Capital Costs expenditures funded by E.ON U.S. (formerly LG&E Energy Corporation) as utility plant to which the Company maintains title. A corresponding obligation to E.ON U.S. is recorded for the estimated portion of these additions attributable to the Residual Value Payments (see Note 2). A portion of this obligation is amortized to lease revenue over the useful life of those assets during the remaining lease term. For the years ended December 31, 2008 and 2007, the Company has recorded $10,728 and $8,359, respectively, for such additions in utility plant. The Company has recorded $6,748, $6,591, and $6,187 in 2008, 2007, and 2006, respectively, as related lease revenue in the accompanying financial statements.

In accordance with the Lease Agreement, and in addition to the capital costs funded by E.ON U.S. (see Note 2) that are recorded by the Company as utility plant and lease revenue, E.ON U.S also incurs certain Nonincremental Capital Costs and Major Capital Improvements (as defined in the Lease Agreement) for which they forego a Residual Value Payment by Big Rivers upon lease termination. Such amounts are not recorded as utility plant or lease revenue by the Company. At December 31, 2008, the cumulative Nonincremental Capital Costs amounted to $6,618 (unaudited).

E.ON U.S. has constructed a scrubber (Major Capital Improvement) at Big Rivers' Coleman plant. The scrubber achieved commercial acceptance in January 2007. The project cost $97,495 (unaudited). No amounts related to this project are recorded in the Company's financial statements.

Depreciation of utility plant in service is recorded using the straight-line method over the estimated remaining service lives, as approved by the RUS and KPSC. The annual composite depreciation rates used to compute depreciation expense were as follows:

| | |
|---|---|
| Electric plant-leased | 1.60%–2.47% |
| Transmission plant | 1.76%–3.24% |
| General plant | 1.11%–5.62% |

For 2008, 2007, and 2006, the average composite depreciation rates were 1.85%, 1.85%, and 1.86%, respectively. At the time plant is disposed of, the original cost plus cost of removal less salvage value of such plant is charged to accumulated depreciation, as required by the RUS.

***Impairment Review of Long-Lived Assets***—Long-lived assets are reviewed as facts and circumstances indicate that the carrying amount may be impaired. This review is performed in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 establishes one accounting model for all impaired long-lived assets and long-lived assets to be disposed of by sale or otherwise. SFAS No. 144 requires the evaluation for impairment involve the comparison of an asset's carrying value to the estimated future cash flows the asset is expected to generate over its remaining life. If this evaluation were to conclude that the carrying value of the asset is impaired, an impairment charge would be recorded based on the difference between the asset's carrying amount and its fair value (less costs to sell for assets to be disposed of by sale) as a charge to operations or discontinued operations.

***Restricted Investments***—Investments are restricted under contractual provisions related to the sale leaseback transaction discussed in Note 4. These investments have been classified as held-to-maturity and are carried at amortized cost.

***Cash and Cash Equivalents***—Big Rivers considers all short-term, highly-liquid investments with original maturities of three months or less to be cash equivalents.

***Income Taxes***—As a taxable cooperative, Big Rivers is entitled to exclude the amount of patronage allocations to members from taxable income. Income and expenses related to nonmember operations are taxable to Big Rivers. Big Rivers and BRLC file a consolidated Federal income tax return and Big Rivers files a separate Kentucky income tax return.

***Patronage Capital***—As provided in the bylaws, Big Rivers accounts for each year's patronage-sourced income, both operating and nonoperating, on a patronage basis. Notwithstanding any other provision of the bylaws, the amount to be allocated as patronage capital for a given year shall not be less than the greater of regular taxable patronage-sourced income or alternative minimum taxable patronage-sourced income.

***Derivatives***—Management has reviewed the requirements of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted, and has determined that all contracts meeting the definition of a derivative also qualify for the normal purchases and sales exception under SFAS No. 133. The Company has elected the Normal Purchase and Normal Sale exception for these contracts and, therefore, the contracts are not required to be recognized at fair value in the financial statements.

***New Accounting Pronouncements***—In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115*, which is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The fair value option established by this Statement permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option a) may be applied instrument by instrument; b) is irrevocable (unless a new election date occurs); and c) is applied only to entire instruments and not to portions of instruments. The Company has not elected to record any financial assets or liabilities at fair value under this standard.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133*. SFAS 161 enhances the current disclosures under SFAS 133 and requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation in order to better convey the purpose of derivative use in terms of the risks that the entity is intending to manage. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company will adopt SFAS 161 on January 1, 2009, and the impact is not expected to be material to the Company's financial position or results of operations.

## 2. LG&E LEASE AGREEMENT

On July 15, 1998 ("Effective Date"), a lease was consummated ("Lease Agreement"), whereby Big Rivers leased its generating facilities to Western Kentucky Energy Corporation (WKEC), a wholly owned subsidiary of E.ON U.S. Pursuant to the Lease Agreement, WKEC operates the generating facilities and maintains title to all energy produced. Throughout the lease term, in order for Big Rivers to fulfill its obligation to supply power to its members, the Company purchases substantially all of its power requirements from LG&E Energy Marketing Corporation (LEM), a wholly owned subsidiary of E.ON U.S., pursuant to a power purchase agreement.

Big Rivers continues to operate its transmission facilities and charges LEM tariff rates for delivery of the energy produced by WKEC and consumed by LEM's customers. The significant terms of the Lease Agreement are as follows:

*I.* WKEC leases and operates Big Rivers' generation facilities through 2023.

*II.* Big Rivers retains ownership of the generation facilities both during and at the end of the lease term.

*III.* WKEC pays Big Rivers an annual lease payment of $30,965 over the lease term, subject to certain adjustments.

*IV.* On the Effective Date, Big Rivers received $69,100 representing certain closing payments and the first two years of the annual lease payments. In accordance with SFAS No. 13, *Accounting for Leases,* the Company amortizes these payments to revenue on a straight-line basis over the life of the lease.

*V.* Big Rivers continues to provide power for its members, excluding the member loads serving the Aluminum Smelters, through its power purchase agreements with LEM and the Southeastern Power Administration, based on a pre-determined maximum capacity. When economically feasible, the Company also obtains the power necessary to supply its member loads, excluding the Aluminum Smelters, in the open market. Kenergy Corp.'s retail service for the Aluminum Smelters is served by LEM and other third-party providers that may include Big Rivers. To the extent the power purchased from LEM does not reach pre-determined minimums, the Company is required to pay certain penalties. Also, to the extent additional power is available to Big Rivers under the LEM contract, Big Rivers may sell to nonmembers.

*VI.* LEM will reimburse Big Rivers an additional $42,077 for the margins expected from the Aluminum Smelters through 2011, being defined as the net cash flows that Big Rivers anticipated receiving if the Company had continued to serve the Aluminum Smelters' load, as filed in the Rate Hearing (the "Monthly Margin Payments").

*VII.* WKEC is responsible for the operating costs of the generation facilities; however, Big Rivers is partially responsible for ordinary capital expenditures ("Nonincremental Capital Costs") for the generation facilities over the term of the Lease Agreement, generally up to predetermined annual amounts. This cumulative amount is not expected to exceed $148,000 over the entire 25-1/2 year Lease Agreement. At the end of the lease term, Big Rivers is obligated to fund a "Residual Value Payment" to E.ON U.S. for such capital additions during the lease, currently estimated to be $125,880 (see Note 1). Adjustments to the Residual Value Payment will be made based upon actual capital expenditures. Additionally, WKEC will make required capital improvements to the facilities to comply with a new law or a change to existing law ("Incremental Capital Costs") over the lease life (the Company is partially responsible for such costs: 20% through 2010) and the Company will be required to submit another Residual Value Payment to E.ON U.S. for the undepreciated value of WKEC's 80% share of these costs, at the end of the lease, currently estimated to be $18,609. The Company will have title to these assets during the lease and upon lease termination.

*VIII.* Big Rivers entered into a note payable with LEM for $19,676 (the "LEM Settlement Note") to be repaid over the term of the Lease Agreement, which bears interest at 8% per annum, in consideration for LEM's assumption of the risk related to unforeseen costs with respect to power to be supplied to the Aluminum Smelters and the increased responsibility for financing capital improvements. The Company recorded this obligation as a component of deferred charges with the related payable recorded as long-term debt in the accompanying balance sheets. This deferred charge is being amortized on a straight-line basis over the lease term.

*IX.* On the Effective Date, Big Rivers paid a nonrefundable marketing payment of $5,933 to LEM, which has been recorded as a component of deferred charges. This amount is being amortized on a straight-line basis over the lease term.

*X.* During the lease term, Big Rivers will be entitled to certain "billing credits" against amounts the Company owes LEM under the power purchase agreement. Each month during the first 55 months of the lease term, Big Rivers received a credit of $89. For the year 2011, Big Rivers will receive a credit of $2,611 and for the years 2012 through 2023, the Company will receive a credit of $4,111 annually.

In accordance with the power purchase agreement with LEM, the Company is allowed to purchase power in the open market rather than from LEM, incurring penalties when the power purchased from LEM does not meet certain minimum levels, and to sell excess power (power not needed to supply its jurisdictional load) in the open market (collectively referred to as "Arbitrage"). Pursuant to the New RUS Promissory Note and the RUS ARVP Note, the benefit, net of tax, as defined, derived from Arbitrage must be divided as follows: one-third, adjusted for capital expenditures, will be used to make principal payments on the New RUS Promissory Note; one-third will be used to make principal payments on the RUS ARVP Note; and the remaining value may be retained by the Company.

Management is of the opinion that the Company is in compliance with all covenants of the Lease Agreement.

The Company, LEM, and WKEC have entered into an agreement that would allow for a mutually acceptable early termination of the Lease Agreement (see Note 14).

**3. UTILITY PLANT**

At December 31, 2008 and 2007, utility plant is summarized as follows:

| | 2008 | 2007 |
|---|---|---|
| Classified plant in service: | | |
| Electric plant—leased | $1,535,004 | $ 1,524,421 |
| Transmission plant | 230,800 | 209,547 |
| General plant | 17,240 | 15,772 |
| Other | 543 | 114 |
| | 1,783,587 | 1,749,854 |
| Less accumulated depreciation | 879,073 | 853,290 |
| | 904,514 | 896,564 |
| Construction in progress | 8,185 | 15,070 |
| Utility plant—net | $ 912,699 | $ 911,634 |

Interest capitalized for the years ended December 31, 2008, 2007, and 2006, was $492, $391, and $236, respectively.

The Company has not identified any material legal obligations, as defined in SFAS No. 143, *Accounting for Asset Retirement Obligations*, which was further interpreted by FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*. In accordance with regulatory treatment, the Company records an estimated net cost of removal of its utility plant through normal depreciation. As of December 31, 2008 and 2007, the Company had a regulatory liability of approximately $32,696 and $29,771, respectively, related to nonlegal removal costs included in accumulated depreciation.

**4. SALE-LEASEBACK**

On April 18, 2000, the Company completed a sale-leaseback of two of its utility plants, including the related facilities and equipment. The sale-leaseback provided Big Rivers a $1,089,000 fixed price purchase option, at the end of each lease term (25 and 27 years), which, together with future contractual interest receipts, would be fully funded.

On September 30, 2008, the Company completed an early termination of the sale-leaseback transaction. The termination was precipitated by the June 2008 downgrade of the claims-paying ability of Ambac Assurance Corporation (Ambac). Ambac served as insurer of Big Rivers' payment obligations, thereby providing credit support under the transaction. Ambac's downgrade exposed the Company to adverse consequences under the contractual terms of the transaction and after consideration of alternative options, Big Rivers ultimately settled on termination as the preferred solution. Proceeds from disposition of the restricted investment and payments required under the termination agreements were $222,739 and $329,559, respectively, reflecting a net cash payment of $107,120. To meet its remaining obligations Big Rivers' entered into a $12,380 promissory note (see Note 5) with Philip Morris Capital Corporation (PMCC). A net loss of $77,001 resulting from the early termination of the sale-leaseback was recorded as a regulatory asset and is being amortized over the remaining period of the original transaction. Big Rivers believes this regulatory asset will be subsequently recovered through the rate-making actions of the Kentucky Public Service Commission.

Prior to termination the sale-leaseback transaction was recorded as a financing for financial reporting purposes and a sale for Federal income tax purposes. In connection therewith, in 2000, Big Rivers received $866,676 of proceeds and incurred $791,626 of related obligations. Pursuant to a payment undertaking agreement with a financial institution, Big Rivers effectively extinguished $656,029 of these obligations with an equivalent portion of the proceeds. The Company also purchased investments with an initial value of $146,647 to fund the remaining $135,597 of the obligations. These amounts are reflected for 2007 as restricted investments under long term lease and obligations related to long-term lease in the accompanying balance sheets. Interest received and paid was recorded to these accounts up to the date of lease termination. The Company paid 7.57% interest on its obligations related to long-term lease and received 6.89% on its related investments. The Company made a $64,000 principal payment on the New RUS Promissory Note with the remaining proceeds. The $75,050 gain was deferred and was amortized up to the date of lease termination, with the Company recognizing $1,998, $2,900, and $2,881, in 2008, 2007, and 2006, respectively.

Amounts recognized in the statement of financial position related to the sale-leaseback as of December 31, 2008 and 2007, are as follows:

| | *2008* | *2007* |
|---|---|---|
| Restricted investments under long-term lease | $ – | $ 192,932 |
| Obligations related to long-term lease | – | 183,891 |
| Deferred gain on sale-leaseback | – | 53,480 |
| Deferred loss from termination of sale-leaseback | 76,001 | – |

Amounts recognized in the statement of operations related to the sale-leaseback for the years ended December 31, 2008, 2007, and 2006, are as follows:

| | *2008* | *2007* | *2006* |
|---|---|---|---|
| Power contracts revenue (revenue discount adjustment—see Note 6) | $(2,453) | $(3,680) | $(3,680) |
| Interest on obligations related to long-term lease: | | | |
| Interest expense | $ 8,989 | $12,819 | $12,386 |
| Amortize gain on sale-leaseback | (1,998) | (2,900) | (2,881) |
| Net interest on obligations related to long-term lease | $ 6,991 | $ 9,919 | $ 9,505 |
| Interest income on restricted investments under long-term lease | $ 8,742 | $12,481 | $12,069 |
| Interest income and other | $ 779 | $ 778 | $ 777 |

## 5. DEBT AND OTHER LONG-TERM OBLIGATIONS

A detail of long-term debt at December 31, 2008 and 2007, is as follows:

| | *2008* | *2007* |
|---|---|---|
| New RUS Promissory Note, stated amount of, $768,391, stated interest rate of 5.75%, with an interest rate of 5.82%, maturing July 2021 | $ 765,297 | $ 804,098 |
| RUS ARVP Note, stated amount of $245,899, no stated interest rate, with interest imputed at 5.80%, maturing December 2023 | 103,685 | 99,290 |
| LEM Settlement Note, interest rate of 8.0%, payable in monthly installments through July 2023 | 15,658 | 16,204 |
| County of Ohio, Kentucky, promissory note, variable interest rate (average interest rate of 8.95% and 3.74% in 2008 and 2007, respectively), maturing in October 2022 | 83,300 | 83,300 |
| County of Ohio, Kentucky, promissory note, variable interest rate (average interest rate of 5.14% and 3.74% in 2008 and 2007, respectively), maturing in June 2013 | 58,800 | 58,800 |
| PMCC Promissory Note interest rate of 8.5%, maturing in December 2009 | 12,380 | - |
| Total long-term debt | 1,039,120 | 1,061,692 |
| Current maturities | 51,771 | 39,347 |
| Total long-term debt—net of current maturities | $ 987,349 | $1,022,345 |

The following are scheduled maturities of long-term debt at December 31:

| *Year* | *Amount* |
|---|---|
| 2009 | $ 51,771 |
| 2010 | 41,440 |
| 2011 | 47,492 |
| 2012 | 65,561 |
| 2013 | 64,542 |
| Thereafter | 768,314 |
| | $ 1,039,120 |

***RUS Notes***—On July 15, 1998, Big Rivers recorded the New RUS Promissory Note and the RUS ARVP Note at fair value using the applicable market rate of 5.82%. The RUS Notes are collateralized by substantially all assets of the Company.

***Pollution Control Bonds***—The County of Ohio, Kentucky, issued $83,300 of Pollution Control Periodic Auction Rate Securities, Series 2001, the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate. These bonds bear interest at a variable rate and mature in October 2022.

The County of Ohio, Kentucky, issued $58,800 of Pollution Control Variable Rate Demand Bonds, Series 1983, the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate as the bonds. These bonds bear interest at a variable rate and mature in June 2013.

The Series 1983 bonds are supported by a liquidity facility issued by Credit Suisse First Boston, which was assigned to Dexia Credit in 2006. Both Series are supported by municipal bond insurance and surety policies issued by Ambac Assurance Corporation. Big Rivers has agreed to reimburse Ambac Assurance Corporation for any payments under the municipal bond insurance policies or the surety policies.

Due to current market conditions, the variable interest rates incurred on the Series 1983 and Series 2001 Pollution Control Bonds have increased. These instruments are subject to maximum interest rates of 13% and 18%, respectively. The December 31, 2008 interest rates on the Series 1983 and Series 2001 Pollution Control Bonds were 3.41% and 18%, respectively.

***LEM Settlement Note***— On the Effective Date, Big Rivers executed the Settlement Note with LEM. The Settlement Note requires Big Rivers to pay to LEM $19,676, plus interest at 8% per annum over the lease term. The principal and interest payment is approximately $1,822 annually. This payment is consideration for LEM's assumption of the risk related to unforeseen costs with respect to power to be supplied to the Aluminum Smelters and the increased responsibility for financing capital improvements.

***Other Long-Term Obligations***—During 1997, Big Rivers terminated two unfavorable coal contracts. In connection with that settlement, the Company paid $45, $47, and $345 during 2008, 2007, and 2006, respectively. At December 31, 2008, the Company has no remaining liability associated with that settlement agreement.

***PMCC Promissory Note***—On September 30, 2008 in conjunction with the early termination of the sale-leaseback transaction (see Note 4), Big Rivers executed a promissory note with Phillip Morris Capital Corporation (PMCC). The note requires Big Rives to pay PMCC $12,380, plus interest at 8.5% per annum. The note matures in December 2009.

***Notes Payable***—Notes payable represent the Company's borrowing on its line of credit with the National Rural Utilities Cooperative Finance Corporation. The maximum borrowing capacity on the line of credit is $15,000. There were no borrowings outstanding on the line of credit at December 31, 2008, but letters of credit issued under an associated Letter of Credit Facility reduced the borrowing capacity by $2,670. The line of credit bears interest at a variable rate. Each advance on the line of credit is payable within one year.

**6. RATE MATTERS**

The rates charged to Big Rivers' members consist of a demand charge per kW and an energy charge per kWh consumed as approved by the KPSC. The rates include specific rate designs for its members' two classes of customers, the large industrial customers and the rural customers under its jurisdiction. For the large industrial customers, the demand charge is generally based on each customer's maximum demand during the current month. The remaining customers demand charge is based upon the maximum coincident demand of each member's delivery points. The demand and energy charges are not subject to adjustments for increases or decreases in fuel or environmental costs. Big Rivers' current rates will remain in effect until changed by the KPSC.

In mid-2008, the financial rating of Ambac (see Note 4), a party to the sale-leaseback transaction Big Rivers entered into in 2000 was lowered, triggering an obligation on the part of the Company to replace Ambac in the transaction or otherwise resolve the issues created by that circumstance. Big Rivers elected to buyout the equity participants and simultaneously terminate the transaction on September 30, 2008. The buyout price significantly reduced Big Rivers' cash reserves. Accordingly, on March 2, 2009, Big Rivers filed an application with the Kentucky Public Service Commission (Commission) requesting approval of a 21.6% rate increase, seeking an effective date of April 1, 2009 for interim rate relief. A hearing on the interim rate relief is scheduled for March 26, 2009. Big Rivers believes the requested rate increase is reasonable and necessary to enable it to continue meeting all of its long-term financial obligations on a timely basis. In addition, Big Rivers has been and continues to reduce its non-critical expenditures in order to ensure that it can meet its short-term obligations as they fall due. Big Rivers has not increased the base wholesale tariff rates to its member distribution cooperatives since 1997. If the termination of the LG&E lease agreement (see Note 14) closes, this case will become moot, and will be dismissed. The termination of the LG&E lease agreement would also provide Big Rivers all necessary cash resources.

Effective since September 1, 2000, the KPSC has approved Big Rivers' request for a $3,680 annual revenue discount adjustment for its members through August 31, 2008, effectively passing the benefit of the sale-leaseback transaction (see Note 4) to them. On September 1, 2008, Big Rivers discontinued the revenue discount adjustment to its members.

**7. INCOME TAXES**

Big Rivers was formed as a tax-exempt cooperative organization described in Internal Revenue Code Section 501(c)(12). To retain tax-exempt status under this section, at least 85% of the Big Rivers' receipts must be generated from transactions with the Company's members. In 1983, sales to nonmembers resulted in Big Rivers failing to meet the 85% requirement. Until Big Rivers can meet the 85% member income requirement, the Company is a taxable cooperative. Big Rivers is also subject to Kentucky income tax.

Under the provisions of SFAS No. 109, *Accounting for Income Taxes,* Big Rivers is required to record deferred tax assets and liabilities for temporary differences between amounts reported for financial reporting purposes and amounts reported for income tax purposes. Deferred tax assets and liabilities are determined based upon these temporary differences using enacted tax rates for the year in which these differences are expected to reverse. Deferred income tax expense or benefit is based on the change in assets and liabilities from period to period, subject to an ongoing assessment of realization.

As a result of the above noted termination (see Note 4), Big Rivers no longer considers that it is more likely than not that it will recover its net deferred tax assets (which consisted solely of Alternative Minimum Tax (AMT) credit carryforwards). An income statement charge of $5,035 relating the AMT amounts carried forward at January 1, 2008 together with a charge of $900 relating to the 2008 AMT obligation have been recorded in the Statement of Operations.

At December 31, 2008, Big Rivers had a nonpatron net operating loss carryforward of approximately $102,807 expiring through 2012, and an alternative minimum tax credit carryforward of approximately $5,935, which carries forward indefinitely.

As of December 31, 2007, Big Rivers has a net deferred tax asset, against which a valuation allowance has been provided based upon the fact that it is presently uncertain whether such asset will be realized. The resulting net deferred tax asset at December 31, 2007, is approximately $5,035, which represents the alternative minimum tax credit carryforward, against which no allowance has been provided.

The Company has not recorded any regular income tax expense for the years ended December 31, 2008, 2007 and 2006, as the Company has utilized federal net operating losses to offset any regular taxable income during those years. Had the Company not had the benefit of a net operating loss carryforward, the Company would have recorded $20,363, $7,724, and $10,599 in current regular tax expense for the years ended December 31, 2008, 2007 and 2006, respectively.

The components of the net deferred tax assets as of December 31, 2008 and 2007, were as follows:

| | 2008 | 2007 |
|---|---|---|
| Deferred tax assets: | | |
| Net operating loss carryforward | $ 40,609 | $ 60,972 |
| Alternative minimum tax credit carryforwards | 5,935 | 5,035 |
| Sale-leaseback | – | 142,807 |
| Fixed asset basis difference | 33,786 | 7,764 |
| Other accruals | – | 2,844 |
| Total deferred tax assets | 80,330 | 219,422 |
| Deferred tax liabilities: | | |
| Lease agreement | (25,384) | (27,359) |
| Net deferred tax asset (prevaluation allowance) | 54,946 | 192,063 |
| Valuation allowance | (54,946) | (187,028) |
| Net deferred tax asset | $ – | $ 5,035 |

A reconciliation of the Company's effective tax rate for 2008, 2007 and 2006, follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Federal rate | 35.0 % | 35.0 % | 35.0 % |
| State rate—net of federal benefit | 4.5 | 4.5 | 4.5 |
| Patronage allocation to members | (31.3) | (28.0) | (20.5) |
| Tax benefit of operating loss carryforwards and other | (8.2) | (11.5) | (19.0) |
| Alternative Minimum Tax | 18.0 | – | – |
| Effective tax rate | 18.0 % | – % | – % |

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an Interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, disclosures and transition. The cumulative effects of applying FIN 48 are to be recorded as an adjustment to retained earnings as of the beginning of the period of adoption. FIN 48 was effective for fiscal years beginning after December 15, 2006.

The Company adopted the provisions of FIN 48 on January 1, 2007. The Company files a federal income tax return, as well as several state income tax returns. The years currently open for federal tax examination are 2005 through 2008 and 1990 through 1997, due to unused net operating loss carryforwards. The major state tax jurisdiction currently open for tax examination is Kentucky for years 2002 through 2008 and years 1990 through 1997, also due to unused net operating loss carryforwards. As a result of implementing FIN 48, the Company made no adjustment to the liability for unrecognized tax benefits. The Company did not have any unrecognized tax benefits recorded related to federal or state income taxes.

Upon adoption of FIN 48, the Company adopted a financial statement policy of classification of interest and penalties as an operating expense on the income statement and accrued expense in the balance sheet. No interest or penalties have been recorded as of the adoption or during 2007 and 2008.

## 8. POWER PURCHASED

In accordance with the Lease Agreement, Big Rivers supplies all of the members' requirements for power to serve their customers, other than the Aluminum Smelters. Contract limits were established in the Lease Agreement and include minimum and maximum hourly and annual power purchase amounts. Big Rivers cannot reduce the contract limits by more than 12 MW in any year or by more than a total of 72 MW over the lease term. In the event Big Rivers fails to take the minimum requirement during any hour or year, Big Rivers is liable to LEM for a certain percentage of the difference between the amount of power actually taken and the applicable minimum requirement.

Although Big Rivers will be required by the Lease Agreement to purchase minimum hourly and annual amounts of power from LEM, the lease does not prevent Big Rivers from paying the associated penalty in certain hours to purchase lower cost power, if available, in the open market or reselling a portion of its purchased power to a third party. The power purchases made under this agreement for the years ended December 31, 2008, 2007, and 2006, were $99,700, $96,295, and $97,999, respectively, and are included in power purchased and interchanged on the statement of operations.

## 9. PENSION PLANS

### *Defined Benefit Plans*

Big Rivers has noncontributory defined benefit pension plans covering substantially all employees who meet minimum age and service requirements. The plans provide benefits based on the participants' years of service and the five highest consecutive years' compensation during the last ten years of employment.

Big Rivers' policy is to fund such plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

The salaried employees defined benefit plan was closed to new entrants effective January 1, 2008, and the bargaining employees defined benefit plan was closed to new hires effective November 1, 2008. The Company simultaneously established base contribution accounts in the defined contribution thrift and 401(k) savings plans, which were renamed as the retirement savings plans. The base contribution account for an eligible employee, which is one who meets the minimum age and service requirements, but for whom membership in the defined benefit plan is closed, is funded by employer contributions based on graduated percentages of the employee's pay, depending on his or her age.

On December 31, 2007, the Company adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS No. 158"). SFAS No. 158 required the Company to recognize the funded status of its pension plans and other postretirement plans (see Note 11 - Postretirement Benefits Other Than Pensions). SFAS No. 158 defines the funded status of a defined benefit pension plan as the fair value of its assets less its projected benefit obligation, which includes projected salary increases, and defines the funded status of any other postretirement plan as the fair value of its assets less its accumulated postretirement benefit obligation.

SFAS No. 158 also requires an employer to measure the funded status of a plan as of the date of its year end balance sheet and requires disclosure in the notes to the financial statements certain additional information related to net periodic benefit costs for the next fiscal year. The Company's pension and other postretirement benefit plans are measured as of December 31, 2008 and 2007.

The following provides an overview of the Company's noncontributory defined benefit pension plans.

A reconciliation of the Company's benefit obligations of its noncontributory defined benefit pension plans at December 31, 2008 and 2007, follows:

| | *2008* | *2007* |
|---|---|---|
| Benefit obligation—beginning of period | $ 19,889 | $ 17,464 |
| Service cost—benefits earned during the period | 1,072 | 958 |
| Interest cost on projected benefit obligation | 1,220 | 1,058 |
| Participant contributions (lump sum repayment) | 318 | - |
| Benefits paid | (248) | (124) |
| Actuarial loss | 2,002 | 533 |
| Benefit obligation—end of period | $ 24,253 | $ 19,889 |

The accumulated benefit obligation for all defined benefit pension plans was $18,568 and $14,789 at December 31, 2008 and 2007, respectively.

A reconciliation of the Company's pension plan assets at December 31, 2008 and 2007, follows:

| | *2008* | *2007* |
|---|---|---|
| Fair value of plan assets—beginning of period | $ 21,820 | $ 16,416 |
| Actual return on plan assets | (5,095) | 1,006 |
| Employer contributions | 3,500 | 4,522 |
| Participant contributions (lump sum repayment) | 318 | - |
| Benefits paid | (248) | (124) |
| Fair value of plan assets—end of period | $20,295 | $ 21,820 |

The funded status of the Company's pension plans at December 31, 2008 and 2007, follows:

| | *2008* | *2007* |
|---|---|---|
| Benefit obligation—end of period | $(24,253) | $(19,889) |
| Fair value of plan assets—end of period | 20,295 | 21,820 |
| Funded status | $ (3,958) | $ 1,931 |

Components of net periodic pension costs for the years ended December 31, 2008, 2007, and 2006, were as follows:

| | *2008* | *2007* | *2006* |
|---|---|---|---|
| Service cost | $ 1,072 | $ 958 | $ 838 |
| Interest cost | 1,220 | 1,058 | 926 |
| Expected return on plan assets | (1,516) | (1,167) | (828) |
| Amortization of prior service cost | 19 | 19 | 19 |
| Amortization of actuarial loss | 247 | 285 | 212 |
| Net periodic benefit cost | $1,042 | $1,153 | $1,167 |

A reconciliation of the pension plan amounts in accumulated other comprehensive income at December 31, 2008 and 2007, follows:

| | *2008* | *2007* |
|---|---|---|
| Prior service cost | $ (78) | $ (97) |
| Unamortized actuarial (loss) | (13,226) | (4,861) |
| Accumulated other comprehensive income | $ (13,304) | $ (4,958) |

In 2009, $19 of prior service cost and $828 of actuarial loss is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive income at December 31, 2008, follows:

| | |
|---|---|
| Prior service cost | $ 19 |
| Unamortized actuarial (loss) | (8,365) |
| Other comprehensive income | $ (8,346) |

At December 31, 2008 and 2007, amounts recognized in the statement of financial position were as follows:

| | 2008 | 2007 |
|---|---|---|
| Deferred charges and other | $ – | $ 1,931 |
| Deferred credits and other | (3,958) | – |
| Net amount recognized | $ (3,958) | $ 1,931 |

Assumptions used to develop the projected benefit obligation and determine the net periodic benefit cost were as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Discount rate—<br>projected benefit obligation | 6.38% | 6.25 % | 5.75 % |
| Discount rate—<br>net periodic benefit cost | 6.25 | 5.75 | 5.75 |
| Rates of increase<br>in compensation levels | 4.00 | 4.00 | 4.00 |
| Expected long-term rate<br>of return on assets | 7.25 | 7.25 | 7.25 |

The expected long-term rate of return on plan assets for determining net periodic pension cost for each fiscal year is chosen by the Company from a best estimate range determined by applying anticipated long-term returns and long-term volatility for various asset categories to the target asset allocation of the plans, as well as taking into account historical returns.

Using the asset allocation policy adopted by the Company noted in the paragraph below, we determined the expected rate of return at a 50% probability of achievement level based on (a) forward-looking rate of return expectations for passively-managed asset categories over a 20 year time horizon and (b) historical rates of return for passively-managed asset categories. Applying an approximately 80%/20% weighting to the rates determined in (a) and (b), respectively, produced an expected rate of return of 7.28%, which was rounded to 7.25%.

The general investment objectives are to invest in a diversified portfolio, comprised of both equity and fixed income investments, which are further diversified among various asset classes. The diversification is designed to minimize the risk of large losses while maximizing total return within reasonable and prudent levels of risk. The investment objectives specify a targeted investment allocation for the pension plans of up to 65% equities. The remaining 35% may be allocated among fixed income or cash equivalent investments. Objectives do not target a specific return by asset class. These investment objectives are long-term in nature. As of December 31, 2008 and 2007, the investment allocation was 47% and 49%, respectively, in equities and 53% and 51%, respectively, in fixed income.

Expected retiree pension benefit payments projected to be required during the years following 2008 are as follows:

| *Years Ending December 31* | *Amount* |
|---|---|
| 2009 | $ 1,092 |
| 2010 | 1,860 |
| 2011 | 1,663 |
| 2012 | 2,781 |
| 2013 | 3,711 |
| 2014–2018 | 12,304 |
| Total | $23,411 |

In 2009, the Company expects to contribute $1,169 to its pension plan trusts.

### *Defined Contribution Plans*

Big Rivers has two defined contribution retirement plans covering substantially all employees who meet minimum age and service requirements. Each plan has a thrift and 401(k) savings section allowing employees to contribute up to 75% of pay on a pre-tax and/or after-tax basis, with employer matching contributions equal to 60% of the first 6% contributed by the employee on a pre-tax basis.

A base contribution retirement section was added and the plan name changed from thrift and 401(k) savings to retirement savings, effective January 1, 2008, for the salaried plan and November 1, 2008, for the bargaining plan. The base contribution account is funded by employer contributions based on graduated percentages of pay, depending on the employee's age.

The Company's expense under these plans was $308 and $215 for the years ended December 31, 2008 and 2007, respectively.

### *Deferred Compensation Plan*

Effective May 1, 2008, Big Rivers established a nonqualified deferred compensation plan for its eligible employees who are members of a select group of management or highly compensated employees. The purpose of the plan is to allow participants to receive contributions or make deferrals that they could not receive or make under the salaried employees qualified defined contribution retirement savings plan (formerly the thrift and 401(k) savings plan) as a result of nondiscrimination rules and other limitations applicable to the qualified plan under the Internal Revenue Code. The nonqualified plan also allows a participant to defer a percentage of his or her pay on a pre-tax basis.

The nonqualified deferred compensation plan is unfunded, but the Company has chosen to finance its obligations under the plan, including any employee deferrals, through a rabbi trust. The trust assets remain a part of the Company's general assets, subject to the claims of its creditors. The 2008 employer contributions and deferred compensation expense, and the trust asset and deferred liability balances as of December 31, 2008, were each $37.

**10. FAIR VALUE OF FINANCIAL INSTRUMENTS**

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements* ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measures. It applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 157 had no impact on the Company's results of operations and financial condition.

The carrying value of accounts receivable, and accounts payable approximate fair value due to their short maturity. At December 31, the Company's cash and cash equivalents included short-term investments in an institutional money market government portfolio account that were recorded at fair value which were determined using quoted market prices for identical assets without regard to valuation adjustment or block discount, as follows:

| | *2008* | *2007* |
|---|---|---|
| Institutional money market government portfolio | $ 38,424 | $148,316 |

The fair value of restricted investments is determined based upon quoted market prices and rates. The carrying value of the investments is recorded at accreted value and the terms of the investment are within Note 4. The estimated fair values of the restricted investments are as follows:

| | *2008* | | *2007* | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Restricted investments | $ – | $ – | $192,932 | $250,088 |

It was not practical to estimate the fair value of patronage capital included within other deposits and investments due to these being untraded companies.

It was not practical to estimate the fair value of long-term debt due to Big Rivers' inability to obtain long-term debt from outside parties.

**11. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS**

Big Rivers provides certain postretirement medical benefits for retired employees and their spouses. As of July 1, 2001, Big Rivers pays 85% of the cost from age 62 to 65 for all retirees. For salaried employees who retired prior to December 31, 1993, Big Rivers pays 100% of Medicare supplemental costs. For salaried employees who retire after December 31, 1993, Big Rivers pays 25% plus $25 per month of the Medicare supplemental costs.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Medicare Act") was enacted. The Medicare Act created Medicare Part D, a new prescription drug benefit that is available to all Medicare-eligible individuals, effective January 1, 2006. National Rural Electric Cooperative Association (NRECA), the provider of Big Rivers' health plan coverage through the NRECA Group Benefits Trust, chose to become a Medicare Part D provider. Effective January 1, 2006, Part D coverage is the only drug coverage available to Big Rivers' Medicare-eligible retirees.

The discount rates used in computing the postretirement benefit obligation and net periodic benefit cost were as follows:

| | *2008* | *2007* | *2006* |
|---|---|---|---|
| Discount rate— projected benefit obligation | 6.32% | 5.85 % | 5.75 % |
| Discount rate— net periodic benefit cost | 5.85 | 5.75 | 5.75 |

The health care cost trend rate assumptions as of December 31, 2008 and 2007, were as follows:

| | *2008* | *2007* |
|---|---|---|
| Initial trend rate | 7.90 % | 9.00 % |
| Ultimate trend rate | 4.50 % | 5.50 % |
| Year ultimate trend is reached | 2028 | 2012 |

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

| | *2008* | *2007* |
|---|---|---|
| One-percentage-point decrease: | | |
| Effect on total service and interest cost components | $ (37) | $ (28) |
| Effect on year end benefit obligation | (290) | (268) |
| One-percentage-point increase: | | |
| Effect on total service and interest cost components | 44 | 34 |
| Effect on year end benefit obligation | 337 | 313 |

A reconciliation of the Company's benefit obligations of its postretirement plan at December 31, 2008 and 2007, follows:

| | 2008 | 2007 |
|---|---|---|
| Benefit obligation—beginning of period | $ 2,862 | $ 2,695 |
| Service cost—benefits earned during the period | 129 | 85 |
| Interest cost on projected benefit obligation | 167 | 153 |
| Participant contributions | 61 | 45 |
| Benefits paid | (179) | (170) |
| Actuarial (gain) or loss | (92) | 54 |
| Benefit obligation—end of period | $ 2,948 | $ 2,862 |

A reconciliation of the Company's postretirement plan assets at December 31, 2008 and 2007, follows:

| | 2008 | 2007 |
|---|---|---|
| Fair value of plan assets—beginning of period | $ – | $ – |
| Employer contributions | 118 | 125 |
| Participant contributions | 61 | 45 |
| Benefits paid | (179) | (170) |
| Fair value of plan assets—end of period | $ – | $ – |

The funded status of the Company's postretirement plan at December 31, 2008 and 2007, follows:

| | 2008 | 2007 |
|---|---|---|
| Benefit obligation—end of period | $ (2,948) | $ (2,862) |
| Fair value of plan assets—end of period | – | – |
| Funded status | $ (2,948) | $ (2,862) |

The components of net periodic postretirement benefit costs for the years ended December 31, 2008, 2007, and 2006, were as follows:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Service cost | $ 129 | $ 85 | $ 145 |
| Interest cost | 167 | 153 | 143 |
| Amortization of prior service cost | 2 | 2 | 2 |
| Amortization of actuarial (gain) | (60) | (70) | (80) |
| Amortization of transition obligation | 31 | 31 | 31 |
| Net periodic benefit cost | $ 269 | $ 201 | $ 241 |

A reconciliation of the postretirement plan amounts in accumulated other comprehensive income at December 31, 2008 and 2007, follows:

| | 2008 | 2007 |
|---|---|---|
| Prior service cost | $ (7) | $ (9) |
| Unamortized actuarial gain | 1,210 | 1,177 |
| Transition obligation | (123) | (153) |
| Accumulated other comprehensive income | $ 1,080 | $ 1,015 |

In 2009, $2 of prior service cost, $65 of actuarial gain, and $30 of the transition obligation is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive income at December 31, 2008, follows:

| | |
|---|---|
| Prior service cost | $ 2 |
| Unamortized actuarial gain | 33 |
| Transition obligation | 30 |
| Other comprehensive income | $ 65 |

At December 31, 2008 and 2007, amounts recognized in the statement of financial position were as follows:

| | 2008 | 2007 |
|---|---|---|
| Accounts payable | $ (156) | $ (138) |
| Deferred credits and other | (2,792) | (2,724) |
| Net amount recognized | $ (2,948) | $ (2,862) |

Expected retiree benefit payments projected to be required during the years following 2008 are as follows:

| Year | Amount |
|---|---|
| 2009 | $ 156 |
| 2010 | 178 |
| 2011 | 197 |
| 2012 | 220 |
| 2013 | 255 |
| 2014–2018 | 1,419 |
| Total | $2,425 |

In addition to the postretirement plan discussed above, in 1992 Big Rivers began a postretirement benefit plan which vests a portion of accrued sick leave benefits to salaried employees upon retirement or death. To the extent an employee's sick leave hour balance exceeds 480 hours such excess hours are paid at 20% of the employee's base hourly rate at the time of retirement or death. The accumulated obligation recorded for the postretirement sick leave benefit is $408 and $345 at December 31, 2008 and 2007, respectively. The postretirement expense recorded was $63, $51, and $44 for 2008, 2007, and 2006, respectively, and the benefits paid were $0, $0, and $20 for 2008, 2007, and 2006, respectively.

**12. RELATED PARTIES**

For the years ended December 31, 2008, 2007, and 2006, Big Rivers had tariff sales to its members of $114,514, $113,281, and $108,737, respectively. In addition, for the years ended December 31, 2008, 2007, and 2006, Big Rivers had certain sales to Kenergy for the Aluminum Smelters and Domtar Paper (formerly Weyerhaeuser) loads of $55,124, $123,094, and $57,374, respectively.

At December 31, 2008 and 2007, Big Rivers had accounts receivable from its members of $16,540 and $20,052, respectively.

**13. COMMITMENTS AND CONTINGENCIES**

Big Rivers is involved in litigation arising in the normal course of business. While the results of such litigation cannot be predicted with certainty, management, based upon advice of counsel, believes that the final outcome will not have a material adverse effect on the financial statements.

**14. TERMINATION OF THE LG&E LEASE AGREEMENT**

The Big Rivers board of directors adopted resolutions on February 23, 2007, authorizing management, among other things, to execute a Transaction Termination Agreement among Big Rivers Electric Corporation, LG&E Energy Marketing Inc., and Western Kentucky Energy Corp. (the "Termination Agreement"). The Termination Agreement establishes the terms on which Big Rivers, on the one hand, and LG&E Energy Marketing Inc. and Western Kentucky Energy Corp. on the other hand, agree to terminate a series of contractual relationships established in 1998 under which, among other things, LG&E Energy Marketing Inc. and Western Kentucky Energy Corp. currently lease and operate the generating units owned or previously operated by Big Rivers, and sell power to Big Rivers to use in meeting the requirements of its system. Those resolutions additionally authorize management to sign various agreements under which Big Rivers agrees to sell its member, Kenergy Corp., 850 MW in the aggregate for resale to Alcan Primary Products Corporation and Century Aluminum of Kentucky General Partnership, contingent upon the closing of the transaction contemplated in the Termination Agreement.

Applications seeking the necessary state regulatory approvals and tariff revisions required to implement these transactions were filed with the Commission on December 28, 2007, in P.S.C. Case Nos. 2007-00455 and 2007-00460. An order granting the relief sought in Case No. 2007-00460 was entered on June 25, 2008. By order dated March 6, 2009, the Commission entered a final order in Case No. 2007-00455 granting substantially all the relief sought by Big Rivers, and requiring the joint applicants to agree to certain conditions imposed in its order. Letters agreeing to those conditions were filed with the Commission on March 13, 2009, and the parties are working to complete the steps required to close the transactions contemplated in the Termination Agreement.

The termination of the LG&E lease is expected to have a significant and favorable financial impact on Big Rivers. The contemplated transaction, as approved by the Commission, requires that LG&E pay Big Rivers $505,373 in cash, transfer certain assets to Big Rivers and forgive Big Rivers obligation to make certain payments (recorded as a liability of $160,803 at December 31, 2008) to LG&E. Big Rivers contemplates using $140,000 of these proceeds to reduce it long-term debt.

# Five-Year Review

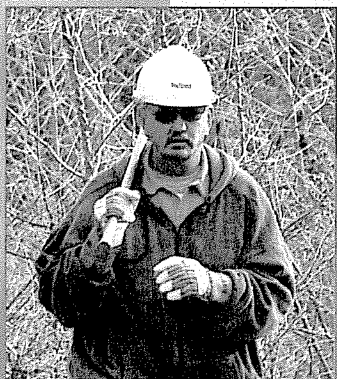
*Years Ended December 31 | (Dollars in thousands)*

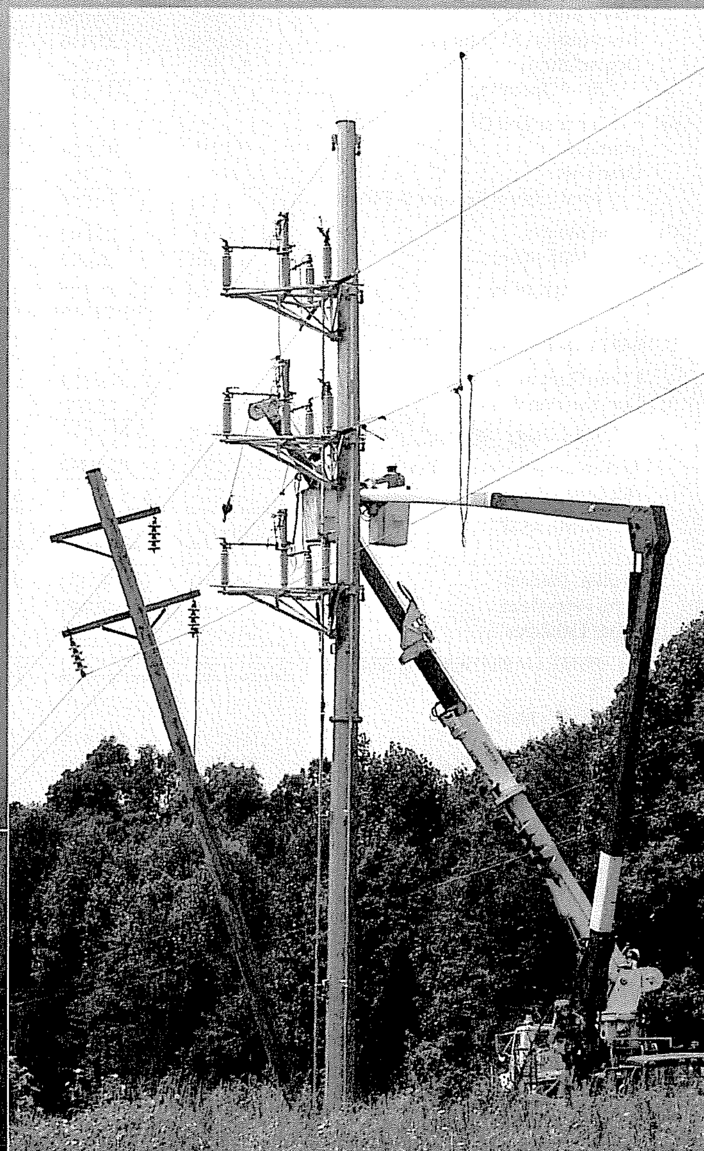
| SUMMARY OF OPERATIONS | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Operating Revenue: | | | | | |
| Power Contracts Revenue | $ 214,758 | $ 271,605 | $ 200,692 | $ 191,280 | $ 175,777 |
| Lease Revenue | 58,423 | 58,265 | 57,896 | 57,675 | 56,753 |
| Total Operating Revenue | 273,181 | 329,870 | 258,588 | 248,955 | 232,530 |
| Operating Expenses: | | | | | |
| Power Purchased | 114,643 | 169,768 | 114,516 | 114,500 | 106,099 |
| Transmission, Maintenance & Other | 32,858 | 31,436 | 25,336 | 23,504 | 21,271 |
| Depreciation | 31,041 | 30,632 | 30,408 | 30,192 | 29,732 |
| Total Operating Expenses | 178,542 | 231,836 | 170,260 | 168,196 | 157,102 |
| Interest Expense and Other: | | | | | |
| Interest | 72,710 | 70,851 | 70,259 | 68,748 | 65,648 |
| Other-net | 6,868 | 103 | 111 | 124 | 158 |
| Total Interest Expense & Other | 79,578 | 70,954 | 70,370 | 68,872 | 65,806 |
| Operating Margin | 15,061 | 27,080 | 17,958 | 11,887 | 9,622 |
| Non-Operating Margin | 12,755 | 20,097 | 16,584 | 14,456 | 12,403 |
| NET MARGIN | $ 27,816 | $ 47,177 | $ 34,542 | $ 26,343 | $ 22,025 |
| SUMMARY OF BALANCE SHEET | | | | | |
| Utility Plant in Service | $1,783,587 | $1,749,854 | $1,731,230 | $1,714,850 | $1,698,519 |
| Construction Work in Progress | 8,185 | 15,070 | 13,085 | 12,706 | 15,068 |
| Total Utility Plant | 1,791,772 | 1,764,924 | 1,744,315 | 1,727,556 | 1,713,587 |
| Accumulated Depreciation | 879,073 | 853,290 | 826,647 | 798,684 | 772,938 |
| Net Utility Plant | $ 912,699 | $ 911,634 | $ 917,668 | $ 928,872 | $ 940,649 |
| TOTAL ASSETS | $1,074,436 | $1,314,158 | $1,254,389 | $1,225,980 | $1,220,640 |
| Equities (deficit) | $ (154,602) | $ (174,137) | $ (217,371) | $ (251,913) | $ (278,256) |
| Long-term Debt | 987,349 | 1,022,345 | 1,041,075 | 1,046,846 | 1,079,688 |
| Other Liabilities | 241,689 | 465,950 | 430,685 | 431,047 | 419,208 |
| TOTAL LIABILITIES AND EQUITY | $1,074,436 | $1,314,158 | $1,254,389 | $1,225,980 | $1,220,640 |
| ENERGY SALES - MWh | | | | | |
| Member Rural | 2,386,916 | 2,406,446 | 2,231,554 | 2,262,698 | 2,132,801 |
| Member Large Industrial | 925,793 | 921,359 | 956,502 | 971,243 | 997,202 |
| Other | 1,844,677 | 2,835,789 | 2,062,286 | 2,021,365 | 1,868,657 |
| Total Energy Sales | 5,157,386 | 6,163,594 | 5,250,342 | 5,255,306 | 4,998,660 |
| PURCHASED ENERGY - MWh | | | | | |
| LG&E Energy Marketing | 4,934,677 | 4,830,682 | 4,980,506 | 4,947,727 | 4,623,620 |
| Southeastern Power Administration | 235,464 | 195,521 | 242,099 | 296,982 | 270,762 |
| Other | 41,648 | 1,187,479 | 71,533 | 60,169 | 156,665 |
| Total Energy Purchased | 5,211,789 | 6,213,682 | 5,294,138 | 5,304,878 | 5,051,047 |
| NET CAPACITY - MW | | | | | |
| Net Generating Capacity Owned* | 1,459 | 1,459 | 1,459 | 1,459 | 1,459 |
| Rights to HMP&L Station Two* | 217 | 217 | 217 | 217 | 217 |
| Other Net Capacity Available | 178 | 178 | 178 | 178 | 178 |

**Big Rivers owns its 1,459 megawatts of electric generating facilities and it has rights to the HMP&L Station Two facility. All of these facilities and rights have been leased to certain affiliates of E.ON U.S.*

# Building a Brighter Future

2008 ANNUAL REPORT



**Big Rivers Electric Corporation**

201 Third Street (42420)
PO Box 24 (42419-0024)
Henderson, KY

Phone: 270-827-2561
Fax: 270-827-2558
www.bigrivers.com

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

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# *It's a new day ...*

*Annual Report for 2009*

Big Rivers
ELECTRIC CORPORATION

Big Rivers ELECTRIC CORPORATION

## Our Mission

Big Rivers will safely deliver low cost, reliable wholesale power and cost-effective shared services desired by the Members.

## Our Vision

Big Rivers will be viewed as one of the top G&Ts in the country and will provide services the Members desire in meeting future challenges.

## Our Values

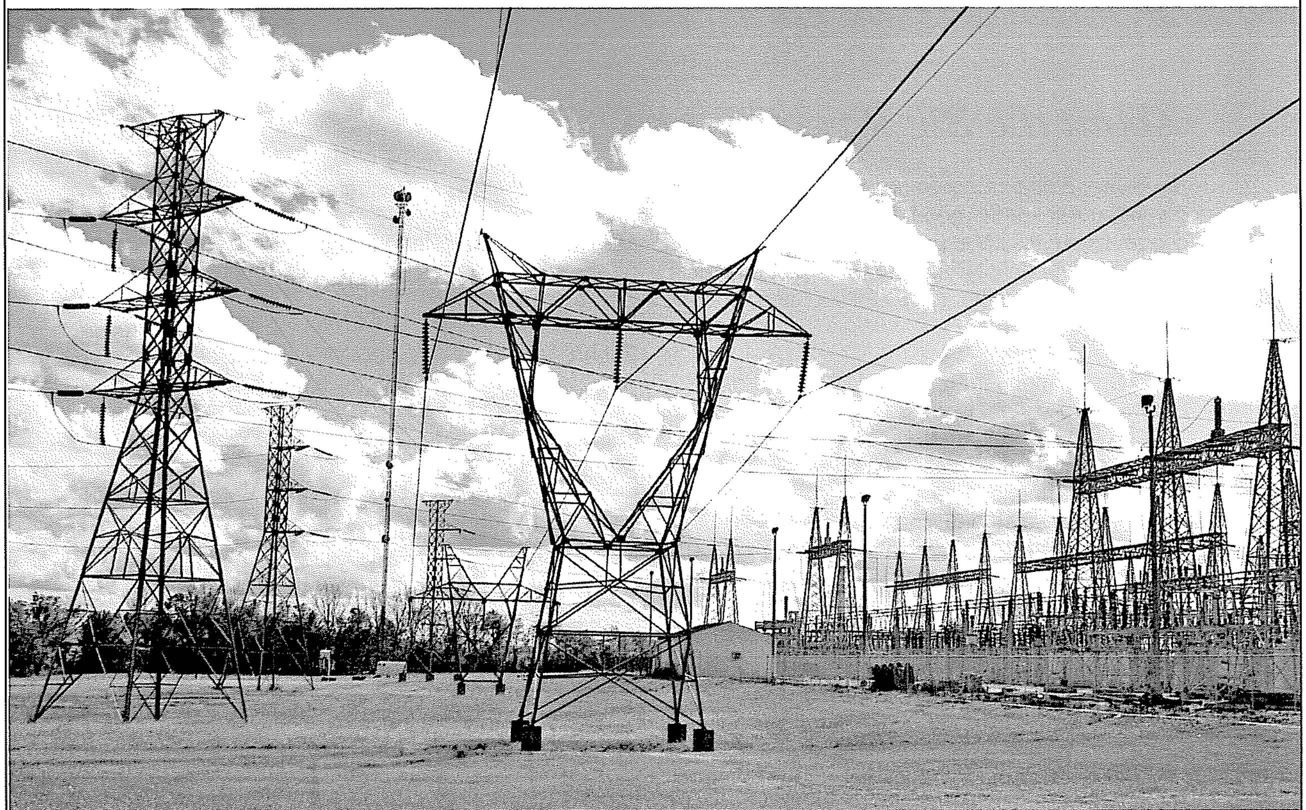
- Teamwork
- Integrity
- Excellence
- Safety
- Member and Community Service
- Environmental Consciousness
- Respect for the Employee

## Financial Highlights

For the years ended December 31, 2009, 2008, 2007, 2006, and 2005 — (Dollars in thousands)

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Margins | 531,330 | 27,816 | 47,177 | 34,542 | 26,343 |
| Equity | 379,392 | (154,602) | (174,137) | (217,371) | (251,913) |
| Capital Expenditures* | 58,388 | 22,760 | 18,682 | 13,189 | 12,904 |
| Cash & Investment Balance | 60,290 | 38,903 | 148,914 | 96,143 | 67,264 |
| Times Interest Earned Ratio | 9.85 | 1.37 | 1.64 | 1.47 | 1.37 |
| Debt Service Coverage Ratio | 2.44 | 1.17 | 2.04 | 1.86 | 1.79 |
| Cost of Debt | 6.33% | 6.33% | 5.76% | 5.83% | 5.57% |
| Cost of Capital | 8.39% | 8.33% | 7.75% | 7.82% | 7.58% |

** Big Rivers' share only*



# Table of Contents

# *About the Big Rivers System*

Big Rivers Electric Corporation is a member-owned, not-for-profit, generation and transmission cooperative (G&T). We provide wholesale electric power and services to three distribution cooperative members across 22 counties in western Kentucky.

The member cooperatives are Jackson Purchase Energy Corporation, headquartered in Paducah; Kenergy Corp., headquartered in Henderson; and Meade County Rural Electric Cooperative Corporation, headquartered in Brandenburg. Together, they distribute retail electric power and provide other services to more than 111,000 homes, farms, businesses and industries.

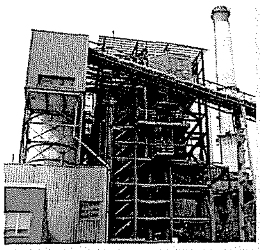
Incorporated in June of 1961, the mission of Big Rivers is to safely deliver low cost, reliable wholesale power and cost-effective shared services desired by the members. Business operations revolve around seven core values: teamwork, integrity, excellence, safety, member and community service, environmental consciousness, and respect for the employee.

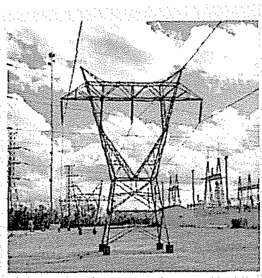
With headquarters in Henderson, Big Rivers owns and operates 1,444 megawatts (MW) of generating capacity in four stations.

| | | |
|---|---|---|
| Kenneth C. Coleman | 443 MW | Hawesville, Ky. |
| Robert A. Reid | 130 MW | Robards, Ky. |
| Robert D. Green | 454 MW | Robards, Ky. |
| D. B. Wilson | 417 MW | Centertown, Ky. |
| Owned Generation | 1,444 MW | |

Total generation available is 1,834 MW, including rights to Henderson Municipal Power and Light ("HMP&L") Station Two and contracted capacity from Southeastern Power Administration ("SEPA").

| | |
|---|---|
| Owned Generation | 1,444 MW |
| HMP&L Station Two | 212 MW |
| SEPA | 178 MW |
| Total Generation | 1,834 MW |



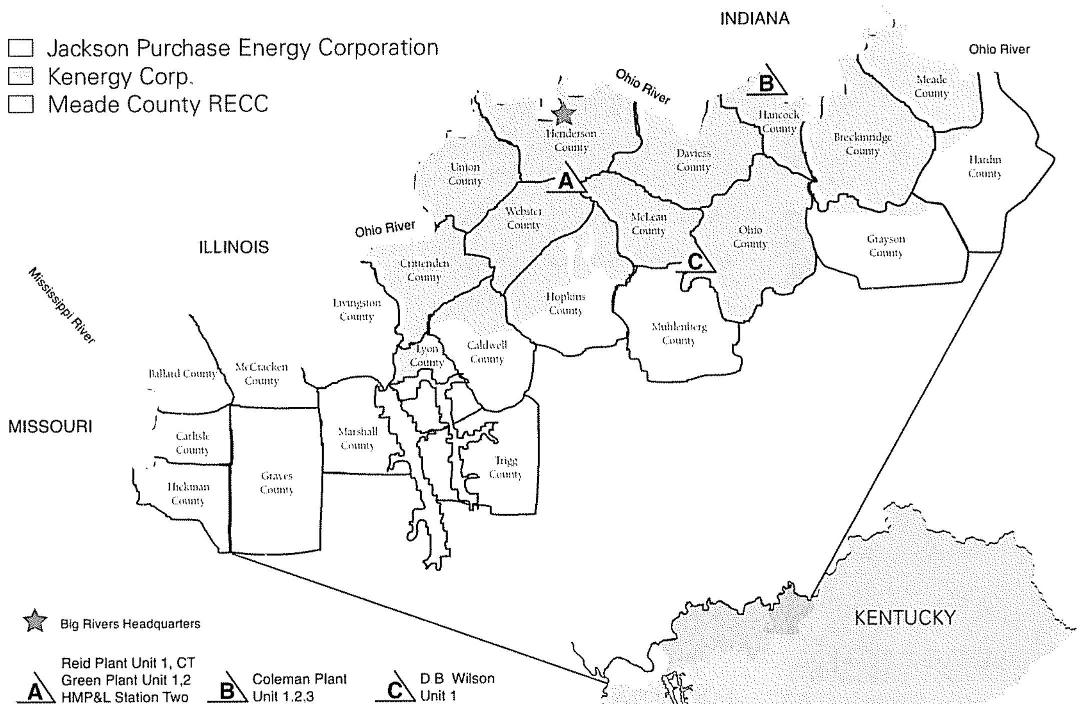
# It's a new day ...

High voltage electric power is delivered to the member cooperatives over a system of 1,262 miles of transmission lines and 80 substations owned by Big Rivers or the distribution members. Twenty-two interconnects link our system with seven surrounding utilities.

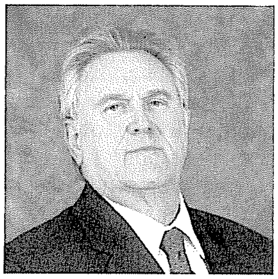
Big Rivers is led by an experienced management team and is governed by a six-member board of directors. The board is comprised of two representatives from each distribution cooperative. We employ approximately 600 people at seven locations in Kentucky, who actively contribute to the communities we serve.

Constantly focused on the needs and local priorities of the member cooperatives, Big Rivers provides assistance in areas such as information technology, mapping and planning, safety programs and training, economic development, education and customer support services.

As long-standing members of Touchstone Energy®, Big Rivers and the member cooperatives pledge to serve western Kentucky with integrity, accountability, innovation and a commitment to community. Keeping the cost of electricity low and the reliability high has always been a priority.



# Member Cooperatives



Kelly Nuckols, *President & CEO*
*Jackson Purchase Energy Corporation*

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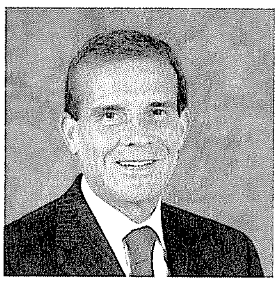
| | |
|---|---|
| Headquartered: | Paducah, KY |
| Number of meters: | 29,147 |
| Miles of line: | 2,901 |



Sandy Novick, *President & CEO*
*Kenergy Corp.*

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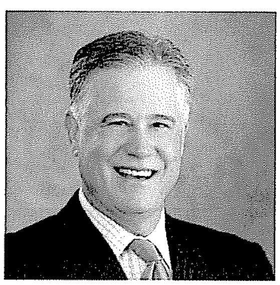
| | |
|---|---|
| Headquartered: | Henderson, KY |
| Number of meters: | 54,844 |
| Miles of line: | 7,009 |



Burns Mercer, *President & CEO*
*Meade County RECC*

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Serves: Breckinridge, Grayson, Hancock, Hardin, Meade and Ohio

| | |
|---|---|
| Headquartered: | Brandenburg, KY |
| Number of meters: | 28,005 |
| Miles of line: | 2,978 |

# Board of Directors

*Back row (left to right):*

Dr. James Sills, *Vice-Chair*
*Meade County RECC*

Wayne Elliott
*Jackson Purchase Energy Corporation*

William Denton, *Chair*
*Kenergy Corp.*

*Front row (left to right):*

Lee Bearden, *Secretary-Treasurer*
*Jackson Purchase Energy Corporation*

Paul Edd Butler
*Meade County RECC*

Larry Elder
*Kenergy Corp.*

# Management Team

*Back row (left to right):*

Albert Yockey, *V.P. Governmental Relations & Enterprise Risk Management*

David Crockett, *V.P. System Operations*

Paula Mitchell, *Executive Assistant*

Jennifer Keach, *Community Relations Manager*

James Miller, *Corporate Counsel*

James Haner, *V.P. Administrative Services*

*Front row (left to right):*

Robert Berry, *V.P. Production*

C. William Blackburn, *Senior V.P. Financial & Energy Services & Chief Financial Officer*

Mark Bailey, *President & CEO*

Mark Hite, *V.P. Accounting*


## *Message from the Board Chair and CEO*

We will remember 2009 as one of important achievement for Big Rivers and our member cooperatives—Jackson Purchase Energy Corporation, Kenergy Corp., and Meade County RECC. It was a year of challenge and celebration as many obstacles were overcome to reinvent ourselves as a financially strong electric generation and transmission cooperative.

Following years of work and intense negotiations, the much anticipated Unwind came to fruition in July of 2009. As a result of the lease termination agreement with E.ON U.S., Big Rivers' equities to total capitalization improved to 31 percent as of December 31, 2009, the strongest in the history of the company.

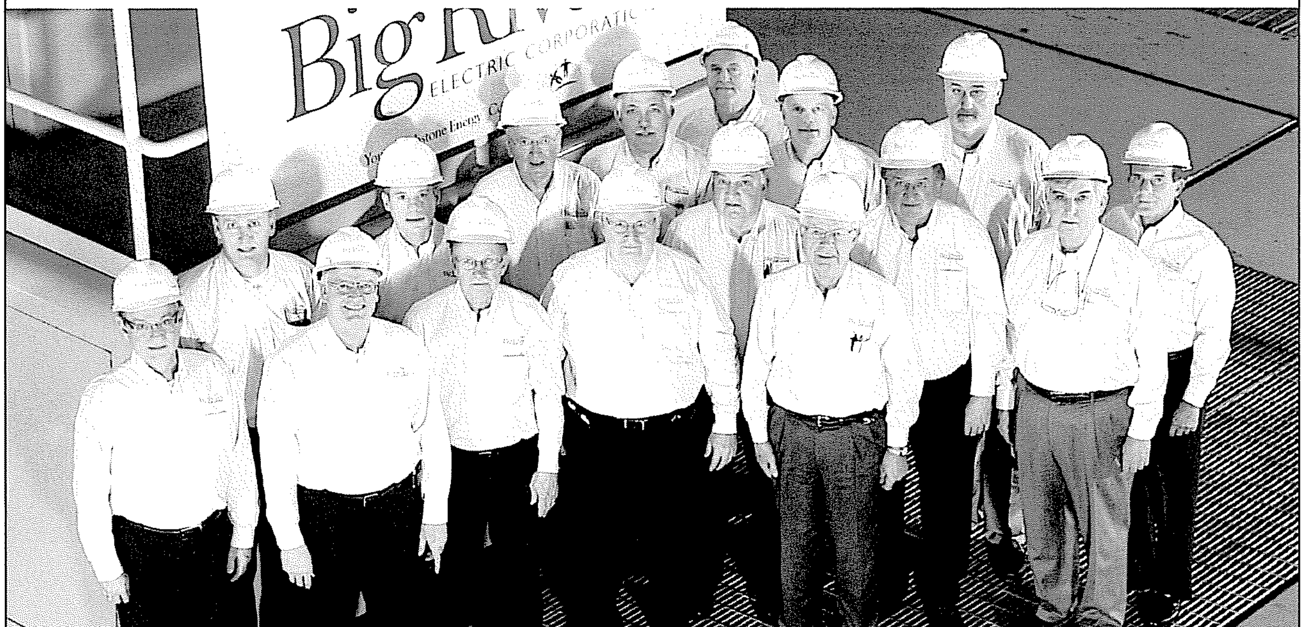
While the positive financial impact to our business was an important element of the Unwind, we had the task of resuming operation and maintenance responsibility for our generating stations as well as integrating employees, systems, and processes. Our strategic plan was developed to address those challenges. Big Rivers' corporate values will remain at the forefront as the company fulfills its mission to safely deliver low cost, reliable wholesale power and cost-effective shared services desired by our members. These values—teamwork, integrity, excellence, safety, member and community service, environmental consciousness, and respect for the employee—are the basis for much of the remainder of this report. Beyond our business strategy, Big Rivers will continue to thrive because of our culture, values and the dedication of our employees.

It is a new day at Big Rivers. We are proud to be part of this new company and look forward to serving our members and our communities in 2010 and beyond.

Bill Denton
William Denton
*Chair, Board of Directors*

Mark A. Bailey
Mark A. Bailey
*President and CEO*

# *Year in Review: 2009*

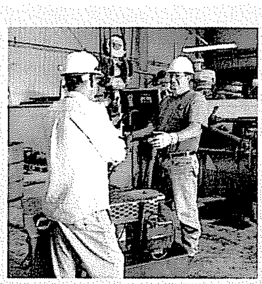



It's a new day at Big Rivers Electric Corporation, and we are looking forward with confidence and optimism. The increasing impact of government regulation, renewable energy, and increased power demand are all on the horizon. We are laying a foundation today, so we can continue to provide reliable, affordable electricity well into the future.

# *The Unwind*

The Unwind was the term used for the transaction that ended the agreements under which E.ON U.S. subsidiary Western Kentucky Energy Corp. ("WKEC") had been operating the generating stations owned by Big Rivers.

Those agreements, originally signed in 1998, were set to run through 2023. However, both companies had been working for several years to "unwind" the arrangement. The transaction went through a meticulous review process and was completed in July 2009—after careful study by the Kentucky Public Service Commission, Big Rivers' creditors, member cooperatives, Henderson Municipal Power & Light and others.

# *Teamwork*

To proactively enhance Big Rivers' reputation and build trust with members and other key stakeholders, we must maintain a well-trained, engaged workforce dedicated to the success of the member cooperatives. In the past year, teamwork has been a fundamental building block in our organizational transition.

When the Unwind transaction was completed, and the generating stations returned to Big Rivers' operational control, there was still much to be accomplished. Bringing systems, policies, procedures and employees together required organizational planning and a strong commitment to work together.

Some 468 employees of WKEC, many of whom worked for Big Rivers prior to the 1998 lease agreement, came back under the Big Rivers umbrella, many with new jobs and new responsibilities.

The transition went smoothly, and Big Rivers emerged as a financially strong electric generation and transmission cooperative. Immediate rate hikes were avoided that would have been otherwise necessary, and Big Rivers and the member cooperatives can now participate more competitively in economic development efforts throughout the western Kentucky region.

In addition to returning operation of the generating stations back to Big Rivers, the complex transaction included new long-term power contracts with Century Aluminum and Rio Tinto Alcan aluminum smelters.

The smelters' power contracts with sources outside of Big Rivers were set to expire in 2010/2011, leaving them with no long-term source of affordable energy. Without the closing of the Unwind transaction, the cost of power to the smelters would have likely risen to market rates, which could have potentially driven them out of business causing a loss of 1,200 local jobs.

Instead, long-term smelter contracts were tied to the successful closing of the Unwind. To help retain those jobs, Big Rivers and Kenergy Corp. now provide power to the smelters at affordable rates.

To efficiently manage the growing business, stabilize costs and provide better service, Big Rivers signed an eight-year contract with EDS, an HP Enterprise Services company, in 2009. EDS is installing Oracle software to improve the performance, quality and reliability of computer applications, and will also manage Big Rivers' workplace devices for approximately 600 employees, including PCs, notebooks and handheld devices.

The use of Oracle software affects all departments at Big Rivers, and successful implementation requires teamwork. However, the benefits will be many, including simplified business processes, consolidated records, lower maintenance costs, online tracking, reduced paper flow and streamlined approval processes. We will have this new Oracle Business Suite installed and operating by fall 2010.

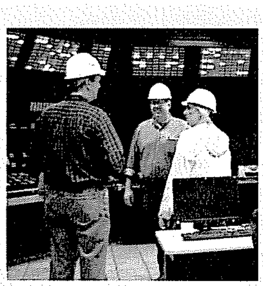
# *Integrity*

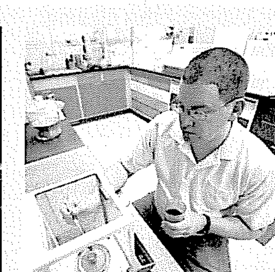
In today's marketplace, more than ever, transparency is critical to the procurement process. After Big Rivers regained operational control of our power generating facilities, it was important to find the best price to meet solid fuel requirements, while at the same time optimizing portfolio options.

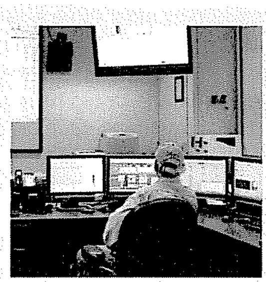
For the first time in 12 years, Big Rivers went into the open market to procure solid fuel. Risk management is a vital factor in procurement. Processes and policies were designed to ensure cross-departmental participation, oversight, evaluation, review and concurrence of action.

Big Rivers' internal risk management committee, comprised of senior management, instituted solid fuel transaction authorization and hedge policies. Each month, this committee and the board of directors review and assess the solid fuel supply portfolio and inventory relative to the generation forecast to meet member load and marketplace opportunities.

Enterprise risk management strengthens corporate integrity, while enhancing corporate decision making. Big Rivers periodically reviews and updates policies and key performance indicators throughout the organization.







# Excellence

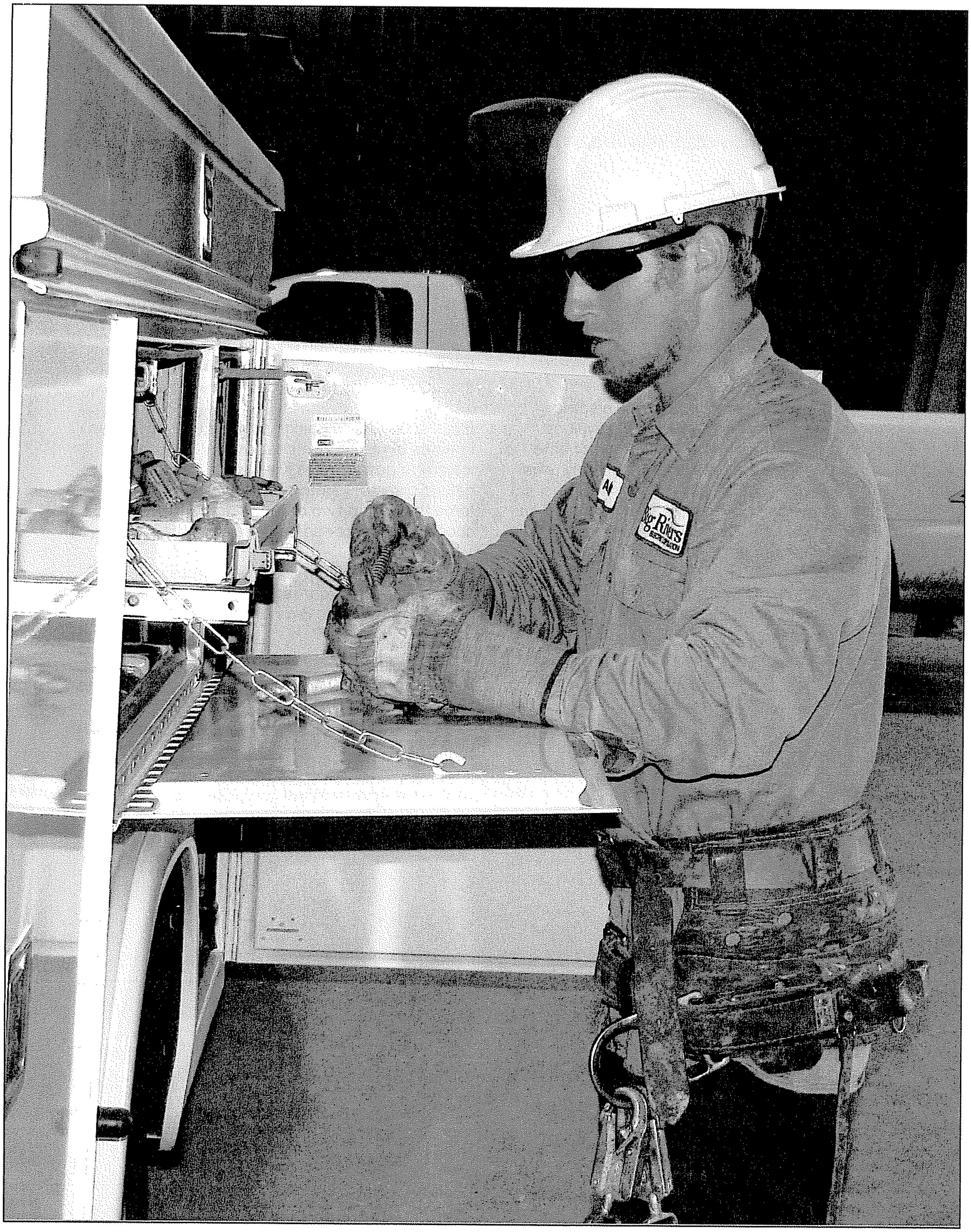
As a generation and transmission cooperative, it is our job to safely provide members with reliable, affordable electricity. To do this, we must proactively manage our assets and business growth to benefit all members and their member-consumers.

One measure of excellence in the electric industry is reliability. Big Rivers' Equivalent Forced Outage Rate, the percentage of time a generating unit is off-line unexpectedly, was 3.7 percent for 2009. This is better than the North American Electric Reliability Corporation ("NERC") industry average for comparable units, which is 6.9 percent.

To improve reliability at our D. B. Wilson facility, the station underwent the largest and most expensive planned maintenance outage in the history of the company, at a total cost of approximately $36 million. At the peak of the planned outage, more than 850 contract workers were on site and worked 413,026 hours. Big Rivers employees worked 108,444 hours during this outage with no recordable safety incidents.

Excellence means going above and beyond, even in times of disaster. In late January 2009, an ice storm described as Kentucky's "worst-ever natural disaster" struck with such breadth and force that all but two of the state's 24 electric cooperatives reported damage from the storm.

The storm rendered many roads impassable because of downed trees and, in some cases, downed utility lines. Big Rivers employees



worked tirelessly in adverse conditions to restore the transmission system from the effects of the ice storm. Through teamwork and help from member cooperatives and contractors, all transmission service was restored in approximately eight days.

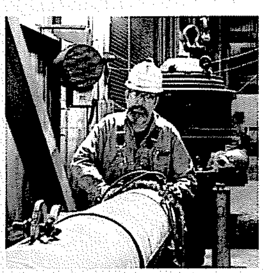
Reliability also depends on maintenance. In maintaining the Big Rivers system, especially substation equipment and transmission lines, we work to minimize outage risks. As part of an ongoing maintenance program, transmission employees inspected and treated 4,220 poles and replaced 125. They treated 367 miles of right-of-way land with herbicide and performed a full-width cut on 108 miles. Employees also tested 29 circuit breakers and 24 transformers, as well as 72 substation and transmission line switches. An aerial inspection of our transmission system was completed four times.

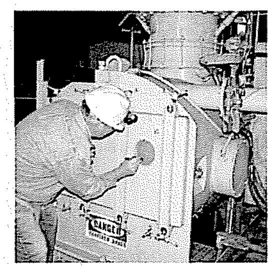
Several construction projects were also completed in 2009. Upgrades were made to secondary containment at the Hardinsburg and Meade County substations, in accordance with the Spill, Prevention, Control, and Countermeasure rule from the EPA. Two transmission lines were relocated at the request of the Kentucky Department of Transportation, and a 69kV line and terminal were added in McCracken County.

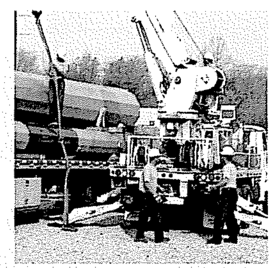
Utilities must maintain contingency reserve to meet compliance requirements of NERC and the Federal Energy Regulatory Commission ("FERC"). Big Rivers had met the reserve requirement through membership in the Midwest Contingency Reserve Sharing Group. This group, composed of Midwest Independent System Operator ("Midwest ISO") members and eleven other utilities, dissolved at the end of 2009, and Big Rivers needed to find an alternative.

In December 2009, Big Rivers agreed to pursue integration with the Midwest ISO as a transmission-owning member. The Midwest ISO has agreed to provide all required contingency reserve during the integration process. Big Rivers continues to actively evaluate other options.

In order to ensure the future integrity of power supply, the framework for tomorrow has to be designed today. That is why preparation is underway for a new integrated resource plan, which defines how we will meet the future energy needs of the member cooperatives. This includes evaluation of demand control, energy efficiency and energy conservation, as well as generation and transmission capital projects.







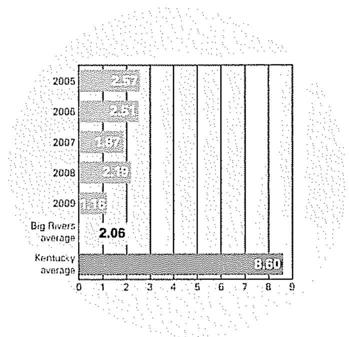
# *Safety*

Safety is a way of life; therefore, no operating condition or urgency of service can ever justify putting employees or the public in harm's way. When the workday is over, we want every employee to return home in as good a condition as he or she arrived.

To ensure Big Rivers' safety goals are met, we developed a new comprehensive program that includes revised policy guidelines and emergency action plans and procedures. In addition, the program provides a process for reviewing the safety credentials of Big Rivers' contractors.

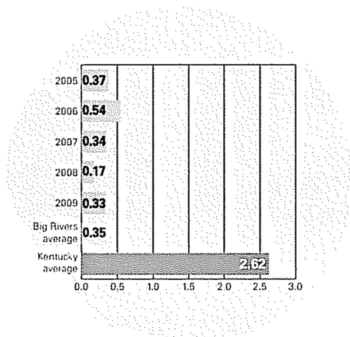
Safety practices benefit our collective well-being and financial strength. Employee injuries cause countless hours of pain and impact the organization's efficiency. By investing in safety training, we will save money by minimizing time lost to injury and reduce the company's

*OSHA Recordable Incident Rate*



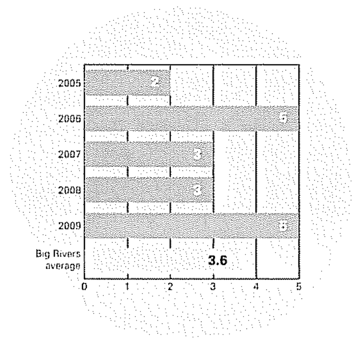

Incident Rate = # of incidents x 200.000 / # of hours worked

*Lost-Time Incident Rate*

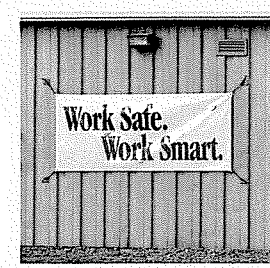


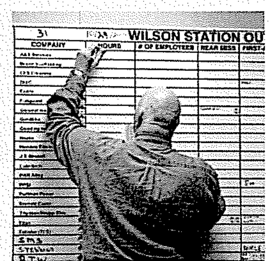

Incident Rate = # of incidents x 200.000 / # of hours worked

*Number of Vehicle Incidents*







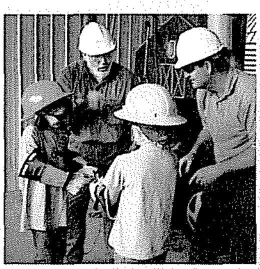



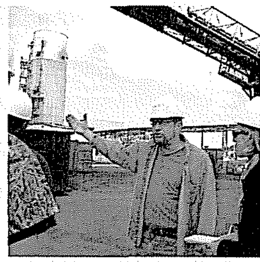

liability. The morale gained by employees as a result of training is another bonus that cannot be measured in dollars and cents.

To measure the effectiveness of our safety practices, our program includes the use of key performance indicators, goals and milestones, which quantify our progress.

The Kenneth C. Coleman Station in Hawesville is a shining example of how Big Rivers meets its safety goals. In January 2009, Coleman employees completed three years without a lost-time injury, and by the end of the year, posted an impressive 1,449 days with no lost-time injuries. During 2009, the Coleman Station received its eighth Governor's Safety Award for working 750,000 hours without a lost-time injury.

As Big Rivers continues to grow, our safety practices will evolve. We will continue to evaluate our safety initiatives and update them yearly. We do this because we believe that no matter where we stand, there is always room for improvement.



# *Member and Community Service*

Big Rivers exists to serve three distribution cooperative members and their member-consumers. One way we do this is by assisting with the members' safety programs—ranging from topics such as OSHA required training to defensive driving programs through the National Safety Council. In addition, we provide public safety training for schools, fire departments and industries.

We also provide energy audits, power quality audits, power factor correction, operational assessments and on-site education for commercial and industrial member-consumers. Other programs offered by Big Rivers include energy efficiency initiatives for member-consumers, a sports role model program and additional youth outreach. Communication services include education, bill inserts, economic development, market research, training and web site development.

Big Rivers provides a significant portion of the members' information technology support, both hardware and software, including program development and maintenance in the areas of accounting and customer information. We support a geospatial information system and digital microwave system for the shared benefit of our operation and that of the member cooperatives. We continue to pursue development of a shared two-way radio communication system with some mobile data transfer capabilities.

By sharing governmental relations outreach with East Kentucky Power Cooperative and Kentucky Association of Electric Cooperatives, we have been able to establish effective procedures for monitoring legislative bills of interest to Big Rivers and the members.

We take pride in our reputation as an outstanding corporate citizen and contribute to many worthwhile organizations throughout the communities we serve. Employee involvement is key to our success as a community leader. Big Rivers employees volunteer countless hours to nonprofit and civic organizations where we work and live. Last year, our employees participated in a number of community fundraisers and efforts, including the March for Babies, Relay for Life,

Habitat for Humanity, chambers of commerce, food banks and blood drives.

The generosity of employees was most evident during the 2009 record-breaking United Way campaign. Big Rivers posted its largest employee contribution ever, donating nearly $150,000 to the cause. Working together, Big Rivers employees at Sebree Station (comprised of Robert A. Reid, Robert D. Green and HMP&L Station Two) achieved an 80 percent employee participation rate in the United Way campaign. More than 50 percent of Sebree Station employees contributed one hour of pay per month.

This outpouring of support is an example of Big Rivers exemplifying the cooperative principle of "concern for community."

## *Environmental Consciousness*

Respect for the land, its inhabitants and its natural resources is important to Big Rivers. After all, we are named after the peaceful rivers that flow through our region.

The Promoting Our Wildlife & Energy Resources (POWER) program improves wildlife habitat and also helps control maintenance costs for transmission line corridors. The program involves offering free technical assistance and payments to landowners who complete pre-approved wildlife habitat practices in utility rights-of-way areas. In turn, these practices reduce utilities' need to manage vegetation. This program, conducted in partnership with the Kentucky Department of Fish and Wildlife Resources, is being tested as a pilot project in designated areas of the Big Rivers system.

The central laboratory located in Henderson, and the laboratories located at each generating station, excelled in annual evaluations conducted by Environmental Resource Associates. Each year, the industry-leading group provides unknown samples for laboratories to evaluate as a condition of the Kentucky Pollutant Discharge Elimination System permits. Test reports are sent to state and federal environmental protection agencies for their review. All Big Rivers laboratories scored excellent marks on all samples tested.

## Respect For The Employee

Big Rivers' success depends on the well-being of our employees. By keeping everyone safe and focused, we improve company morale and instill confidence in our mission.

To ensure smooth management transitions through the future, we continue to refine our succession plan. Identifying and developing talent will help meet current and future staffing needs as our workforce ages.

Since the Unwind, we have improved our communication efforts through several avenues. To reflect a changing corporate culture, we involved employees in revamping our employee newsletter and intranet home page, which provides them a vested interest in the communication process. Timely updates are sent throughout the company, keeping internal stakeholders informed of events and items of interest affecting Big Rivers.

Corporate-wide employee meetings are held on a regular basis to provide two-way communication between employees and senior management on key areas, such as our strategic and safety plans. This open communication is essential to the success of our changing organization.

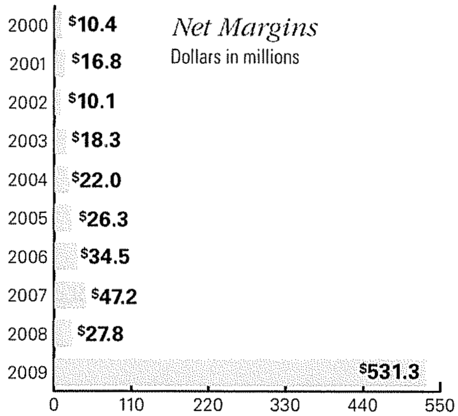
Big Rivers ELECTRIC CORPORATION

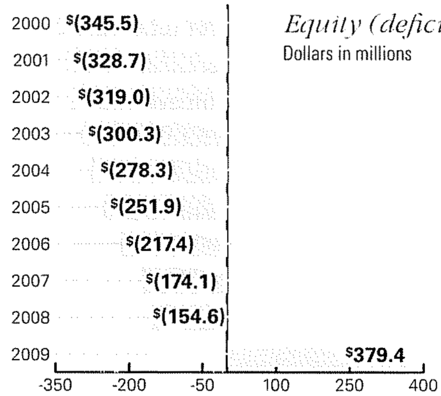
The completion of the Unwind was undoubtedly the major milestone of 2009, and the advantages gained by the transaction have left us in a stronger financial position than ever before. Though it took years to complete, the difference was felt overnight. We are prepared to use our resources and skills to adapt, innovate and serve as a model for excellence. As the world changes, Big Rivers looks forward to tomorrow and beyond.

# *Financial Review: 2009*

After several years of activity, 2009 was the year of "unwinding" the 1998 agreements with certain subsidiaries of E.ON U.S.—including the lease and operating agreement whereby Western Kentucky Energy Corp. ("WKEC") operated Big Rivers' owned generating stations and HMP&L Station Two, and a power purchase agreement under which Big Rivers purchased the majority of its power needs from Louisville Gas and Electric Energy Marketing ("LEM").

Following conditional approval by the Kentucky Public Service Commission ("KPSC") on March 6, 2009, the Unwind transaction became effective at midnight on July 16, 2009. As a result, Big Rivers recorded a $538.0 million Unwind gain in the 2009 Statement of Operations for agreeing to terminate early the 1998 agreements, which were originally set to expire in 2023.




**Net Margins and Equities**

While the Unwind gain reported in the 2009 Statement of Operations was $538.0 million, an additional $217.9 million was reflected only in the Balance Sheet. This $217.9 million was deposited into two reserve accounts—the economic reserve and the rural economic reserve—to be used for member rate mitigation. These reserve accounts will serve to offset future non-smelter member fuel and environmental costs.

At close of the Unwind, Big Rivers resumed operation of its 1,444 MW owned generation and the 312 MW HMP&L Station Two. Big Rivers currently has rights to 212 MW of HMP&L Station Two that is surplus to the needs of Henderson Municipal Power & Light. Big Rivers also assumed the power supply obligation for Kenergy's two large aluminum smelter loads, whose full capacity is 850 MW; however, due to economic conditions, one of the smelters currently has one of their pot lines shut down.

Primarily due to the Unwind in 2009, net margins were $531.3 million versus $27.8 million in 2008—resulting in a dramatic improvement in Big Rivers' financial condition, with year end 2009 equities of $379.4 million and 25.2 percent equities to total assets.

See Note #2 on page 32 for a table that summarizes the $538.0 million Unwind gain shown in the Statement of Operations. The Unwind makes comparability of 2009 net margins to prior years difficult. The key differences between 2009 and 2008 are briefly described in the following paragraph.

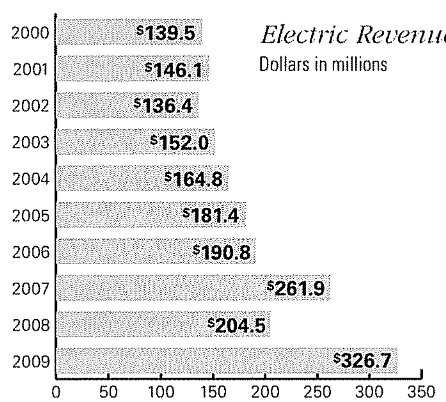
There are five significant items comprising the 2009 net margins variance versus 2008, which are tied to events that occured with the close of the Unwind transaction. First, power contracts revenue increased $126.6 million—primarily due to the increase in smelter power supply obligation that became effective with the Unwind—offset by an $83.2 million increase in variable power supply cost. Second, lease revenue was down $26.4 million, as it stopped accruing in July 2009 when the 1998 agreements terminated. Third, fixed operations and maintenance expenses increased $58.8 million—primarily because Big Rivers now funds the operation of its generating stations and its cost-share of HMP&L Station Two. Fourth, interest expense decreased $12.8 million—due to termination of the sale-leaseback that occurred during 2008 and the pay down of $140.2 million Rural Utilities Service ("RUS") debt on the Unwind closing date. Fifth, interest income decreased $11.9 million—due to termination of the sale-leaseback and lower interest rates. All other Statement of Operations items net to a $6.4 million favorable variance.

**Electric Revenues**

As a result of the Unwind, MWh sales increased to 7.8 million in 2009, up from 5.2 million MWh in 2008, and will increase significantly post-Unwind, when a full year of Unwind operations is reflected. The key difference for 2009 is the 2.9 million MWh sold to the smelters under their new contracts during the last 5.5 months, resulting in $133.4 million revenue.

Principally due to mild weather and a depressed economy, non-smelter member sales declined 153,677 MWh, or 4.64 percent, in 2009 from 2008. The mild weather resulted in unusually low load factors for the non-smelter member load, serving to increase the revenue per kWh sold. An element of the Unwind, noted earlier, is the use of certain Unwind proceeds, termed the economic reserve, to offset the prospective non-smelter member rate impact of fuel and environmental cost. That rate impact, reduced by the Unwind rate benefit, while reflected in revenue, is being withdrawn from the economic reserve rather than being invoiced to the non-smelter members. Overall, non-smelter member revenue increased $11.3 million or 9.88 percent from 2008.

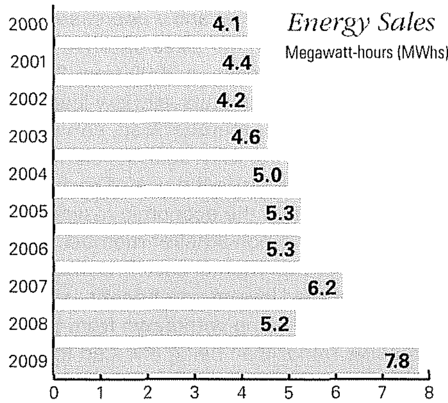
Also, due to the mild weather and economy, the sale of Big Rivers' surplus energy, above the needs of the members, was down 98,238 MWh, or 5.33 percent, versus 2008. In addition to decline in volume, the surplus energy rate per MWh sold was 20.77 percent lower than in 2008. These two factors combined to cause this category of electric sales revenue to decline 24.99 percent.



*Electric Revenues*
Dollars in millions

*Energy Sales*

Megawatt-hours (MWhs) in millions




**Wholesale Rates**

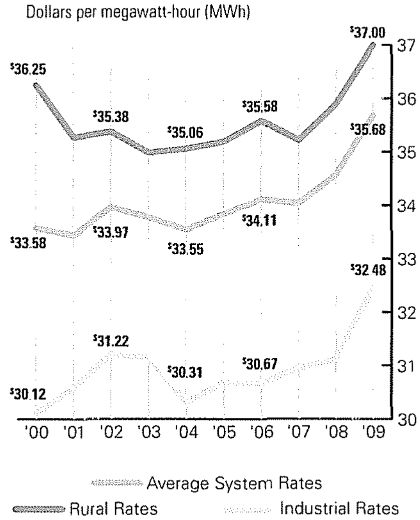
Big Rivers' non-smelter member wholesale rates remain among the lowest in the nation. As Big Rivers' wholesale member rates have both a demand and an energy component, an individual member's rate is a function of its load factor. The mild weather and economy experienced during 2009 resulted in an average monthly rural load factor of 60.82 percent. Similarly, the average monthly large industrial load factor for 2009 was 74.10 percent. The rural rate per MWh sold and invoiced to the members in 2009 was \$37.00, versus \$35.90 in 2008. The large industrial rate in 2009 was \$32.48, versus \$31.12 in 2008. In comparing the 2009 rates to the 2008 rates, also note that—in addition to the lower load factor experienced in 2009—the 3.3 percent member rate discount adjustment, associated with the sale-leaseback, was terminated August 31, 2008. Big Rivers' all-requirements wholesale power contracts with the members were extended during 2009 and now terminate December 31, 2043. The new smelter wholesale power contracts with Kenergy terminate December 31, 2023. Big Rivers' wholesale member tariff rates are regulated by the KPSC.

Due to certain contractual provisions of the new smelter contracts that became effective July 16, 2009, Big Rivers' wholesale rate to Kenergy for its two large aluminum smelter loads—together comprising 850 MW at a 98 percent load factor when at full capacity—averaged \$46.22 per MWh.

As noted earlier, Big Rivers markets its available capacity and energy—surplus to the needs of the members—to non-member utilities. Big Rivers is a member-owner of ACES Power Marketing and utilizes its services to market surplus power. During 2009, the continuing downturn in the economy that began in 2008, the drop in the price of natural gas, and a further decline in the wholesale power market, both volume and price, combined to adversely impact these other sales of electricity. Big Rivers sold its surplus capacity and energy at an average rate of \$38.66 per MWh in 2009, versus \$48.79 in 2008.

*Wholesale Member Rates*

Dollars per megawatt-hour (MWh)



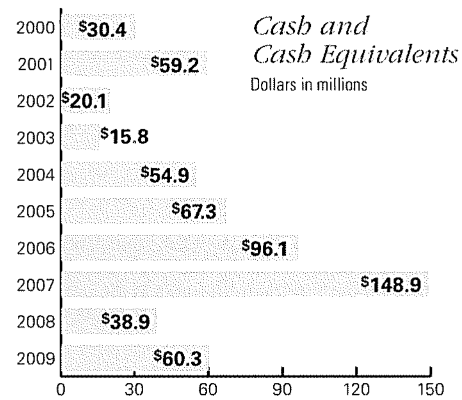
**Lines of Credit and Letters of Credit**

Big Rivers has two $50 million lines of credit available to it—one with CoBank, ACB expiring July 16, 2012, and the other with National Rural Utilities Cooperative Finance Corporation ("CFC") that expires July 16, 2014. The CFC line of credit contains a $10 million embedded letter of credit facility. No amounts are outstanding under these lines of credit at December 31, 2009, and five letters of credit comprising $5.7 million are currently issued and outstanding.

**Long-Term Debt**

Big Rivers significantly reduced its 5.75 percent RUS Series A Note—making a $140.2 million pay down on the Unwind closing date and restructuring the prospective quarterly payments to a level amount. A $60.0 million refinancing thereof is to occur by October 1, 2012, and another $200.0 million refinancing is to occur by January 1, 2016. The RUS Series A Note continues to have a final maturity date of July 1, 2021. The non-interest bearing RUS Series B Note was also restructured in concert with the Unwind into a single "bullet" payment due December 31, 2023.

Big Rivers has two issues of tax exempt variable rate pollution control bonds, totaling $142.1 million. Plans are underway to refinance the larger of the two issues—the $83.3 million periodic auction rate securities—in mid-2010, converting them to a fixed rate and extending the maturity date from October 1, 2022, to August 31, 2031. At December 31, 2009, the second issue—the $58.8 million variable rate demand bonds—is currently being held as bank bonds by the liquidity provider and is bearing an interest rate of 3.25 percent, as the remarketing agent has been unsuccessful in marketing them at the prescribed maximum rate, which is 120 percent of the variable rate index.




*Cash and Cash Equivalents*
Dollars in millions

**Liquidity**

Big Rivers' cash and cash equivalents balance at year end 2009 was $60.3 million versus $38.9 million at year end 2008. Big Rivers funded all of its operating expenses and capital expenditures in 2009 without any new borrowing. Capital expenditures totaled $58.4 million in 2009 versus $22.8 million in 2008. The $100.0 million lines of credit noted earlier are available to Big Rivers, should they be needed.

**Depreciation Study and Cost-of-Service Study**

The March 6, 2009, KPSC order requires that Big Rivers file for a general review of its financial operations and wholesale member tariff rates within three years of the Unwind closing, which is July 16, 2012. Big Rivers is to include with that filing a new depreciation study and plans to include a cost-of-service study. The existing depreciation study has been in effect since July 1998, and the existing base demand and energy tariff rates have been in effect since September 1997. Big Rivers plans to commence the KPSC proceeding in 2011.

Deloitte.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Rivers Electric Corporation:

We have audited the accompanying balance sheets of Big Rivers Electric Corporation (the "Company") as of December 31, 2009 and 2008, and the related statements of operations, equities (deficit), and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Rivers Electric Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2010, on our consideration of Big Rivers Electric Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

March 26, 2010

Member of
Deloitte Touche Tohmatsu

# *Balance Sheets*

As of December 31, 2009 and 2008 — (Dollars in thousands)

## *Assets*

| | 2009 | 2008 |
|---|---|---|
| UTILITY PLANT – Net | $ 1,078,274 | $ 912,699 |
| RESTRICTED INVESTMENTS – Member rate mitigation | 243,225 | – |
| OTHER DEPOSITS AND INVESTMENTS – At cost | 5,342 | 4,693 |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 60,290 | 38,903 |
| Accounts receivable | 47,493 | 20,464 |
| Fuel inventory | 37,830 | – |
| Non-fuel inventory | 20,412 | 756 |
| Prepaid expenses | 3,233 | 450 |
| Total current assets | 169,258 | 60,573 |
| DEFERRED LOSS FROM TERMINATION OF SALE-LEASEBACK | – | 76,001 |
| DEFERRED CHARGES AND OTHER | 9,384 | 20,470 |
| **TOTAL** | $ 1,505,483 | $ 1,074,436 |

## *Equities (Deficit) and Liabilities*

| | 2009 | 2008 |
|---|---|---|
| CAPITALIZATION: | | |
| Equities (deficit) | $ 379,392 | $ (154,602) |
| Long-term debt | 834,367 | 987,349 |
| Total capitalization | 1,213,759 | 832,747 |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term obligations | 14,185 | 51,771 |
| Purchased power payable | 3,362 | 9,336 |
| Accounts payable | 30,657 | 5,832 |
| Accrued expenses | 9,864 | 3,134 |
| Accrued interest | 9,097 | 8,018 |
| Total current liabilities | 67,165 | 78,091 |
| DEFERRED CREDITS AND OTHER: | | |
| Deferred lease revenue | – | 10,955 |
| Residual value payments obligation | – | 145,145 |
| Regulatory liabilities – Member rate mitigation | 207,348 | – |
| Other | 17,211 | 7,498 |
| Total deferred credits and other | 224,559 | 163,598 |
| COMMITMENTS AND CONTINGENCIES (see note 14) | | |
| **TOTAL** | $ 1,505,483 | $ 1,074,436 |

*See notes to financial statements.*

# *Statements of Operations*

For the years ended December 31, 2009, 2008 and 2007 — (Dollars in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| POWER CONTRACTS REVENUE | $ 341,333 | $ 214,758 | $ 271,605 |
| LEASE REVENUE | 32,027 | 58,423 | 58,265 |
| Total operating revenue | 373,360 | 273,181 | 329,870 |
| OPERATING EXPENSES: | | | |
| Operations: | | | |
| Fuel for electric generation | 80,655 | – | – |
| Power purchased and interchanged | 116,883 | 114,643 | 169,768 |
| Production, excluding fuel | 22,381 | – | – |
| Transmission and other | 35,444 | 28,600 | 27,196 |
| Maintenance | 29,820 | 4,258 | 4,240 |
| Depreciation and amortization | 32,485 | 31,041 | 30,632 |
| Total operating expenses | 317,668 | 178,542 | 231,836 |
| ELECTRIC OPERATING MARGIN | 55,692 | 94,639 | 98,034 |
| INTEREST EXPENSE AND OTHER: | | | |
| Interest | 59,898 | 65,719 | 60,932 |
| Interest on obligations related to long-term lease | – | 6,991 | 9,919 |
| Amortization of loss from termination of long-term lease | 2,172 | 811 | – |
| Income tax expense | 1,025 | 5,934 | – |
| Other – net | 112 | 123 | 103 |
| Total interest expense and other | 63,207 | 79,578 | 70,954 |
| OPERATING MARGIN | (7,515) | 15,061 | 27,080 |
| NON-OPERATING MARGIN: | | | |
| Interest income on restricted investments under long-term lease | – | 8,742 | 12,481 |
| Gain on Unwind transaction (see Note 2) | 537,978 | – | – |
| Interest income and other | 867 | 4,013 | 7,616 |
| Total non-operating margin | 538,845 | 12,755 | 20,097 |
| **NET MARGIN** | $ 531,330 | $ 27,816 | $ 47,177 |

*See notes to financial statements.*

# *Statements of Equities (Deficit)*

For the years ended December 31, 2009, 2008 and 2007 — (Dollars in thousands)

| | Total Equities (Deficit) | Accumulated Margin (Deficit) | Other Equities: Donated Capital and Memberships | Other Equities: Consumers' Contributions to Debt Service | Accumulated Other Comprehensive Income |
|---|---|---|---|---|---|
| BALANCE – December 31, 2006 | $ (217,371) | $ (221,816) | $ 764 | $ 3,681 | $ – |
| Net margin/ total comprehensive income | 47,177 | 47,177 | – | – | – |
| FAS 158 adoption | (3,943) | – | – | – | (3,943) |
| BALANCE – December 31, 2007 | (174,137) | (174,639) | 764 | 3,681 | (3,943) |
| Comprehensive income: | | | | | |
| Net margin | 27,816 | 27,816 | – | – | – |
| FAS 158 funded status adjustment | (8,281) | | | | (8,281) |
| Total comprehensive income | 19,535 | | | | |
| BALANCE – December 31, 2008 | (154,602) | (146,823) | 764 | 3,681 | (12,224) |
| Comprehensive income: | | | | | |
| Net margin | 531,330 | 531,330 | – | – | – |
| FAS 158 funded status adjustment | 2,664 | | | | 2,664 |
| Total comprehensive income | 533,994 | | | | |
| **BALANCE – December 31, 2009** | $ 379,392 | $ 384,507 | $ 764 | $ 3,681 | $ (9,560) |

*See notes to financial statements.*

# *Statements of Cash Flows*

For the years ended December 31, 2009, 2008 and 2007 — (Dollars in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net margin | $ 531,330 | $ 27,816 | $ 47,177 |
| Adjustments to reconcile net margin to net cash provided by operating activities: | | | |
| Depreciation and amortization | 37,084 | 34,320 | 33,866 |
| Increase in restricted investments under long-term lease | – | (2,502) | (6,242) |
| Decrease in deferred AMT Income Taxes | – | 5,035 | – |
| Amortization of deferred loss (gain) on sale-leaseback – net | 2,172 | (1,187) | (2,900) |
| Deferred lease revenue | (3,768) | (4,582) | (1,779) |
| Residual value payments obligation gain | (3,881) | (6,748) | (6,591) |
| Increase in RUS Series B Note | 6,136 | 5,841 | 5,572 |
| Increase in RUS Series A Note | – | – | 15,761 |
| Increase in obligations under long-term lease | – | 2,749 | 6,580 |
| Noncash gain on Unwind transaction | (269,441) | – | – |
| Cash received for Member Rate Mitigation | 217,856 | – | – |
| Noncash Member Rate Mitigation revenue | (12,033) | – | – |
| Changes in certain assets and liabilities: | | | |
| Accounts receivable | (26,049) | 6,218 | (8,934) |
| Inventories | (3,497) | 12 | 43 |
| Prepaid expenses | (2,783) | (319) | 3,477 |
| Deferred charges | (1,538) | 1,871 | (2,429) |
| Purchased power payable | (5,973) | (3,702) | 3,818 |
| Accounts payable | 24,825 | 899 | 1,566 |
| Accrued expenses | 7,881 | 327 | 1,033 |
| Other – net | 6,852 | (4,940) | (5,465) |
| Net cash provided by operating activities | 505,173 | 61,108 | 84,553 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures | (58,388) | (22,760) | (18,682) |
| Proceeds from disposition of investments related to sale-leaseback | – | 222,739 | – |
| Proceeds from restricted investments | 8,982 | – | – |
| Purchases of restricted investments and other deposits & investments | (252,798) | (401) | (424) |
| Net cash provided by (used in) investing activities | (302,204) | 199,578 | (19,106) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Principal payments on long-term obligations | (168,956) | (40,838) | (12,676) |
| Principal payments on short-term notes payable | (12,380) | – | – |
| Payments upon termination of sale-leaseback | – | (329,859) | – |
| Debt issuance cost on bond refunding | (246) | – | – |
| Net cash used in financing activities | (181,582) | (370,697) | (12,676) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 21,387 | (110,011) | 52,771 |
| CASH AND CASH EQUIVALENTS—Beginning of year | 38,903 | 148,914 | 96,143 |
| CASH AND CASH EQUIVALENTS—End of year | $ 60,290 | $ 38,903 | $ 148,914 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | |
| Cash paid for interest | $ 51,078 | $ 74,819 | $ 45,600 |
| Cash paid for income taxes | $ 626 | $ 1,220 | $ 420 |

*See notes to financial statements.*

# *Notes to Financial Statements*

As of December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009 — (Dollars in thousands)

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**General Information** — Big Rivers Electric Corporation ("Big Rivers" or the "Company"), an electric generation and transmission cooperative, supplies wholesale power to its three member distribution cooperatives (Kenergy Corp., Jackson Purchase Energy Corporation, and Meade County Rural Electric Cooperative Corporation) under all requirements contracts, excluding the power needs of two large aluminum smelters (the "Aluminum Smelters"). Additionally, Big Rivers sells power under separate contracts to Kenergy Corp. for the Aluminum Smelters load and markets power to nonmember utilities and power marketers. The members provide electric power and energy to industrial, residential, and commercial customers located in portions of 22 western Kentucky counties. The wholesale power contracts with the members remain in effect until December 31, 2043. Rates to Big Rivers' members are established by the Kentucky Public Service Commission (KPSC) and are subject to approval by the Rural Utilities Service (RUS). The financial statements of Big Rivers include the provisions of FASB ASC 980, *Certain Types of Regulation*, which was adopted by the Company in 2003, and gives recognition to the ratemaking and accounting practices of the KPSC and RUS.

In 1999, Big Rivers Leasing Corporation (BRLC) was formed as a wholly owned subsidiary of Big Rivers. BRLC's principal assets were the restricted investments acquired in connection with the 2000 sale-leaseback transaction discussed in Note 4. The sale-leaseback transaction was terminated on September 30, 2008 and BRLC was dissolved on July 16, 2009, in conjunction with the Unwind Transaction.

**Principles of Consolidation** — The financial statements of Big Rivers include the accounts of Big Rivers and its wholly owned subsidiary, BRLC. All significant intercompany transactions have been eliminated.

**Estimates** — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates.

**System of Accounts** — Big Rivers' maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the RUS Bulletin 1767B-1, as adopted by the KPSC. These regulatory agencies retain authority and periodically issue orders on various accounting and ratemaking matters. Adjustments to RUS accounting have been made to make the financial statements consistent with generally accepted accounting principles in the United States of America.

**Revenue Recognition** — Revenues generated from the Company's wholesale power contracts are based on month-end meter readings and are recognized as earned. Prior to its termination, in accordance with FASB ASC 840, *Leases*, Big Rivers' revenue from the Lease Agreement was recognized on a straight-line basis over the term of the lease. The major components of this lease revenue include the annual lease payments and the Monthly Margin Payments (described in Note 2).

**Utility Plant and Depreciation** — Utility plant is recorded at original cost, which includes the cost of contracted services, materials, labor, overhead, and an allowance for borrowed funds used during construction. Replacements of depreciable property units, except minor replacements, are charged to utility plant.

Allowance for borrowed funds used during construction is included on projects with an estimated total cost of $250 or more before consideration of such allowance. The interest capitalized is determined by applying the effective rate of Big Rivers' weighted-average debt to the accumulated expenditures for qualifying projects included in construction in progress.

Prior to July 17, 2009, the Effective Date of the Unwind Transaction (see Note 2), and in accordance with the terms of the Lease Agreement, the Company generally recorded capital additions for Incremental Capital Costs and Nonincremental Capital Costs expenditures funded by E ON U S (formerly LG&E Energy Corporation) as utility plant to which the Company maintained title A corresponding obligation to E ON U S was recorded for the estimated portion of these additions attributable to the Residual Value Payments (see Note 2) A portion of this obligation was amortized to lease revenue over the useful life of those assets during the remaining lease term For the years ended December 31, 2009 and 2008, the Company recorded $5,557 and $10,728, respectively, for such additions in utility plant The Company recorded $3,881, $6,748, and $6,591 in 2009, 2008, and 2007, respectively, as related lease revenue in the accompanying financial statements. All amounts recorded for 2009 reflect the period prior to the Effective Date of the Unwind Transaction. Under the terms of the Unwind Transaction, E ON U.S. waived their right to the Residual Value Payment, and the Company recognized a gain.

In accordance with the Lease Agreement, and in addition to the capital costs funded by E ON U S (see Note 2) that were recorded by the Company as utility plant and lease revenue, E ON U S also incurred certain Nonincremental Capital Costs and Major Capital Improvements (as defined in the Lease Agreement) for which they waived rights to a Residual Value Payment by Big Rivers upon lease termination. Such amounts were not recorded as utility plant or lease revenue by the Company during the lease In connection with the Unwind Transaction the Company recognized a gain of $19,679 for the Nonincremental Capital assets for which E ON had waived rights to

E ON U S constructed a scrubber (Major Capital Improvement) at Big Rivers' Coleman plant The scrubber achieved commercial acceptance in January 2007 The Company acquired the Coleman scrubber at no cost under the terms of the Unwind Transaction, recognizing a gain of $98,500 in 2009

Depreciation of utility plant in service is recorded using the straight-line method over the estimated remaining service lives, as approved by the RUS and KPSC The annual composite depreciation rates used to compute depreciation expense were as follows:

| | |
|---|---|
| Electric plant-leased | 1.60%–2.47% |
| Transmission plant | 1.76%–3.24% |
| General plant | 1.11%–5.62% |

For 2009, 2008, and 2007, the average composite depreciation rates were 1.85%, 1.85%, and 1.85%, respectively. At the time plant is disposed of, the original cost plus cost of removal less salvage value of such plant is charged to accumulated depreciation, as required by the RUS.

**Impairment Review of Long-Lived Assets** — Long-lived assets are reviewed as facts and circumstances indicate that the carrying amount may be impaired. This review is performed in accordance with FASB ASC 360, *Property, Plant, and Equipment* as it relates to impairment of long-lived assets FASB ASC 360 establishes one accounting model for all impaired long-lived assets and long-lived assets to be disposed of by sale or otherwise. FASB ASC 360 requires the evaluation of impairment by comparing an asset's carrying value to the estimated future cash flows the asset is expected to generate over its remaining life If this evaluation were to conclude that the carrying value of the asset is impaired, an impairment charge would be recorded based on the difference between the asset's carrying amount and its fair value (less costs to sell for assets to be disposed of by sale) as a charge to operations or discontinued operations

**Restricted Investments** — Investments are restricted under KPSC order to establish certain reserve funds for member rate mitigation in conjunction with the Unwind Transaction. These investments have been classified as held-to-maturity and are carried at amortized cost (see Note 10).

**Cash and Cash Equivalents** — Big Rivers considers all short-term, highly-liquid investments with original maturities of three months or less to be cash equivalents.

**Income Taxes** — As a taxable cooperative, Big Rivers is entitled to exclude the amount of patronage allocations to members from taxable income. Income and expenses related to nonmember operations are taxable to Big Rivers Big Rivers files a Federal income tax return and a Kentucky income tax return.

**Patronage Capital** — As provided in the bylaws, Big Rivers accounts for each year's patronage-sourced income, both operating and nonoperating, on a patronage basis. Notwithstanding any other provision of the bylaws, the amount to be allocated as patronage capital for a given year shall not be less than the greater of regular taxable patronage-sourced income or alternative minimum taxable patronage-sourced income.

**Derivatives** — Management has reviewed the requirements of FASB ASC 815, *Derivatives and Hedging,* and has determined that all contracts meeting the definition of a derivative also qualify for the normal purchases and sales exception under FASB ASC 815. The Company has elected the Normal Purchase and Normal Sale exception for these contracts and, therefore, the contracts are not required to be recognized at fair value in the financial statements.

**Fair value measurements** — The Fair Value Measurements and Disclosures Topic of the FASB ASC 820, *Fair Value Measurements and Disclosures,* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous, market for the asset or liability in an orderly transaction between market participants at the measurement date. The Fair Values Measurements Topic establishes a three-Level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs when possible. The three levels of inputs used to measure fair value are as follows:

- Level 1 — quoted prices in active markets for identical assets or liabilities
- Level 2 — observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data, and
- Level 3 — unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities, including certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

**New Accounting Pronouncements** — FASB ASC 815, *Derivatives and Hedging,* issued in March 2008, establishes enhanced disclosure requirements concerning derivative instruments and hedging activities. This enhanced disclosure standard requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation in order to better convey the purpose of derivative use in terms of the risks that the entity is intending to manage. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under FASB ASC 815 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This standard of FASB ASC 815 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company adopted this standard of FASB ASC 815 on January 1, 2009, with no impact to the Company's financial statements.

FASB ASC 855, *Subsequent Events,* establishes a standard for disclosure of events that occur during the period between the balance sheet date and the date on which the financial statements are issued. This standard of FASB ASC 855 is effective for interim or annual financial periods ending after June 15, 2009. The Company has adopted the disclosure requirements for subsequent events as outlined in ASC 855 and management evaluated subsequent events up to and including March 26, 2010, the date the financial statements were available to be issued.

FASB ASC 105, *Generally Accepted Accounting Principles,* provides a Codification of accounting standards that supersedes all previously existing non-SEC accounting and reporting standards and becomes the authoritative source of U.S. generally accepted accounting principles (GAAP). This standard of FASB ASC 105 is effective for annual financial statements issued after September 15, 2009. The Company has adopted the Accounting Standard Codification (ASC) established by FASB ASC 105.

## 2. LG&E LEASE AGREEMENT

Big Rivers, E.ON U.S. LLC ("E.ON"), Western Kentucky Energy Corporation ("WKEC"), and LG&E Energy Marketing ("LEM"), closed effective July 17, 2009, a transaction resulting in a mutually acceptable early termination of the 1998 LG&E Lease Agreement (referred herein as the "Unwind Transaction" or "Unwind"). E.ON, WKEC, and LEM are collectively referred to in the Notes as "E.ON Entities." This transaction was approved by the KPSC and the RUS. The Unwind Transaction resulted in Big Rivers recognizing a net gain of $537,978. This transaction resulted in the acquisition of assets, the assumption of liabilities, the forgiveness of liabilities, and the establishment of a regulatory reserve prescribed by the KPSC in their approval of the transaction. Assets and liabilities in the unwind transaction were accounted for at fair value or recorded value, as appropriate. The gain from the Unwind Transaction is summarized as follows:

| | Unwind Gain |
|---|---|
| Assets received: | |
| Cash | $506,675 |
| Coleman scrubber | 98,500 |
| Inventory | 55,000 |
| Construction in progress | 23,074 |
| Utility plant assets | 19,679 |
| SO2 allowances | 980 |
| | |
| Liabilities (assumed) forgiven: | |
| Economic Reserve | (157,000) |
| Rural Economic Reserve | (60,856) |
| Post-retirement benefits liability | (8,768) |
| Residual value payments obligation | 145,251 |
| LEM Settlement Note | 15,440 |
| | |
| Recognition of (expenses) income: | |
| Deferred lease income | 7,187 |
| Deferred loss from termination of sale/leaseback | (73,829) |
| Deferred loss from LEM Marketing Payment/Settlement Note | (14,520) |
| Unwind transaction costs | (18,991) |
| Other | 156 |
| | |
| Gain on unwind transaction | $537,978 |

The terms of the LG&E Lease Agreement as originally structured are outlined in the following text.

On July 15, 1998 ("Effective Date"), a lease was consummated ("Lease Agreement"), whereby Big Rivers leased its generating facilities to Western Kentucky Energy Corporation (WKEC), a wholly owned subsidiary of E.ON U.S. Pursuant to the Lease Agreement, WKEC operated the generating facilities and maintained title to all energy produced. Throughout the lease term, in order for Big Rivers to fulfill its obligation to supply power to its members, the Company purchased substantially all of its power requirements from LG&E Energy Marketing Corporation (LEM), a wholly owned subsidiary of E.ON U.S., pursuant to a power purchase agreement.

Big Rivers continued to operate its transmission facilities and charged LEM tariff rates for delivery of the energy produced by WKEC and consumed by LEM's customers. The significant terms of the Lease Agreement were as follows:

a. WKEC was to lease and operate Big Rivers' generation facilities through 2023.

b. Big Rivers retained ownership of the generation facilities both during and at the end of the lease term.

c. WKEC paid Big Rivers an annual lease payment of $30,965 over the lease term, subject to certain adjustments.

d. On the Effective Date, Big Rivers received $69,100 representing certain closing payments and the first two years of the annual lease payments. In accordance with FASB ASC 840, *Leases*, the Company amortized these payments to revenue on a straight-line basis over the life of the lease.

e. Big Rivers continued to provide power for its members, excluding the member loads serving the Aluminum Smelters, through its power purchase agreements with LEM and the Southeastern Power Administration, based on a pre-determined maximum capacity. When economically feasible, the Company also obtained the power necessary to supply its member loads, excluding the Aluminum Smelters, in the open market. Kenergy Corp.'s retail service for the Aluminum Smelters was served by LEM and other third-party providers that included Big Rivers. To the extent the power purchased from LEM did not reach pre-determined minimums, the Company was required to pay certain penalties. Also, to the extent additional power was available to Big Rivers under the LEM contract, Big Rivers made sales to nonmembers.

f. LEM reimbursed Big Rivers the margins expected from the Aluminum Smelters, defined as the net cash flows that Big Rivers anticipated receiving if the Company had continued to serve the Aluminum Smelters' load, as filed in the Rate Hearing (the "Monthly Margin Payments").

g. WKEC was responsible for the operating costs of the generation facilities; however, Big Rivers was partially responsible for ordinary capital expenditures ("Nonincremental Capital Costs") for the generation facilities over the term of the Lease Agreement, generally up to predetermined annual amounts. At the end of the lease term, Big Rivers was obligated to fund a "Residual Value Payment" to E.ON U.S. for such capital additions during the lease (see Note 1). Adjustments to the Residual Value Payment were made based upon actual capital expenditures. Additionally, WKEC made required capital improvements to the facilities to comply with new laws or a changes to existing laws ("Incremental Capital Costs") over the lease life (the Company was partially responsible for such costs. 20% through 2010) and the Company was required to submit another Residual Value Payment to E.ON U.S. for the undepreciated value of WKEC's 80% share of these costs, at the end of the lease. The Company had title to these assets during the lease and upon lease termination.

h. Big Rivers entered into a note payable with LEM for $19,676 (the "LEM Settlement Note") to be repaid over the term of the Lease Agreement, with an interest rate at 8% per annum, in consideration for LEM's assumption of the risk related to unforeseen costs with respect to power to be supplied to the Aluminum Smelters and the increased responsibility for financing capital improvements. The Company recorded this obligation as a component of deferred charges with the related payable recorded as long-term debt in the accompanying balance sheets. This deferred charge was amortized on a straight-line basis up to the Effective Date of the Unwind Transaction.

i. On the Effective Date, Big Rivers paid a nonrefundable marketing payment of $5,933 to LEM, which was recorded as a component of deferred charges. This amount was amortized on a straight-line basis up to the Effective Date of the Unwind Transaction.

j. During the lease term, Big Rivers was entitled to certain "billing credits" against amounts the Company owed LEM under the power purchase agreement. Each month during the first 55 months of the lease term, Big Rivers received a credit of $89. For the year 2011, Big Rivers was to receive a credit of $2,611 and for the years 2012 through 2023, the Company was to receive a credit of $4,111 annually.

In accordance with the power purchase agreement with LEM, the Company was allowed to purchase power in the open market rather than from LEM, incurring penalties when the power purchased from LEM did not meet certain minimum levels, and to sell excess power (power not needed to supply its jurisdictional load) in the open market (collectively referred to as "Arbitrage"). Pursuant to the New RUS Promissory Note and the RUS ARVP Note, the benefit, net of tax, as defined, derived from Arbitrage had to be divided as follows: one-third, adjusted for capital expenditures, was used to make principal payments on the New RUS Promissory Note; one-third was used to make principal payments on the RUS ARVP Note; and the remaining value was retained by the Company.

## 3. UTILITY PLANT

At December 31, 2009 and 2008, utility plant is summarized as follows:

| | 2009 | 2008 |
|---|---|---|
| Classified plant in service: | | |
| Production plant | $1,675,733 | $ - |
| Electric plant — leased | - | 1,535,004 |
| Transmission plant | 236,639 | 230,800 |
| General plant | 18,201 | 17,240 |
| Other | 543 | 543 |
| | 1,931,116 | 1,783,587 |
| Less accumulated depreciation | 908,099 | 879,073 |
| | 1,023,017 | 904,514 |
| Construction in progress | 55,257 | 8,185 |
| Utility plant — net | $1,078,274 | $912,699 |

Interest capitalized for the years ended December 31, 2009, 2008, and 2007, was $133, $492, and $391, respectively.

The Company has not identified any material legal asset retirement obligations, as defined in FASB ASC 410, *Asset Retirement Obligations*. In accordance with regulatory treatment, the Company records an estimated net cost of removal of its utility plant through normal depreciation. As of December 31, 2009 and 2008, the Company had a regulatory liability of approximately $35,835 and $32,696, respectively, related to nonlegal removal costs included in accumulated depreciation.

## 4. SALE-LEASEBACK

On April 18, 2000, the Company completed a sale-leaseback of two of its utility plants, including the related facilities and equipment. The sale-leaseback provided Big Rivers a $1,089,000 fixed price purchase option, at the end of each lease term (25 and 27 years), which, together with future contractual interest receipts, would be fully funded.

On September 30, 2008, the Company completed an early termination of the sale-leaseback transaction. The termination was precipitated by the June 2008 downgrade of the claims-paying ability of Ambac Assurance Corporation (Ambac). Ambac served as insurer of Big Rivers' payment obligations, thereby providing credit support under the transaction. Ambac's downgrade exposed the Company to adverse consequences under the contractual terms of the transaction and after consideration of alternative options, Big Rivers ultimately settled on termination as the preferred solution. Proceeds from disposition of the restricted investment and payments required under the termination agreements were $222,739 and $329,559, respectively, reflecting a net cash payment of $107,120. To meet its remaining obligations Big Rivers' entered into a $12,380 promissory note (see Note 5) with Philip Morris Capital Corporation (PMCC). A net loss of $77,001 resulting from the early termination of the sale-leaseback was recorded as a regulatory asset and was amortized up to the Effective Date of the Unwind Transaction, with the balance of the regulatory asset reflected as an offset to the gain recognized from the Unwind Transaction.

Prior to termination the sale-leaseback transaction was recorded as a financing for financial reporting purposes and a sale for Federal income tax purposes. In connection therewith, in 2000, Big Rivers received $866,676 of proceeds and incurred $791,626 of related obligations. Pursuant to a payment undertaking agreement with a financial institution, Big Rivers effectively extinguished $656,029 of these obligations with an equivalent portion of the proceeds. The Company also purchased investments with an initial value of $146,647 to fund the remaining $135,597 of the obligations. Interest received and paid was recorded to these accounts up to the date of lease termination. The Company paid 7.57% interest on its obligations related to long-term lease and received 6.89% on its related investments. The Company made a $64,000 principal payment on the New RUS Promissory Note with the remaining proceeds. The $75,050 gain was deferred and was amortized up to the date of lease termination, with the Company recognizing $1,998, and $2,900, in 2008, and 2007, respectively.

The Amount recognized in the statement of financial position related to the sale-leaseback as of December 31, 2008, is as follows:

| | |
|---|---|
| Deferred loss from termination of sale-leaseback | $76,001 |

The unamortized balance of the deferred loss was recognized in 2009 in conjunction with the unwind transaction described in Note 2 based on agreement with the KPSC.

Amounts recognized in the statement of operations related to the sale-leaseback for the years ended December 31, 2008, and 2007, are as follows:

| | 2008 | 2007 |
|---|---|---|
| Power contracts revenue (revenue discount adjustment — see Note 6) | $(2,453) | $(3,680) |
| Interest on obligations related to long-term lease: | | |
| Interest expense | 8,989 | 12,819 |
| Amortize gain on sale-leaseback | (1,998) | (2,900) |
| Net interest on obligations related to long-term lease | $6,991 | $9,919 |
| Interest income on restricted investments under long-term lease | $8,742 | $12,481 |
| Interest income and other | $779 | $778 |

## 5. DEBT AND OTHER LONG-TERM OBLIGATIONS

A detail of long-term debt at December 31, 2009 and 2008, is as follows:

| | 2009 | 2008 |
|---|---|---|
| RUS Series A Promissory Note, stated amount of, $599,462, stated interest rate of 5.75%, with an interest rate of 5.84%, maturing July 2021 | $596,786 | $ - |
| New RUS Promissory Note, stated amount of, $768,391, stated interest rate of 5.75%, with an interest rate of 5.82%, maturing July 2021 | - | 765,297 |
| RUS Series B Note, stated amount of $245,530, no stated interest rate, with interest imputed at 5.80%, maturing December 2023 | 109,666 | - |
| RUS ARVP Note, stated amount of $245,899, no stated interest rate, with interest imputed at 5.80%, maturing December 2023 | - | 103,685 |
| LEM Settlement Note, interest rate of 8.0%, payable in monthly installments | - | 15,658 |
| County of Ohio, Kentucky, promissory note, variable interest rate (average interest rate of 10.50% and 8.95% in 2009 and 2008, respectively), maturing in October 2022 | 83,300 | 83,300 |
| County of Ohio, Kentucky, promissory note, variable interest rate (average interest rate of 3.22% and 5.14% in 2009 and 2008, respectively), maturing in June 2013 | 58,800 | 58,800 |
| PMCC Promissory Note with an interest rate of 8.5% | - | 12,380 |
| Total long-term debt | 848,552 | 1,039,120 |
| Current maturities | 14,185 | 51,771 |
| Total long-term debt — net of current maturities | $834,367 | $987,349 |

The following are scheduled maturities of long-term debt at December 31:

| Year | Amount |
|---|---|
| 2010 | $14,185 |
| 2011 | 14,850 |
| 2012 | 76,081 |
| 2013 | 79,278 |
| 2014 | 21,678 |
| Thereafter | 642,480 |
| Total | $848,552 |

**RUS Notes** — On July 15, 1998, Big Rivers recorded the New RUS Promissory Note and the RUS ARVP Note at fair value using the applicable market rate of 5.82%. On the Unwind Closing Date, the New RUS Note and the ARVP Note were replaced with the RUS 2009 Promissory Note Series A and the RUS 2009 Promissory Note Series B, respectively. After an Unwind Closing Date payment of $140,181, the RUS 2009 Promissory Note Series A is recorded at an interest rate of 5.84%. The RUS 2009 Series B Note is recorded at an imputed interest rate of 5.80%. The RUS Notes are collateralized by substantially all assets of the Company and secured by the Indenture dated July 1, 2009 between the Company and U.S. Bank National Association.

**Pollution Control Bonds** — The County of Ohio, Kentucky, issued $83,300 of Pollution Control Periodic Auction Rate Securities, Series 2001, the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate. These bonds bear interest at a variable rate and mature in October 2022.

The County of Ohio, Kentucky, issued $58,800 of Pollution Control Variable Rate Demand Bonds, Series 1983, the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate as the bonds. These bonds bear interest at a variable rate and mature in June 2013.

The Series 1983 bonds are supported by a liquidity facility issued by Credit Suisse First Boston, which was assigned to Dexia Credit in 2006. Both Series are supported by municipal bond insurance and surety policies issued by Ambac Assurance Corporation. Big Rivers has agreed to reimburse Ambac Assurance Corporation for any payments under the municipal bond insurance policies or the surety policies. Both Series are secured by the Indenture dated July 1, 2009 between the company and U.S. Bank National Association.

These instruments are subject to maximum interest rates of 13% and 18%, respectively. The December 31, 2009 interest rates on the Series 1983 and Series 2001 Pollution Control Bonds were 3.25% and 4.50%, respectively.

**LEM Settlement Note** — On July 15, 1998 Big Rivers executed the Settlement Note with LEM. The Settlement Note required Big Rivers to pay to LEM $19,676, plus interest at 8% per annum over the lease term. The principal and interest payment was approximately $1,822 annually. On the Unwind Closing Date, in connection with the Unwind Transaction the remaining balance on the Settlement Note in the amount of $15,440 was forgiven.

**PMCC Promissory Note** — On September 30, 2008 in conjunction with the early termination of the sale-leaseback transaction (see Note 4), Big Rivers executed a promissory note with Phillip Morris Capital Corporation (PMCC). The note required Big Rives to pay PMCC $12,380, plus interest at 8.5% per annum. On the Unwind Closing Date Big Rivers repaid the $12,380 principal amount. At December 31, 2009 the Company had no remaining liability associated with this promissory note.

**Notes Payable** — Notes payable represent the Company's borrowing on its line of credit with the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank, ACB (CoBank). The maximum borrowing capacity on the lines of credit is $100,000 consisting of $50,000 each for CFC and CoBank. There were no borrowings outstanding on the line of credit at December 31, 2009, however letter of credits issued under an associated Letter of Credit Facility with CFC reduced the borrowing capacity by $5,654. Advances on the CFC line of credit bear interest at a variable rate and outstanding balances are payable in full by the maturity date of July 16, 2014. Advances on the CoBank line of credit bear interest at a variable rate and outstanding balances are payable in full by the maturity date of July 16, 2012.

## 6. RATE MATTERS

The rates charged to Big Rivers' members consist of a demand charge per kW and an energy charge per kWh consumed as approved by the KPSC. The rates include specific demand and energy charges for its members' two classes of customers, the large industrial customers and the rural customers under its jurisdiction. For the large industrial customers, the demand charge is generally based on each customer's maximum demand during the current month. Each members rural demand charge is based upon the maximum coincident demand of their rural delivery points.

Prior to the Unwind Transaction the demand and energy charges were not subject to adjustments for increases or decreases in fuel or environmental costs. In conjunction with the Unwind Transaction, the KPSC approved the implementation of certain tariff riders, including a fuel adjustment clause and an environmental surcharge, offset by an unwind surcredit (a refund to tariff members of certain charges collected from the Aluminum Smelter in accordance with the contract terms). The net effect of these tariffs is recognized as revenue on a monthly basis with an offset to the regulatory liability – member rate mitigation described below.

The net impact of the tariff riders to members rates is currently mitigated by a Member Rate Stability Mechanism (MRSM) that was funded by certain cash amounts received from the E.ON Entities in connection with the Unwind

Transaction (the Economic and Rural Economic Reserves) and held by Big Rivers as restricted investments An offsetting regulatory liability – member rate mitigation was established with the funding of these accounts Big Rivers is required to file a rate case with the KPSC within three years of the unwind or July 2012.

Effective since September 1, 2000, and continuing through August 31, 2008, the KPSC approved Big Rivers' request for a $3,680 annual revenue discount adjustment for its members, effectively passing the benefit of the sale-leaseback transaction (see Note 4) to them. On September 1, 2008, Big Rivers' discontinued the revenue discount adjustment to its members in conjunction with the sale-leaseback termination.

## 7. INCOME TAXES

Big Rivers was formed as a tax-exempt cooperative organization described in Internal Revenue Code Section 501(c)(12) To retain tax-exempt status under this section, at least 85% of the Big Rivers' receipts must be generated from transactions with the Company's members. In 1983, sales to nonmembers resulted in Big Rivers failing to meet the 85% requirement Until Big Rivers can meet the 85% member income requirement, the Company is a taxable cooperative.

Under the provisions of FASB ASC 740, *Income Taxes*, Big Rivers is required to record deferred tax assets and liabilities for temporary differences between amounts reported for financial reporting purposes and amounts reported for income tax purposes. Deferred tax assets and liabilities are determined based upon these temporary differences using enacted tax rates for the year in which these differences are expected to reverse. Deferred income tax expense or benefit is based on the change in assets and liabilities from period to period, subject to an ongoing assessment of realization. Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the more-likely-than-not recognition threshold is satisfied and measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement.

As a result of the sale-leaseback terminations in 2008 (see Note 4), Big Rivers no longer considers that it is more likely than not that it will recover its net deferred tax assets (which consisted solely of Alternative Minimum Tax (AMT) credit carryforwards). An income statement charge of $5,035 relating the AMT amounts carried forward at January 1, 2008 together with a charge of $900 relating to the 2008 AMT obligation were recorded in the Statement of Operations for 2008. An AMT charge of $1,025 was recorded in the Statement of Operations for 2009

At December 31, 2009, Big Rivers had a nonpatron net operating loss carryforward of approximately $53,138 expiring through 2012, and an alternative minimum tax credit carryforward of approximately $7,052, which carries forward indefinitely.

The Company has not recorded any regular income tax expense for the years ended December 31, 2009, 2008 and 2007, as the Company has utilized federal net operating losses to offset any regular taxable income during those years. Had the Company not had the benefit of a net operating loss carryforward, the Company would have recorded $19,619, $20,363, and $7,724 in current regular tax expense for the years ended December 31, 2009, 2008 and 2007, respectively.

The components of the net deferred tax assets as of December 31, 2009 and 2008, were as follows:

| | 2009 | 2008 |
|---|---|---|
| Deferred tax assets: | | |
| Net operating loss carryforward | $20,990 | $40,609 |
| Alternative minimum tax credit carryforwards | 7,052 | 5,935 |
| Member Rate Mitigation | 10,326 | - |
| Fixed asset basis difference | 11,420 | 33,786 |
| Total deferred tax assets | 49,788 | 80,330 |
| Deferred tax liabilities — ARVP Note | (23,793) | (25,384) |
| Net deferred tax asset (prevaluation allowance) | 25,995 | 54,946 |
| Valuation allowance | (25,995) | (54,946) |
| Net deferred tax asset | $ - | $ - |

A reconciliation of the Company's effective tax rate for 2009, 2008 and 2007, follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Federal rate | 35.0 % | 35.0 % | 35.0 % |
| State rate — net of federal benefit | 4.5 | 4.5 | 4.5 |
| Patronage allocation to members | (35.4) | (31.3) | (28.0) |
| Tax benefit of operating loss carryforwards and other | (4.1) | (8.2) | (11.5) |
| Alternative minimum tax | 0.2 | 18.0 | - |
| Effective tax rate | 0.2 % | 18.0 % | - % |

The Company files a federal income tax return, as well as several state income tax returns. The years currently open for federal tax examination are 2005 through 2009 and 1990 through 1997, due to unused net operating loss carryforwards. The major state tax jurisdiction currently open for tax examination is Kentucky for years 2002 through 2009 and years 1990 through 1997, also due to unused net operating loss carryforwards. The Company has not recorded any unrecognized tax benefits or liabilities related to federal or state income taxes.

The Company classifies interest and penalties as an operating expense on the income statement and accrued expense in the balance sheet. No interest or penalties have been recorded during 2007, 2008, or 2009.

8. **POWER PURCHASED**

Prior to the Unwind Transaction and in accordance with the Lease Agreement, Big Rivers supplied all of the members' requirements for power to serve their customers, other than the Aluminum Smelters. Contract limits were established in the Lease Agreement and included minimum and maximum hourly and annual power purchase amounts. Big Rivers could not reduce the contract limits by more than 12 MW in any year or by more than a total of 72 MW over the lease term. In the event Big Rivers failed to take the minimum requirement during any hour or year, Big Rivers was liable to LEM for a certain percentage of the difference between the amount of power actually taken and the applicable minimum requirement

Although Big Rivers was required by the Lease Agreement to purchase minimum hourly and annual amounts of power from LEM, the lease did not prevent Big Rivers from paying the associated penalty in certain hours to purchase lower cost power, if available, in the open market or reselling a portion of its purchased power to a third party. The power purchases made under this agreement for the years ended December 31, 2009, 2008, and 2007, were $51,592, $99,700, and $96,295, respectively, and are included in power purchased and interchanged on the statement of operations.

## 9. PENSION PLANS

**Defined Benefit Plans** — Big Rivers has noncontributory defined benefit pension plans covering substantially all employees who meet minimum age and service requirements and who were employed by the Company prior to the plans closure dates cited below. The plans provide benefits based on the participants' years of service and the five highest consecutive years' compensation during the last ten years of employment. Big Rivers' policy is to fund such plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974

The salaried employees defined benefit plan was closed to new entrants effective January 1, 2008, and the bargaining employees defined benefit plan was closed to new hires effective November 1, 2008. The Company simultaneously established base contribution accounts in the defined contribution thrift and 401(k) savings plans, which were renamed as the retirement savings plans. The base contribution account for an eligible employee, which is one who meets the minimum age and service requirements, but for whom membership in the defined benefit plan is closed, is funded by employer contributions based on graduated percentages of the employee's pay, depending on his or her age

The Company has adopted FASB ASC 715, *Defined Benefit Plans,* including the requirement to recognize the funded status of its pension plans and other postretirement plans (see Note 12 — Postretirement Benefits Other Than Pensions). FASB ASC 715 defines the funded status of a defined benefit pension plan as the fair value of its assets less its projected benefit obligation, which includes projected salary increases, and defines the funded status of any other postretirement plan as the fair value of its assets less its accumulated postretirement benefit obligation.

FASB ASC 715 also requires an employer to measure the funded status of a plan as of the date of its year-end balance sheet and requires disclosure in the notes to the financial statements certain additional information related to net periodic benefit costs for the next fiscal year. The Company's pension and other postretirement benefit plans are measured as of December 31, 2009 and 2008.

The following provides an overview of the Company's noncontributory defined benefit pension plans.

A reconciliation of the Company's benefit obligations of its noncontributory defined benefit pension plans at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Benefit obligation — beginning of period | $24,253 | $19,889 |
| Service cost — benefits earned during the period | 1,241 | 1,072 |
| Interest cost on projected benefit obligation | 1,466 | 1,220 |
| Participant contributions (lump sum repayment) | 40 | 318 |
| Plan settlements | 262 | - |
| Benefits paid | (3,945) | (248) |
| Actuarial loss | 2,176 | 2,002 |
| Benefit obligation — end of period | $25,493 | $24,253 |

The accumulated benefit obligation for all defined benefit pension plans was $18,630 and $18,568 at December 31, 2009 and 2008, respectively

A reconciliation of the Company's pension plan assets at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Fair value of plan assets — beginning of period | $20,295 | $21,820 |
| Actual return on plan assets | 4,820 | (5,095) |
| Employer contributions | 1,060 | 3,500 |
| Participant contributions (lump sum repayment) | 40 | 318 |
| Benefits paid | (3,945) | (248) |
| Fair value of plan assets — end of period | $22,270 | $20,295 |

The funded status of the Company's pension plans at December 31, 2009 and 2008, follows.

| | 2009 | 2008 |
|---|---|---|
| Benefit obligation — end of period | $(25,493) | $(24,253) |
| Fair value of plan assets — end of period | 22,270 | 20,295 |
| Funded status | $(3,223) | $(3,958) |

Components of net periodic pension costs for the years ended December 31, 2009, 2008, and 2007, were as follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Service cost | $1,241 | $1,072 | $958 |
| Interest cost | 1,466 | 1,220 | 1,058 |
| Expected return on plan assets | (1,332) | (1,516) | (1,167) |
| Amortization of prior service cost | 19 | 19 | 19 |
| Amortization of actuarial loss | 834 | 247 | 285 |
| Settlement loss | 1,690 | - | - |
| Net periodic benefit cost | $3,918 | $1,042 | $1,153 |

A reconciliation of the pension plan amounts in accumulated other comprehensive income at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Prior service cost | $ (59) | $ (78) |
| Unamortized actuarial (loss) | (9,651) | (13,226) |
| Accumulated other comprehensive income | $(9,710) | $(13,304) |

In 2010, $19 of prior service cost and $560 of actuarial loss is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive income at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Prior service cost | $ 19 | $ 19 |
| Unamortized actuarial (loss) | 3,575 | (8,365) |
| Other comprehensive income | $3,594 | $(8,346) |

At December 31, 2009 and 2008, amounts recognized in the statement of financial position were as follows:

| | 2009 | 2008 |
|---|---|---|
| Deferred credits and other | $(3,223) | $(3,958) |

Assumptions used to develop the projected benefit obligation and determine the net periodic benefit cost were as follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Discount rate — projected benefit obligation | 5.59 % | 6.38 % | 6.25 % |
| Discount rate — net periodic benefit cost | 6.38 | 6.25 | 5.75 |
| Rates of increase in compensation levels | 4.00 | 4.00 | 4.00 |
| Expected long-term rate of return on assets | 7.25 | 7.25 | 7.25 |

The expected long-term rate of return on plan assets for determining net periodic pension cost for each fiscal year is chosen by the Company from a best estimate range determined by applying anticipated long-term returns and long-term volatility for various asset categories to the target asset allocation of the plans, as well as taking into account historical returns.

Using the asset allocation policy adopted by the Company noted in the paragraph below, we determined the expected rate of return at a 50% probability of achievement Level based on (a) forward-looking rate of return expectations for passively-managed asset categories over a 20-year time horizon and (b) historical rates of return for passively-managed asset categories. Applying an approximately 80%/20% weighting to the rates determined in (a) and (b), respectively, produced an expected rate of return of 7.28%, which was rounded to 7.25%.

Big Rivers utilizes a third party investment manager for the plan assets, and has communicated thereto the Company's Retirement Plan Investment Policy, including a target asset allocation mix of 50% U.S. Equities (an acceptable range of 45-55%), 15% International Equities (an acceptable range of 10-20%), and 35% fixed income (an acceptable range of 30-40%). As of December 31, 2009 and 2008, the investment allocation was 55% and 40%, respectively, in U.S. Equities, 11% and 7%, respectively, in International Equities, and 34% and 53%, respectively, in fixed income. The objective of the investment program seeks to (a) maximize return on investment, (b) minimize volatility, (c) minimize company contributions, and (d) provide the employee benefit in accordance with the plans. The portfolio is well diversified and of high quality. The average quality of the fixed income investments must be "A" or better. The Equity portfolio must also be of investment grade quality. The performance of the investment manager is reviewed semi-annually.

At December 31, 2009, the fair value of Big Rivers' defined benefit pension plan assets by asset category are as follows:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| Cash and Money Market | $ 815 | $ - | $ 815 |
| Equity Securities: | | | |
| U.S. large-cap stocks | 8,580 | - | 8,580 |
| U.S. mid-cap stock mutual funds | 2,064 | - | 2,064 |
| U,S. small-cap stock mutual funds | 1,282 | - | 1,282 |
| International stock mutual funds | 2,328 | - | 2,328 |
| Preferred stock | 404 | - | 404 |
| Fixed: | | | |
| U.S. Government Agency Bonds | - | 2,139 | 2,139 |
| Taxable U.S. Municipal Bonds | - | 2,282 | 2,282 |
| U.S. Corporate Bonds | - | 2,376 | 2,376 |
| | $15,473 | $6,797 | $22,270 |

Expected retiree pension benefit payments projected to be required during the years following 2009 are as follows:

| Years Ending December 31 | Amount |
|---|---|
| 2010 | $ 2,033 |
| 2011 | 1,868 |
| 2012 | 2,911 |
| 2013 | 4,043 |
| 2014 | 2,041 |
| 2015–2019 | 13,642 |
| Total | $26,538 |

In 2010, the Company expects to contribute $1,096 to its pension plan trusts.

**Defined Contribution Plans** — Big Rivers has two defined contribution retirement plans covering substantially all employees who meet minimum age and service requirements. Each plan has a thrift and 401(k) savings section allowing employees to contribute up to 75% of pay on a pre-tax and/or after-tax basis, with employer matching contributions equal to 60% of the first 6% contributed by the employee on a pre-tax basis.

A base contribution retirement section was added and the plan name changed from thrift and 401(k) savings to retirement savings, effective January 1, 2008, for the salaried plan and November 1, 2008, for the bargaining plan. The base contribution account is funded by employer contributions based on graduated percentages of pay, depending on the employee's age.

The Company's expense under these plans was $355 and $308 for the years ended December 31, 2009 and 2008, respectively.

**Deferred Compensation Plan** — Effective May 1, 2008, Big Rivers established a nonqualified deferred compensation plan for its eligible employees who are members of a select group of management or highly compensated employees. The purpose of the plan is to allow participants to receive contributions or make deferrals that they could not receive or make under the salaried employees qualified defined contribution retirement savings plan (formerly the thrift and 401(k) savings plan) as a result of nondiscrimination rules and other limitations applicable to the qualified plan under the Internal Revenue Code. The nonqualified plan also allows a participant to defer a percentage of his or her pay on a pre-tax basis.

The nonqualified deferred compensation plan is unfunded, but the Company has chosen to finance its obligations under the plan, including any employee deferrals, through a rabbi trust. The trust assets remain a part of the Company's general assets, subject to the claims of its creditors. The 2009 employer contribution was $33 and deferred compensation expense was $67. As of December 31, 2009, the trust asset was $94 and the deferred liability was $101.

## 10. RESTRICTED INVESTMENTS

The amortized costs and fair values of Big Rivers restricted investments held for member rate mitigation at December 31, 2009 are as follows:

| | Amortized Costs | Fair Values |
|---|---|---|
| Cash and Money Market | $25,186 | $25,186 |
| Debt Securities: | | |
| U.S. Treasuries | 67,895 | 67,474 |
| U.S. Government Agency | 150,144 | 150,181 |
| Total | $243,225 | $242,841 |

Gross unrealized gains and losses on restricted investments at December 31, 2009 were as follows:

| | Gains | Losses |
|---|---|---|
| Cash and Money Market | $ - | $ - |
| Debt Securities: | | |
| U.S. Treasuries | 12 | 434 |
| U.S. Government Agency | 79 | 41 |
| Total | $91 | $475 |

Debt securities at December 31, 2009 mature, according to their contractual terms, as follows (actual maturities may differ due to call or prepayment rights):

| | Amortized Costs | Fair Values |
|---|---|---|
| In one year or less | $46,102 | $46,112 |
| After one year through five years | 197,123 | 196,729 |
| Total | $243,225 | $242,841 |

Gross unrealized losses on investments and the fair values of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2009, were:

| | Less Than 12 Months | |
|---|---|---|
| | Losses | Fair Values |
| Debt securities: | | |
| U.S. Treasuries | $434 | $59,872 |
| U.S. Government Agency | 41 | 45,026 |
| Total | $475 | $104,898 |

The unrealized loss positions were primarily caused by interest rate fluctuations. The number of investments in an unrealized loss position as of December 31, 2009 was eight. Since the company does not intend to sell and will more likely than not maintain each debt security until its anticipated recovery, and no significant credit risk is deemed to exist, these investments are not considered other-than-temporarily impaired.

The restricted investments related to cash and money market investments are classified as trading securities under ASC 320 and were recorded at fair value using quoted market prices for identical assets without regard to valuation adjustment or block discount (a Level 1 measure), as follows:

| | |
|---|---|
| Cash and Money Market | $25,186 |

## 11. FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measures. It applies under other accounting standards that require or permit fair value measurements and does not require any new fair value measurements. This standard of FASB ASC 820 is effective for fiscal years beginning after November 15, 2007. The adoption of the standards of FASB ASC 820 had no impact on the Company's results of operations and financial condition.

The carrying value of accounts receivable, and accounts payable approximate fair value due to their short maturity. At December 31, the Company's cash and cash equivalents included short-term investments in an institutional money market government portfolio account classified as trading securities under ASC 320 that were recorded at fair value which were determined using quoted market prices for identical assets without regard to valuation adjustment or block discount (a Level 1 measure), as follows:

| | 2009 | 2008 |
|---|---|---|
| Institutional money market government portfolio | $59,887 | $38,424 |

It was not practical to estimate the fair value of patronage capital included within other deposits and investments due to these being untraded companies.

Big Rivers' long-term debt at December 31, 2009 consists of RUS notes totaling $706,452 and variable rate pollution control bonds in the amount of $142,100 (see Note 5). The RUS debt cannot be traded in the market and, therefore, a value other than its outstanding principal amount cannot be determined. The fair value of the Company's variable rate pollution control debt is par value, as each variable rate reset effectively prices such debt to the current market.

## 12. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Big Rivers provides certain postretirement medical benefits for retired employees and their spouses. Generally, except for generation bargaining retirees, Big Rivers pays 85% of the premium cost for all retirees age 62 to 65. The Company pays 25% of the premium cost for spouses under age 62. For salaried retirees age 55 to age 62, Big Rivers pays 25% of the premium cost. Beginning at age 65, the Company pays 25% of the premium cost if the retiree is enrolled in Medicare Part B. For each generation bargaining retiree, Big Rivers establishes a retiree medical account at retirement equal to $1,200 per year of service up to 30 years ($1,250 per year for those retiring on or after 1/1/12). The account balance is credited with interest based on the 10-year treasury rate subject to a minimum of 4% and a maximum of 7%. The account is to be used for the sole purpose of paying the premium cost for the retiree and spouse.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Medicare Act") was enacted. The Medicare Act created Medicare Part D, a new prescription drug benefit that is available to all Medicare-eligible individuals, effective January 1, 2006. National Rural Electric Cooperative Association (NRECA), the provider of Big Rivers' health plan coverage through the NRECA Group Benefits Trust, chose to become a Medicare Part D provider. Effective January 1, 2006, Part D coverage is the only drug coverage available to Big Rivers' Medicare-eligible retirees.

The discount rates used in computing the postretirement benefit obligation and net periodic benefit cost were as follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Discount rate — projected benefit obligation | 5.78 % | 6.32 % | 5.85 % |
| Discount rate — net periodic benefit cost | 6.32 | 5.85 | 5.75 |

The health care cost trend rate assumptions as of December 31, 2009 and 2008, were as follows:

| | 2009 | 2008 |
|---|---|---|
| Initial trend rate | 7.70 % | 7.90 % |
| Ultimate trend rate | 4.50 % | 4.50 % |
| Year ultimate trend is reached | 2028 | 2028 |

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

| | 2009 | 2008 |
|---|---|---|
| One-percentage-point decrease: | | |
| Effect on total service and interest cost components | $(138) | $(37) |
| Effect on year end benefit obligation | (989) | (290) |
| One-percentage-point increase: | | |
| Effect on total service and interest cost components | 162 | 44 |
| Effect on year end benefit obligation | 1,134 | 337 |

A reconciliation of the Company's benefit obligations of its postretirement plan at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Benefit obligation — beginning of period | $2,948 | $2,862 |
| Service cost — benefits earned during the period | 878 | 129 |
| Interest cost on projected benefit obligation | 464 | 167 |
| Transaction benefit obligation assumed in the unwind | 8,768 | - |
| Participant contributions | 48 | 61 |
| Plan amendments | 175 | - |
| Benefits paid | (203) | (179) |
| Actuarial (gain) or loss | 786 | (92) |
| Benefit obligation — end of period | $13,864 | $2,948 |

A reconciliation of the Company's postretirement plan assets at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Fair value of plan assets — beginning of period | $ - | $ - |
| Employer contributions | 155 | 118 |
| Participant contributions | 48 | 61 |
| Benefits paid | (203) | (179) |
| Fair value of plan assets — end of period | $ - | $ - |

The funded status of the Company's postretirement plan at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Benefit obligation — end of period | $(13,864) | $(2,948) |
| Fair value of plan assets — end of period | - | - |
| Funded status | $(13,864) | $(2,948) |

The components of net periodic postretirement benefit costs for the years ended December 31, 2009, 2008, and 2007, were as follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Service cost | $ 878 | $ 129 | $ 85 |
| Interest cost | 464 | 167 | 153 |
| Amortization of prior service cost | 17 | 2 | 2 |
| Amortization of actuarial (gain) | (17) | (60) | (70) |
| Amortization of transition obligation | 31 | 31 | 31 |
| Net periodic benefit cost | $1,373 | $269 | $201 |

A reconciliation of the postretirement plan amounts in accumulated other comprehensive income at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Prior service cost | $(165) | $ (7) |
| Unamortized actuarial gain | 407 | 1,210 |
| Transition obligation | (92) | (123) |
| Accumulated other comprehensive income | $150 | $1,080 |

In 2010, $18 of prior service cost, $0 of actuarial gain, and $31 of the transition obligation is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive income at December 31, 2009 and 2008, follows:

| | 2009 | 2008 |
|---|---|---|
| Prior service cost | $(157) | $ 2 |
| Unamortized actuarial gain | (803) | 33 |
| Transition obligation | 30 | 30 |
| Other comprehensive income | $(930) | $65 |

At December 31, 2009 and 2008, amounts recognized in the statement of financial position were as follows:

| | 2009 | 2008 |
|---|---|---|
| Accounts payable | $ (424) | $ (156) |
| Deferred credits and other | (13,440) | (2,792) |
| Net amount recognized | $(13,864) | $(2,948) |

Expected retiree benefit payments projected to be required during the years following 2009 are as follows:

| Year | Amount |
|---|---|
| 2010 | $424 |
| 2011 | 599 |
| 2012 | 827 |
| 2013 | 1,014 |
| 2014 | 1,245 |
| 2015–2019 | 8,342 |
| Total | $12,451 |

In addition to the postretirement plan discussed above, in 1992 Big Rivers began a postretirement benefit plan which vests a portion of accrued sick leave benefits to salaried employees upon retirement or death. To the extent an employee's sick leave hour balance exceeds 480 hours such excess hours are paid at 20% of the employee's base hourly rate at the time of retirement or death. The accumulated obligation recorded for the postretirement sick leave benefit is $375 and $408 at December 31, 2009 and 2008, respectively. The postretirement expense recorded was $45, $63, and $51 for 2009, 2008, and 2007, respectively, and the benefits paid were $78, $0, and $0 for 2009, 2008, and 2007, respectively.

## 13. RELATED PARTIES

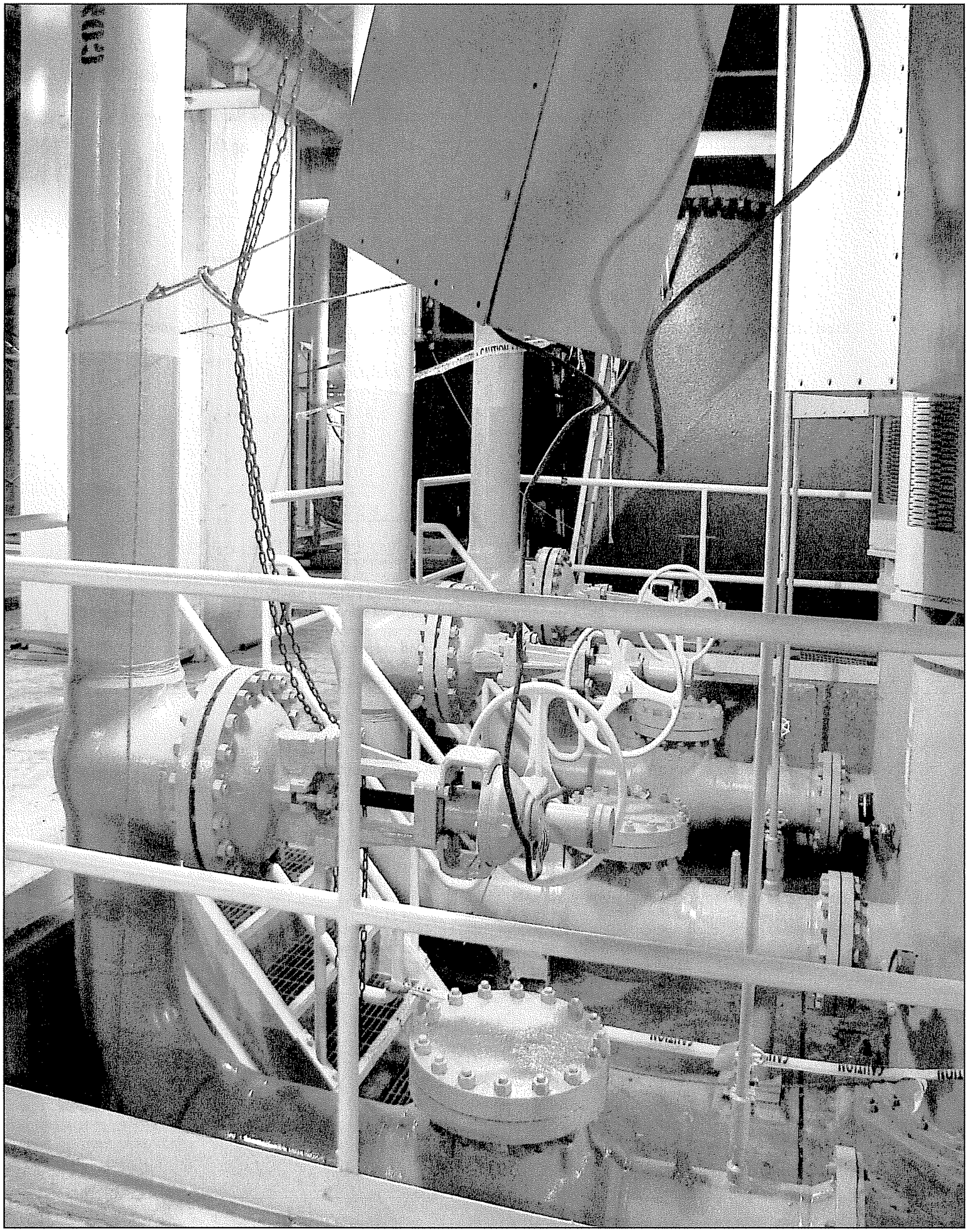
For the years ended December 31, 2009, 2008, and 2007, Big Rivers had tariff sales to its members of $125,826, $114,514, and $113,281, respectively. In addition, for the years ended December 31, 2009, 2008, and 2007, Big Rivers had certain sales to Kenergy for the Aluminum Smelters and Domtar Paper (formerly Weyerhaeuser) loads of $167,885, $55,124, and $123,094, respectively.

At December 31, 2009 and 2008, Big Rivers had accounts receivable from its members of $35,524 and $16,540, respectively.

## 14. COMMITMENTS AND CONTINGENCIES

Big Rivers is involved in litigation arising in the normal course of business. While the results of such litigation cannot be predicted with certainty, management, based upon advice of counsel, believes that the final outcome will not have a material adverse effect on the financial statements.

* * * * * *



# *Five-Year Review*

Years Ended December 31 — (Dollars in thousands)

| SUMMARY OF OPERATIONS | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Operating Revenue: | | | | | |
| Power Contracts Revenue | $ 341,333 | $ 214,758 | $ 271,605 | $ 200,692 | $ 191,280 |
| Lease Revenue | 32,027 | 58,423 | 58,265 | 57,896 | 57,675 |
| Total Operating Revenue | 373,360 | 273,181 | 329,870 | 258,588 | 248,955 |
| Operating Expenses: | | | | | |
| Fuel for Electric Generation | 80,655 | – | – | – | – |
| Power Purchased | 116,883 | 114,643 | 169,768 | 114,516 | 114,500 |
| Operations (Excluding Fuel), Maintenance, Other | 87,645 | 32,858 | 31,436 | 25,336 | 23,504 |
| Depreciation | 32,485 | 31,041 | 30,632 | 30,408 | 30,192 |
| Total Operating Expenses | 317,668 | 178,542 | 231,836 | 170,260 | 168,196 |
| Interest Expense and Other. | | | | | |
| Interest | 59,898 | 72,710 | 70,851 | 70,259 | 68,748 |
| Other – net | 3,309 | 6,868 | 103 | 111 | 124 |
| Total Interest Expense & Other | 63,207 | 79,578 | 70,954 | 70,370 | 68,872 |
| Operating Margin | (7,515) | 15,061 | 27,080 | 17,958 | 11,887 |
| Non-Operating Margin | 538,845 | 12,755 | 20,097 | 16,584 | 14,456 |
| NET MARGIN | $ 531,330 | $ 27,816 | $ 47,177 | $ 34,542 | $ 26,343 |
| SUMMARY OF BALANCE SHEET | | | | | |
| Total Utility Plant | $1,986,373 | $1,791,772 | $1,764,924 | $1,744,315 | $1,727,556 |
| Accumulted Depreciation | 908,099 | 879,073 | 853,290 | 826,647 | 798,684 |
| Net Utility Plant | 1,078,274 | 912,699 | 911,634 | 917,668 | 928,872 |
| Cash and Cash Equivalents | 60,290 | 38,903 | 148,914 | 96,143 | 67,264 |
| Reserve Account Investments | 244,641 | – | – | – | – |
| Other Assets | 122,278 | 122,834 | 253,610 | 240,578 | 229,844 |
| TOTAL ASSETS | $1,505,483 | $1,074,436 | $1,314,158 | $1,254,389 | $1,225,980 |
| Equities (deficit) | $ 379,392 | $ (154,602) | $ (174,137) | $ (217,371) | $ (251,913) |
| Long-term Debt | 848,552 | 987,349 | 1,022,345 | 1,041,075 | 1,046,846 |
| Regulatory Liability – Reserve Accounts | 207,348 | – | – | – | – |
| Other Liabilities and Deferred Credits | 70,191 | 241,689 | 465,950 | 430,685 | 431,047 |
| TOTAL LIABILITIES AND EQUITY | $1,505,483 | $1,074,436 | $1,314,158 | $1,254,389 | $1,225,980 |
| ENERGY SALES - MWhs | | | | | |
| Member Rural | 2,239,445 | 2,386,916 | 2,406,446 | 2,231,554 | 2,262,698 |
| Member Large Industrial | 919,587 | 925,793 | 921,359 | 956,502 | 971,243 |
| Smelter Contracts | 2,885,491 | – | – | – | – |
| Other | 1,746,438 | 1,844,677 | 2,835,789 | 2,062,286 | 2,021,365 |
| Total Energy Sales | 7,790,961 | 5,157,386 | 6,163,594 | 5,250,342 | 5,255,306 |
| SOURCES OF ENERGY - MWhs | | | | | |
| Generated | 3,715,544 | – | – | – | – |
| Purchased | 4,166,916 | 5,211,789 | 6,213,682 | 5,294,138 | 5,304,878 |
| Losses and Net Interchange | (91,499) | (54,403) | (50,088) | (43,796) | (49,572) |
| Total Energy Available | 7,790,961 | 5,157,386 | 6,163,594 | 5,250,342 | 5,255,306 |
| NET CAPACITY - MWs | | | | | |
| Net Generating Capacity Owned | 1,444 | 1,459 | 1,459 | 1,459 | 1,459 |
| Rights to HMP&L Station Two | 212 | 217 | 217 | 217 | 217 |
| Other Net Capacity Available | 178 | 178 | 178 | 178 | 178 |

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy® Cooperative

201 Third Street (42420)
PO Box 24 (42419-0024)
Henderson, KY

phone 270 827 2561
fax 270 827 2558
www.bigrivers.com

**Big Rivers Electric Corporation**
**Case No. 2011-00036**
**Historical Test Period Filing Requirements**

**Filing Requirement**
**807 KAR 5:001 Section 10(6)(r)**
**Sponsoring Witness: C. William Blackburn**

**Description of Filing Requirement:**

*The monthly managerial reports providing financial results of operations for the twelve (12) months in the test period.*

**Response:**

Attached hereto are the monthly management reports (RUS Form 12s) for the months of November 2009, through October 2010.

RUS Form 12 – November 2009

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED<br>November, 2009 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.<br>*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.* | BORROWER NAME<br>Big Rivers Electric Corporation |

## 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.

Mark A. Bailey 1/12/10
DATE

RUS Form 12

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED November, 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 | | | |
|---|---|---|---|---|
| | LAST YEAR (a) | THIS YEAR (b) | BUDGET (c) | THIS MONTH (d) |
| 1. Electric Energy Revenues | 187,286,581 | 282,350,717 | 299,788,008 | 38,005,204 |
| 2. Income From Leased Property (Net) | 26,922,161 | 15,888,814 | 15,584,941 | 149,673 |
| 3. Other Operating Revenue and Income | 9,348,954 | 13,569,942 | 11,241,378 | 1,230,861 |
| 4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)* | 223,557,696 | 311,809,473 | 326,614,327 | 39,385,738 |
| 5. Operating Expense - Production - Excluding Fuel | | 17,729,609 | 19,564,717 | 4,004,509 |
| 6. Operating Expense - Production - Fuel | | 63,782,082 | 77,943,133 | 11,965,056 |
| 7. Operating Expense - Other Power Supply | 103,029,745 | 105,511,784 | 100,138,292 | 11,384,424 |
| 8. Operating Expense - Transmission | 6,576,164 | 7,504,638 | 7,138,562 | 973,016 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 627,035 | 641,059 | 692,839 | 104,390 |
| 12. Operating Expense - Sales | 515,089 | 331,764 | 1,335,348 | 103,664 |
| 13. Operating Expense - Administrative & General | 15,621,346 | 20,141,453 | 17,443,507 | 2,951,787 |
| 14. **TOTAL OPERATION EXPENSE** *(5 thru 13)* | 126,369,379 | 215,642,389 | 224,256,398 | 31,486,846 |
| 15. Maintenance Expense - Production | | 19,881,939 | 22,612,518 | 5,548,136 |
| 16. Maintenance Expense - Transmission | 3,350,340 | 4,315,437 | 4,391,190 | 719,949 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 195,445 | 146,040 | 171,944 | 23,769 |
| 19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)* | 3,545,785 | 24,343,416 | 27,175,652 | 6,291,854 |
| 20. Depreciation and Amortization Expense | 4,702,394 | 15,522,657 | 15,699,631 | 2,808,038 |
| 21. Taxes | 1,023,897 | 1,743,831 | 600,533 | (379,997) |
| 22. Interest on Long-Term Debt | 69,181,973 | 55,711,134 | 57,509,136 | 4,168,487 |
| 23. Interest Charged to Construction - Credit | (480,111) | (119,072) | (441,327) | (9,278) |
| 24. Other Interest Expense | 7,457 | 3,453 | 3,915 | 2,587 |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | (1,401,620) | 2,153,435 | 2,360,861 | 7,611 |
| 27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)* | 202,949,154 | 315,001,243 | 327,164,799 | 44,376,148 |
| 28. **OPERATING MARGINS** *(4 less 27)* | 20,608,542 | (3,191,770) | (550,472) | (4,990,410) |
| 29. Interest Income | 11,927,610 | 259,270 | 272,794 | 41,461 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | | 10,663 | | 2,378 |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | 791,430 | 534,562 | 546,753 | |
| 35. Extraordinary Items | | 544,764,243 | | (8,584) |
| 36. **NET PATRONAGE CAPITAL OR MARGINS** (28 thru 35) | 33,327,582 | 542,376,968 | 269,075 | (4,955,155) |

RUS Form 12a

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED November, 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 | 1,921,185,705 | 32. Memberships | 75 |
| 2. Construction Work in Progress | 63,140,597 | 33. Patronage Capital | |
| 3. **TOTAL UTILITY PLANT** *(1 + 2)* | 1,984,326,302 | a Assigned and Assignable | |
| 4. Accum. Provision for Depreciation and Amort. | 908,381,697 | b Retired This year<br>c Retired Prior years | |
| 5. **NET UTILITY PLANT** *(3 - 4)* | 1,075,944,605 | d Net Patronage Capital | |
| 6. Non-Utility Property (Net) | | 34. Operating Margins - Prior Years | (244,639,283) |
| 7. Investments in Subsidiary Companies | | 35. Operating Margin - Current Year | (2,657,208) |
| 8. Invest. in Assoc. Org. - Patronage Capital | 3,573,633 | 36. Non-Operating Margins | 642,851,092 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 | 37. Other Margins and Equities | (7,779,288) |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | | 38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)* | 387,775,388 |
| 11. Investments in Economic Development Projects | 10,000 | 39. Long-Term Debt - RUS (Net) | 690,687,500 |
| | | 40. Long-Term Debt - FFB - RUS Guaranteed | |
| | | 41. Long-Term Debt - Other - RUS Guaranteed | |
| 12. Other Investements | 5,334 | 42. Long-Term Debt - Other (Net) | 142,100,000 |
| 13. Special Funds | 246,073,864 | 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)* | 250,347,824 | 44. Payments - Unapplied | |
| | | 45. **TOTAL LONG-TERM DEBT** *(39 thru 43 - 44)* | 832,787,500 |
| 15. Cash - General Funds | 34,594 | 46. Obligations Under Capital Leases - Noncurrent | |
| 16. Cash - Construction Funds - Trustee | | | |
| 17. Special Deposits | 571,695 | 47. Accumulated Operating Provisions and Asset Retirement Obligations | 7,829,804 |
| 18. Temporary Investments | 73,333,289 | | |
| 19. Notes Receivable (Net) | | 48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46 +47)* | 7,829,804 |
| 20. Accounts Receivable - Sales of Energy (Net) | 34,375,952 | 49. Notes Payable | |
| 21. Accounts Receivable - Other (Net) | 124,995 | 50. Accounts Payable | 48,756,366 |
| 22. Fuel Stock | 39,158,401 | 51. Current Maturities Long-Term Debt | 14,184,484 |
| 23. Materials and Supplies - Other | 20,327,198 | 52. Current Maturities Long-Term Debt - Rural Development | |
| 24. Prepayments | 3,956,567 | | |
| 25. Other Current and Accrued Assets | 1,082,362 | 53. Current Maturities Capital Leases | |
| 26. **TOTAL CURRENT AND ACCRUED ASSESTS** *(15 thru 25)* | 172,965,053 | 54. Taxes Accrued | 470,694 |
| | | 55. Interest Accrued | 5,637,430 |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 872,717 | 56. Other Current and Accrued Liabilities | (1,268,361) |
| 28. Regulatory Assets | 23,639 | 57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)* | 67,780,613 |
| 29. Other Deferred Debits | 5,876,393 | | |
| 30. Accumulated Deferred Income Taxes | | 58. Deferred Credits | 209,856,926 |
| 31. **TOTAL ASSESTS AND OTHER DEBITS** *(5+14+26 thru 30)* | 1,506,030,231 | 59. Accumulated Deferred Income Taxes | |
| | | 60. **TOTAL LIABILITES AND OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)* | 1,506,030,231 |

RUS Form 12a

| USDA-RUS<br><br>**FINANCIAL AND STATISTICAL REPORT**<br><br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>November, 2009 |
|---|---|

**SECTION C. Notes to Financial Statements**

## Footnote to RUS Form 12b SE

Kenergy "LF" Contract termination date is March 31, 2011

## Footnote to RUS Form 12d's & 12F

The depreciation and interest reported on all of the Form 12d's and 12f reflect year-to-date amounts. All other amounts start July 17, 2009 when Big Rivers took over the operation of its plants at the termination of the plants' lease.

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

**11/30/09**
**Page1**

| 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 | 122 | 134 | 120 |
| 3 | Meade County Rural ECC | RQ | KY0018 | 87 | 93 | 83 |
| 4 | Kenergy Corporation | RQ | KY0065 | 347 | 363 | 350 |
| 5 | Kenergy Corporation | IF | KY0065 | | | |
| 6 | Kenergy Corporation | LF | KY0065 | | | |
| 7 | | | | | | |
| 8 | Associated Electric Coop | OS | MO0073 | | | |
| 9 | East Kentucky Power Coop | OS | KY0059 | | | |
| 10 | Oglethorpe Power | OS | GA0109 | | | |
| 11 | PowerSouth Energy Coop | OS | AL0042 | | | |
| 12 | | | | | | |
| 13 | Cargill-Alliant | OS | | | | |
| 14 | Constellation Power Source | OS | | | | |
| 15 | EDF Trading North America | OS | | | | |
| 16 | Henderson Municipal Power & Light | OS | | | | |
| 17 | LG&E Energy Marketing | OS | | | | |
| 18 | Midwest Independent Trans. | OS | | | | |
| 19 | PJM Interconnection | OS | | | | |
| 20 | Southern Company Services | OS | | | | |
| 21 | Tenaska Power Services | OS | | | | |
| 22 | Tennessee Valley Authority | OS | | | | |
| 23 | The Energy Authority | OS | | | | |
| 24 | Westar Energy, Inc. | OS | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Total for Ultimate Consumer(s) | | | 0 | 0 | 0 |
| Total for Distribution Borrowers | | | 556 | 590 | 553 |
| Total for G&T Borrowers | | | 0 | 0 | 0 |
| Total for Others | | | 0 | 0 | 0 |
| Grand Total | | | 556 | 590 | 553 |

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

**11/30/09**
**Page 2**

| Sale No. | Electricity Sold (g) | Revenue Demand (h) | Revenue Energy (I) | Revenue Other (j) | Revenue Total (h+l+j+k) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | 587,772 | 10,102,165 | 13,747,298 | | 23,849,463 |
| 3 | 404,040 | 7,081,781 | 9,460,435 | | 16,542,216 |
| 4 | 1,855,173 | 32,484,860 | 38,413,397 | | 70,898,257 |
| 5 | 50,983 | | 1,672,527 | | 1,672,527 |
| 6 | 2,917,844 | | 138,754,338 | | 138,754,338 |
| 7 | | | | | |
| 8 | 765 | | 21,840 | | 21,840 |
| 9 | 475 | | 17,300 | | 17,300 |
| 10 | 10,623 | | 340,883 | | 340,883 |
| 11 | 8,718 | | 256,260 | | 256,260 |
| 12 | | | | | |
| 13 | 32,782 | | 955,530 | | 955,530 |
| 14 | 59,765 | | 1,618,145 | | 1,618,145 |
| 15 | 314,296 | | 9,516,595 | | 9,516,595 |
| 16 | 50 | | 1,905 | | 1,905 |
| 17 | 50,543 | | 1,762,150 | | 1,762,150 |
| 18 | 236,125 | | 7,226,753 | | 7,226,753 |
| 19 | 79,210 | | 2,487,565 | | 2,487,565 |
| 20 | 43,755 | | 1,333,266 | | 1,333,266 |
| 21 | 6,879 | | 212,467 | | 212,467 |
| 22 | 113,356 | | 3,370,513 | | 3,370,513 |
| 23 | 48,253 | | 1,459,492 | | 1,459,492 |
| 24 | 1,638 | | 53,251 | | 53,251 |

| | | | | |
|---|---|---|---|---|
| - | - | - | - | - |
| 5,815,812 | 49,668,806 | 202,047,995 | - | 251,716,801 |
| 20,581 | - | 636,283 | - | 636,283 |
| 986,652 | - | 29,997,632 | - | 29,997,632 |
| 6,823,045 | 49,668,806 | 232,681,910 | - | 282,350,716 |

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**11/30/09**
**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 | Kenergy Corporation | SF | KY0065 | | | |
| 2 | | | | | | |
| 3 | Associated Electric Coop | OS | MO0073 | | | |
| 4 | East KY Power Coop | OS | KY0059 | | | |
| 5 | Southern Illinois Power Coop | OS | IL0050 | | | |
| 6 | | | | | | |
| 7 | Cargill-Alliant | OS | | | | |
| 8 | Constellation Energy Commodities | OS | | | | |
| 9 | EDF Trading North America | OS | | | | |
| 10 | Henderson Municipal Power & Light | RQ | | | | |
| 11 | LG&E Energy Marketing | RQ | | | | |
| 12 | Louisville Gas & Electric | OS | | | | |
| 13 | Midwest Independent Trans. Sys. Op. | OS | | | | |
| 14 | PJM Interconnection | OS | | | | |
| 15 | RRI Energy Services | SF | | | | |
| 16 | Smelters | OS | | | | |
| 17 | Southeastern Power Admin | LF | | | | |
| 18 | Southern Company Services | OS | | | | |
| 19 | The Energy Authority | OS | | | | |

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

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**11/30/09**
**Page 2**

| Purch No. | Electricity Purchased (g) | Power Echanges Electricity Received (h) | Power Echanges Electricity Delivered (I) | Revenue Demand (j) | Revenue Energy (k) | Revenue Other (l) | Revenue Total (j+k+l) |
|---|---|---|---|---|---|---|---|
| 1 | 5,088 | | | | 279,840 | | 279,840 |
| 2 | | | | | | | |
| 3 | 10,227 | | | | 376,419 | | 376,419 |
| 4 | 1,313 | | | | 69,124 | | 69,124 |
| 5 | 199,200 | | | | 7,769,100 | | 7,769,100 |
| 6 | | | | | | | |
| 7 | 2,551 | | | | 88,198 | | 88,198 |
| 8 | 181 | | | | 6,550 | | 6,550 |
| 9 | 86 | | | | 4,286 | | 4,286 |
| 10 | 666,700 | | | | 18,693,512 | | 18,693,512 |
| 11 | 2,529,610 | | | | 51,591,885 | | 51,591,885 |
| 12 | - | | | | - | | - |
| 13 | 19,430 | | | | 942,900 | | 942,900 |
| 14 | 21,922 | | | | 789,827 | | 789,827 |
| 15 | 28,247 | | | | 1,906,362 | | 1,906,362 |
| 16 | 22,757 | | | | 701,933 | | 701,933 |
| 17 | 401,997 | | | | 7,963,610 | | 7,963,610 |
| 18 | 1,075 | | | | 55,654 | | 55,654 |
| 19 | 816 | | | | 38,036 | | 38,036 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 5,088 | - | - | - | 279,840 | - | 279,840 |
| 210,740 | - | - | - | 8,214,643 | - | 8,214,643 |
| 3,695,372 | - | - | - | 82,782,753 | - | 82,782,753 |
| 3,911,200 | - | - | - | 91,277,236 | - | 91,277,236 |

**RUS Form 12c** **11/30/09**
**Operating Report**
**Sources and Distribution of Energy**

| 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 | 4 | 1,379,000 | 2,993,345 | 158,567,865 |
| 2 Nuclear | | | | |
| 3 Hydro | | | | |
| 4 Combined Cycle | | | | |
| 5 Internal Combustion | 1 | 65,000 | 231 | 486,366 |
| 6 Other | | | | |
| 7 TOTAL In Own Plant (Sum of lines 1 thru 6) | 5 | | 2,993,576 | 159,054,231 |
| PURCHASED POWER | | | | |
| 8 Total Purchased Power | | | 3,911,200 | 91,277,236 |
| INTERCHANGED POWER | | | | |
| 9 Received into System | | | 668,452 | |
| 10 Delivered Out of System | | | 669,324 | |
| 11 Net Interchange | | | (872) | |
| 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) | | | 6,903,904 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16 TOTAL Sales | | | 6,823,045 | |
| 17 Energy Furnished to Others Without Charge | | | | |
| 18 Energy Used by Borrower | | | | |
| 19 TOTAL Energy Accounted For (Sum of lines 16 thru 18) | | | 6,823,045 | |
| LOSSES | | | | |
| 20 Energy Losses - MWh (Line 15 minus 19) | | | 80,859 | |
| 21 Energy Losses - Percentage ((Line 20 divided by line 15)*100) | | | 1.17 | |

**RUS Form 12d** **11/30/2009**
**Operating Report**
**Steam Plant** **Coleman**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 2 | 340,303.2 | | 5,873.6 | | | 3,209.3 | - | - | 79.7 |
| 2 | 2 | 4 | 305,808.5 | | 6,220.9 | | | 3,113.1 | 36.5 | - | 139.4 |
| 3 | 3 | 4 | 333,640.4 | | 10,151.3 | | | 3,140.8 | - | - | 148.2 |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 10 | 979,752.1 | | 22,245.8 | | | 9,463.2 | 36.5 | - | 367.3 |
| 7 | AVERAGE BTU | | 11,537 | | 1,000 | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 11,303,400 | | 22,246 | | 11,325,646 | | | | |
| 9 | Total Del. Cost ($) | | 25,829,938 | | 125,107 | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 150,000 | 392,768.0 | |
| 2 | 2 | 138,000 | 347,560.0 | |
| 3 | 3 | 155,000 | 383,103.0 | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 443,000 | 1,123,431.0 | 10,081 |
| 7 | Station Service (MWh) | | 112,587.0 | |
| 8 | Net Generation (MWh) | | 1,010,844.0 | 11,204 |
| 9 | Station Service (%) | | 10.02 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 103 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 68.04 |
| 2 | Plant Factor (%) | 70.43 |
| 3 | Running Plant Capacity Factor (%) | 73.44 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 502,016 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 513,408 | | |
| 2 | Fuel, Coal | 501.1 | 26,737,111 | | 2.37 |
| 3 | Fuel, Oil | 501.2 | - | | |
| 4 | Fuel, Gas | 501.3 | 125,107 | | 5.62 |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 26,862,218 | 26.57 | 2.37 |
| 7 | Steam Expenses | 502 | 2,442,134 | | |
| 8 | Electric Expenses | 505 | 574,227 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 891,828 | | |
| 10 | Allowances | 509 | | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 4,421,597 | 4.37 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 31,283,815 | 30.95 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 531,448 | | |
| 15 | Maintenance of Structures | 511 | 412,152 | | |
| 16 | Maintenance of Boiler Plant | 512 | 1,974,002 | | |
| 17 | Maintenance of Electric Plant | 513 | 204,147 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 81,527 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 3,203,276 | 3.17 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 34,487,091 | 34.12 | |
| 21 | Depreciation | 403.1 | 1,651,892 | | |
| 22 | Interest | 427 | 6,084,340 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 7,736,232 | 7.65 | |
| 24 | POWER COST (20 + 23) | | 42,223,323 | 41.77 | |

RUS Form 12d 11/30/2009
Operating Report
Steam Plant Reid

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 2 | 564.4 | 24.858 | | | | 14.8 | 2,600.1 | | 674.1 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 2 | 564.4 | 24.858 | | | | 14.8 | 2,600.1 | | 674.1 |
| 7 | AVERAGE BTU | | 12,201 | 138000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 6,886 | 3,430 | | | 10,317 | | | | |
| 9 | Total Del. Cost ($) | | (182,673) | 46,641 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 65,000 | 575.0 | |
| 2 | 2 | | | |
| 3 | 3 | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 65,000 | 575.0 | 17,942 |
| 7 | Station Service (MWh) | | 6,452.0 | |
| 8 | Net Generation (MWh) | | (5,877.0) | - |
| 9 | Station Service (%) | | 1,122.09 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 0.24 |
| 2 | Plant Factor (%) | 0.26 |
| 3 | Running Plant Capacity Factor (%) | 58.87 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 71,700 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 119,533 | | |
| 2 | Fuel, Coal | 501.1 | (142,728) | | 0 |
| 3 | Fuel, Oil | 501.2 | 46,641 | | 13.6 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | (96,087) | | 0 |
| 7 | Steam Expenses | 502 | 206,233 | | |
| 8 | Electric Expenses | 505 | 99,644 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 106,334 | | |
| 10 | Allowances | 509 | | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 531,744 | | |
| 13 | OPERATION EXPENSE (6 + 12) | | 435,657 | | |
| 14 | Maintenance, Supervision and Engineering | 510 | 92,492 | | |
| 15 | Maintenance of Structures | 511 | 38,394 | | |
| 16 | Maintenance of Boiler Plant | 512 | 242,192 | | |
| 17 | Maintenance of Electric Plant | 513 | 187,610 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 11,443 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 572,131 | | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 1,007,788 | | |
| 21 | Depreciation | 403.1 | 149,128 | | |
| 22 | Interest | 427 | 843,298 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 992,426 | | |
| 24 | POWER COST (20 + 23) | | 2,000,214 | | |

**RUS Form 12d** **11/30/2009**
**Operating Report**
**Steam Plant** **Green**

**SECTION A. BOILERS/TURBINES**

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 3 | 628,003.6 | 75.390 | | | | 3,249.0 | - | - | 40.0 |
| 2 | 2 | 6 | 605,777.0 | 73.608 | | | | 3,198.6 | - | - | 90.4 |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 9 | 1,233,780.6 | 148.998 | | | | 6,447.6 | - | - | 130.4 |
| 7 | AVERAGE BTU | | 11,716 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 14,454,974 | 20,562 | | | 14,475,535 | | | | |
| 9 | Total Del. Cost ($) | | 22,863,191 | 312,652 | | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | . 1 | 231,000 | 739,252.1 | |
| 2 | 2 | 223,000 | 695,701.0 | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 454,000 | 1;434,953.1 | 10,088 |
| 7 | Station Service (MWh) | | 131,193.0 | |
| 8 | Net Generation (MWh) | | 1,303,760.1 | 11,103 |
| 9 | Station Service (%) | | 9.14 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 104 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 89.17 |
| 2 | Plant Factor (%) | 90.10 |
| 3 | Running Plant Capacity Factor (%) | 91.92 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 489,300 |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 608,986 | | |
| 2 | Fuel, Coal | 501.1 | 23,468,455 | | 1.62 |
| 3 | Fuel, Oil | 501.2 | 312,652 | | 15.21 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 23,781,107 | 18.24 | 1.64 |
| 7 | Steam Expenses | 502 | 5,460,625 | | |
| 8 | Electric Expenses | 505 | 584,782 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 617,193 | | |
| 10 | Allowances | 509 | | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 7,271,566 | 5.58 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 31,052,673 | 23.82 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 483,023 | | |
| 15 | Maintenance of Structures | 511 | 292,686 | | |
| 16 | Maintenance of Boiler Plant | 512 | 2,529,991 | | |
| 17 | Maintenance of Electric Plant | 513 | 325,839 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 128,877 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 3,760,416 | 2.88 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 34,813,089 | 26.70 | |
| 21 | Depreciation | 403.1 | 2,502,476 | | |
| 22 | Interest | 427 | 11,301,418 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 13,803,894 | 10.59 | |
| 24 | POWER COST (20 + 23) | | 48,616,983 | 37.29 | |

**RUS Form 12d** **11/30/2009**
**Operating Report**
**Steam Plant** **Wilson**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 6 | 676,165.6 | 289.841 | | | | 1,791.2 | - | 1,176.7 | 81.1 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 6 | 676,165.6 | 289.841 | | | | 1,791.2 | - | 1,176.7 | 81.1 |
| 7 | AVERAGE BTU | | 11,581 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 7,830,674 | 39,998 | | | 7,870,672 | | | | |
| 9 | Total Del. Cost ($) | | 11,898,946 | 510,040 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 417,000 | 745,945.8 | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 417,000 | 745,945.8 | 10,551 |
| 7 | Station Service (MWh) | | 61,326.8 | |
| 8 | Net Generation (MWh) | | 684,619.0 | 11,496 |
| 9 | Station Service (%) | | 8.22 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 104 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 46.70 |
| 2 | Plant Factor (%) | 51.50 |
| 3 | Running Plant Capacity Factor (%) | 94.60 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 466,000 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 285,596 | | |
| 2 | Fuel, Coal | 501.1 | 12,611,154 | | 1.61 |
| 3 | Fuel, Oil | 501.2 | 510,041 | | 12.75 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 13,121,195 | 19.17 | 1.67 |
| 7 | Steam Expenses | 502 | 3,717,844 | | |
| 8 | Electric Expenses | 505 | 509,920 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 989,627 | | |
| 10 | Allowances | 509 | | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 5,502,987 | 8.04 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 18,624,182 | 27.20 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 198,920 | | |
| 15 | Maintenance of Structures | 511 | 302,857 | | |
| 16 | Maintenance of Boiler Plant | 512 | 6,411,354 | | |
| 17 | Maintenance of Electric Plant | 513 | 5,264,953 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 137,240 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 12,315,324 | 17.99 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 30,939,506 | 45.19 | |
| 21 | Depreciation | 403.1 | 6,039,452 | | |
| 22 | Interest | 427 | 28,748,387 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 34,787,839 | 50.81 | |
| 24 | POWER COST (20 + 23) | | 65,727,345 | 96.01 | |

RUS Form 12f 11/30/09
Operating Report
Internal Combustion Plant Reid

## SECTION A. INTERNAL COMBUSTION GENERATING UNITS

| LINE NO. | UNIT NO. (a) | SIZE (kW) (b) | FUEL CONSUMPTION: OIL (1000 Gals.) (c) | GAS (1000 C.F.) (d) | OTHER (e) | TOTAL (f) | OPERATING HOURS: IN SERVICE (g) | ON STANDBY (h) | OUT OF SERVICE: Sche. (i) | Unsche. (j) | GROSS GENERATION (MWh) (k) | BTU PER kWh (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 65,000 | 54.137 | | | | 11.2 | 3,141.5 | - | 136.3 | 499.2 | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | TOTAL | 65,000 | 54.137 | - | | | 11.2 | 3,141.5 | - | 136.3 | 499.2 | 14,966 |
| 7 | AVERAGE BTU | | 138,000 | | | | STATION SERVICE (MWh) | | | | 268.4 | |
| 8 | Total BTU (10 6th pwr) | | 7,471 | - | | 7,471 | NET GENERATION (MWh) | | | | 230.8 | 32,370 |
| 9 | Total Del. Cost ($) | | 113,649 | | | | STATION SERVICE % OF GROSS | | | | 53.77 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE | LINE NO. | ITEM | VALUE |
|---|---|---|---|---|---|
| 1. | No. Emp. Full Time (incl. Superintendent) | | 5. | Maint. Plant Payroll ($) | |
| 2. | No. Emp. Part Time | | 6. | Other Accounts Plant Payroll ($) | |
| 3. | Total Emp. - Hrs. Worked | | | | |
| 4 | Oper. Plant Payroll ($) | | 7. | TOTAL Plant Payroll ($) | |

## SECTION C. FACTORS & MAXIMUM DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 0.22 |
| 2 | Plant Factor (%) | 0.21 |
| 3 | Running Plant Capacity Factor (%) | 61.9 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 70,000 |
| 5 | Indicated Gross Max. Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 546 | | | |
| 2 | Fuel, Oil | 547.1 | 113,649 | | 15.21 |
| 3 | Fuel, Gas | 547.2 | | | |
| 4 | Fuel, Other | 547.3 | | | |
| 5 | Energy for Compressed Air | 547.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 547 | 113,649 | 492.41 | 15.21 |
| 7 | Generation Expenses | 548 | 1,715 | | |
| 8 | Miscellaneous Other Power Generation Expenses | 549 | | | |
| 9 | Rents | 550 | | | |
| 10 | NON- FUEL SUB-TOTAL (1 + 7 thru 9) | | 1,715 | 7.43 | |
| 11 | OPERATION EXPENSE (6 + 10) | | 115,364 | 499.84 | |
| 12 | Maintenance, Supervision and Engineering | 551 | | | |
| 13 | Maintenance of Structures | 552 | | | |
| 14 | Maintenance of Generating and Electric Plant | 553 | 30,792 | | |
| 15 | Maintenance of Miscellaneous Other Power Generating Plant | 554 | | | |
| 16 | MAINTENANCE EXPENSE (12 thru 15) | | 30,792 | 133.41 | |
| 17 | TOTAL PRODUCTION EXPENSE (11 + 16) | | 146,156 | 633.26 | |
| 18 | Depreciation | 553, 512 | 70,984 | | |
| 19 | Interest | 554, 513 | 269,226 | | |
| 20 | TOTAL FIXED COST (18 + 19) | | 340,210 | 1,474.05 | |
| 21 | POWER COST (17 + 20) | | 486,366 | 2,107.31 | |

000017

RUS Form 12I 11/30/09

OPERATING REPORT - LINES AND STATIONS

| SECTION A. EXPENSE AND COSTS | | | | |
|---|---|---|---|---|
| | ITEM | Account Number | LINES (a) | STATIONS (b) |
| | **TRANSMISSION OPERATION** | | | |
| 1 | Supervision and Engineering | 560 | 442,011 | 376,043 |
| 2 | Load Dispatching | 561 | 1,446,009 | |
| 3 | Station Expenses | 562 | | 962,674 |
| 4 | Overhead Line Expenses | 563 | 994,530 | |
| 5 | Underground Line Expenses | 564 | | |
| 6 | Miscellaneous Expenses | 566 | 210,780 | 242,152 |
| 7 | **SUBTOTAL (1 thru 6)** | | 3,093,330 | 1,580,869 |
| 8 | Transmission of Electricity by Others | 565 | 2,807,796 | |
| 9 | Rents | 567 | | 22,643 |
| 10 | **TOTAL TRANSMISSION OPERATION (7 THRU 9)** | | 5,901,126 | 1,603,512 |
| | **TRANSMISSION MAINTENANCE** | | | |
| 11 | Supervision and Engineering | 568 | 287,890 | 334,520 |
| 12 | Structures | 569 | | 4,327 |
| 13 | Station Equipment | 570 | | 1,646,589 |
| 14 | Overhead Lines | 571 | 1,948,337 | |
| 15 | Underground Lines | 572 | | |
| 16 | Miscellaneous Transmission Plant | 573 | 40,849 | 52,925 |
| 17 | **TOTAL TRANSMISSION MAINTENANCE (11 THRU 16)** | | 2,277,076 | 2,038,361 |
| 18 | **TOTAL TRANSMISSION EXPENSE (10 + 17)** | | 8,178,202 | 3,641,873 |
| 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)** | | 8,178,202 | 3,641,873 |
| | **FIXED COSTS** | | | |
| 23 | Depreciation - Transmission | 403.5 | 2,293,315 | 2,589,720 |
| 24 | Depreciation - Distribution | 403.6 | | |
| 25 | Interest - Transmission | 427 | 3,382,249 | 4,343,659 |
| 26 | Interest - Distribution | 427 | | |
| 27 | **TOTAL TRANSMISSION (18 + 23 + 25)** | | 13,853,766 | 10,575,252 |
| 28 | **TOTAL DISTRIBUTION (21 + 24 + 26)** | | - | - |
| 29 | **TOTAL LINES AND STATIONS (27 + 28)** | | 13,853,766 | 10,575,252 |

| SECTION B. FACILITIES IN SERVICE | | | | |
|---|---|---|---|---|
| | TRANSMISSION LINES | | SUBSTATIONS | |
| | VOLTAGE (KV) | MILES | TYPE | CAPACITY (kVA) |
| 1 | 69 KV | 826.51 | 13. Distr. Lines | |
| 2 | 345 KV | 68.40 | | |
| 3 | 138 KV | 14.40 | 14. Total (12 + 13) | 1,261.81 |
| 4 | 161 KV | 352.50 | | |
| 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 C. LABOR AND MATERIAL SUMMARY | | |
|---|---|---|
| 1. NUMBER OR EMPLOYEES | | 45 |
| ITEM | LINES | STATIONS |
| 2. Oper. Labor | 1,976,233 | 978,067 |
| 3. Maint Labor | 1,097,204 | 1,529,417 |
| 4. Oper. Material | 3,924,893 | 625,445 |
| 5. Maint. Material | 1,179,872 | 508,944 |

| SECTION D. OUTAGES | |
|---|---|
| 1. TOTAL | 6,036,242.80 |
| 2. Avg. No. Dist. Cons. Served | 111,694.00 |
| 3. Avg No. Hours Out Per Cons. | 54.04 |

000018

# RUS Form 12 – December 2009

*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.*

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE | BORROWER DESIGNATION KY0062 |
| **OPERATING REPORT - FINANCIAL** | PERIOD ENDED<br>December, 2009 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3. | BORROWER NAME<br>Big Rivers Electric Corporation |
| *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.* | |

**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.

Mark A. Bailey 5/3/10
DATE

RUS Form 12

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED December, 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 | | | |
|---|---|---|---|---|
| | LAST YEAR (a) | THIS YEAR (b) | BUDGET (c) | THIS MONTH (d) |
| 1. Electric Energy Revenues | 204,519,279 | 326,729,694 | 344,905,707 | 44,378,978 |
| 2. Income From Leased Property (Net) | 29,347,945 | 15,888,814 | 15,584,941 | |
| 3. Other Operating Revenue and Income | 10,239,393 | 14,603,910 | 11,862,836 | 1,033,968 |
| 4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)* | 244,106,617 | 357,222,418 | 372,353,484 | 45,412,946 |
| 5. Operating Expense - Production - Excluding Fuel | | 22,381,368 | 23,820,063 | 4,651,759 |
| 6. Operating Expense - Production - Fuel | | 80,654,643 | 97,125,947 | 16,872,561 |
| 7. Operating Expense - Other Power Supply | 112,760,848 | 115,826,139 | 106,825,730 | 10,314,356 |
| 8. Operating Expense - Transmission | 7,222,057 | 8,256,704 | 7,793,533 | 752,066 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 697,008 | 716,704 | 764,741 | 75,645 |
| 12. Operating Expense - Sales | 723,821 | 551,735 | 1,484,262 | 219,971 |
| 13. Operating Expense - Administrative & General | 17,477,145 | 24,190,595 | 19,372,489 | 4,049,141 |
| 14. **TOTAL OPERATION EXPENSE** *(5 thru 13)* | 138,880,879 | 252,577,888 | 257,186,765 | 36,935,499 |
| 15. Maintenance Expense - Production | | 24,400,170 | 24,962,101 | 4,518,231 |
| 16. Maintenance Expense - Transmission | 4,002,384 | 5,225,597 | 4,804,847 | 910,160 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 208,636 | 170,492 | 186,219 | 24,452 |
| 19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)* | 4,211,020 | 29,796,259 | 29,953,167 | 5,452,843 |
| 20. Depreciation and Amortization Expense | 5,303,401 | 18,464,743 | 18,573,721 | 2,942,087 |
| 21. Taxes | 1,071,941 | 1,831,467 | 600,533 | 87,636 |
| 22. Interest on Long-Term Debt | 75,192,513 | 60,027,927 | 61,656,180 | 4,316,793 |
| 23. Interest Charged to Construction - Credit | (492,404) | (133,263) | (503,103) | (14,191) |
| 24. Other Interest Expense | 7,798 | 3,453 | 3,915 | |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | 4,870,100 | 2,168,814 | 2,366,120 | 15,379 |
| 27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)* | 229,045,248 | 364,737,288 | 369,837,298 | 49,736,046 |
| 28. **OPERATING MARGINS** *(4 less 27)* | 15,061,369 | (7,514,870) | 2,516,186 | (4,323,100) |
| 29. Interest Income | 11,962,932 | 316,407 | 288,890 | 57,137 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | | 13,042 | | 2,378 |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | 791,430 | 537,417 | 546,753 | 2,855 |
| 35. Extraordinary Items | | 537,978,261 | | (6,785,982) |
| 36. **NET PATRONAGE CAPITAL OR MARGINS** (28 thru 35) | 27,815,731 | 531,330,257 | 3,351,829 | (11,046,712) |

RUS Form 12a

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED December, 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 | |
|---|---|
| 1. Total Utility Plant in Service | 1,931,116,388 |
| 2. Construction Work in Progress | 55,256,847 |
| 3. **TOTAL UTILITY PLANT** *(1 + 2)* | 1,986,373,235 |
| 4. Accum. Provision for Depreciation and Amort. | 908,099,500 |
| 5. **NET UTILITY PLANT** *(3 - 4)* | 1,078,273,735 |
| 6. Non-Utility Property (Net) | |
| 7. Investments in Subsidiary Companies | |
| 8. Invest. in Assoc. Org. - Patronage Capital | 3,576,487 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | |
| 11. Investments in Economic Development Projects | 10,000 |
| 12. Other Investements | 5,334 |
| 13. Special Funds | 243,878,495 |
| 14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)* | 248,155,309 |
| 15. Cash - General Funds | 243,539 |
| 16. Cash - Construction Funds - Trustee | |
| 17. Special Deposits | 571,739 |
| 18. Temporary Investments | 59,886,883 |
| 19. Notes Receivable (Net) | |
| 20. Accounts Receivable - Sales of Energy (Net) | 39,902,095 |
| 21. Accounts Receivable - Other (Net) | 5,281,595 |
| 22. Fuel Stock | 37,829,644 |
| 23. Materials and Supplies - Other | 20,412,538 |
| 24. Prepayments | 5,013,952 |
| 25. Other Current and Accrued Assets | 2,312,955 |
| 26. **TOTAL CURRENT AND ACCRUED ASSESTS** *(15 thru 25)* | 171,454,940 |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 927,459 |
| 28. Regulatory Assets | |
| 29. Other Deferred Debits | 6,672,014 |
| 30. Accumulated Deferred Income Taxes | |
| 31. **TOTAL ASSESTS AND OTHER DEBITS** *(5+14+26 thru 30)* | 1,505,483,457 |

| LIABILITIES AND OTHER CREDITS | |
|---|---|
| 32. Memberships | 75 |
| 33. Patronage Capital | |
| a Assigned and Assignable | |
| b Retired This year | |
| c Retired Prior years | |
| d Net Patronage Capital | |
| 34. Operating Margins - Prior Years | (244,639,283) |
| 35. Operating Margin - Current Year | (6,977,454) |
| 36. Non-Operating Margins | 636,124,626 |
| 37. Other Margins and Equities | (5,116,423) |
| 38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)* | 379,391,541 |
| 39. Long-Term Debt - RUS (Net) | 692,267,261 |
| 40. Long-Term Debt - FFB - RUS Guaranteed | |
| 41. Long-Term Debt - Other - RUS Guaranteed | |
| 42. Long-Term Debt - Other (Net) | 142,100,000 |
| 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 44. Payments - Unapplied | |
| 45. **TOTAL LONG-TERM DEBT** *(39 thru 43 - 44)* | 834,367,261 |
| 46. Obligations Under Capital Leases - Noncurrent | |
| 47. Accumulated Operating Provisions and Asset Retirement Obligations | 17,211,550 |
| 48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46+47)* | 17,211,550 |
| 49. Notes Payable | |
| 50. Accounts Payable | 34,019,328 |
| 51. Current Maturities Long-Term Debt | 14,184,484 |
| 52. Current Maturities Long-Term Debt - Rural Development | |
| 53. Current Maturities Capital Leases | |
| 54. Taxes Accrued | 454,658 |
| 55. Interest Accrued | 9,097,432 |
| 56. Other Current and Accrued Liabilities | 9,409,622 |
| 57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)* | 67,165,524 |
| 58. Deferred Credits | 207,347,581 |
| 59. Accumulated Deferred Income Taxes | |
| 60. **TOTAL LIABILITES AND OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)* | 1,505,483,457 |

| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
|---|---|

**SECTION C. Notes to Financial Statements**

**Footnote to RUS Form 12a**

| | |
|---|---|
| Financial Ratios: | 2009 |
| Margins For Interest Ratio (MFI) | 9.87 |

**Footnote to RUS Form 12b SE**

Kenergy "IF" Contract termination date is March 31, 2011.

| USDA-RUS<br>**OPERATING REPORT**<br>INSTRUCTIONS - See RUS Bulletin 1717B-3 | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
|---|---|

**OPERATING REPORT SALES OF ELECTRICITY**

| Sale No. | Name Of Company or Public Authority (a) | Statistical Classification (b) | RUS Borrower Designation (c) | Average Monthly Billing Demand (MW) (d) | Actual Average Monthly NCP Demand (e) | Actual Average Monthly CP Demand () (f) |
|---|---|---|---|---|---|---|
| 1 | Ultimate Consumer(s) | | | | | |
| 2 | Jackson Purchase Energy Corp | RQ | KY0020 | 124 | 125 | 121 |
| 3 | Meade County Rural E C C (KY0018) | RQ | KY0018 | 89 | 87 | 85 |
| 4 | Kenergy Corporation (KY0065) | RQ | KY0065 | 349 | 363 | 354 |
| 5 | Kenergy Corporation (KY0065) | IF | KY0065 | | | |
| 6 | Kenergy Corporation (KY0065) | LF | KY0065 | | | |
| 7 | Kenergy Corporation (KY0065) | RQ | KY0065 | | | |
| 8 | Alabama Electric Coop, Inc (AL0042) | OS | AL0042 | | | |
| 9 | Associated Electric Coop, Inc | OS | MO0073 | | | |
| 10 | East Kentucky Power Coop, Inc | OS | KY0059 | | | |
| 11 | Oglethorpe Power Corporation | OS | GA0109 | | | |
| 12 | Cargill-Alliant LLC | OS | | | | |
| 13 | Constellation Power Source Inc | OS | | | | |
| 14 | Eagle Energy Partners | OS | | | | |
| 15 | Henderson Munic Power & Light | OS | | | | |
| 16 | LG&E Energy Marketing, Inc | OS | | | | |
| 17 | Midwest Independent Transmission | OS | | | | |
| 18 | PJM Interconnection (PA) | OS | | | | |
| 19 | Southern Company Services | OS | | | | |
| 20 | Tenaska Power Services | OS | | | | |
| 21 | Tennessee Valley Authority | OS | | | | |
| 22 | The Energy Authority | OS | | | | |
| 23 | Westar Energy | OS | | | | |
| | Total for Ultimate Consumer(s) | | | | | |
| | Total for Distribution Borrowers | | | 562 | 575 | 560 |
| | Total for G&T Borrowers | | | 0 | 0 | 0 |
| | Total for Other | | | 0 | 0 | 0 |
| | Grand Total | | | 562 | 575 | 560 |

000008

| USDA-RUS<br>**OPERATING REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
|---|---|

**OPERATING REPORT SALES OF ELECTRICITY**

| Sale No | Electricity Sold (MWh) (g) | Revenue Demand Charges (h) | Revenue Energy Charges (i) | Revenue Other Charges (j) | Revenue Total (h + i + j) (k) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | 654,774 | 11,048,833 | 15,946,317 | | 26,995,150 |
| 3 | 455,735 | 7,848,630 | 11,167,924 | | 19,016,554 |
| 4 | 2,048,523 | 35,532,083 | 44,283,094 | | 79,815,177 |
| 5 | 53,835 | | 1,845,587 | | 1,845,587 |
| 6 | 575,399 | | 31,143,437 | | 31,143,437 |
| 7 | 2,885,491 | | 133,379,627 | | 133,379,627 |
| 8 | 9,518 | | 280,260 | | 280,260 |
| 9 | 765 | | 21,840 | | 21,840 |
| 10 | 475 | | 17,300 | | 17,300 |
| 11 | 12,363 | | 405,118 | | 405,118 |
| 12 | 35,578 | | 1,032,126 | | 1,032,126 |
| 13 | 68,772 | | 1,946,426 | | 1,946,426 |
| 14 | 330,807 | | 10,134,658 | | 10,134,658 |
| 15 | 50 | | 1,905 | | 1,905 |
| 16 | 50,543 | | 1,762,150 | | 1,762,150 |
| 17 | 293,340 | | 9,273,741 | | 9,273,741 |
| 18 | 97,053 | | 3,096,229 | | 3,096,229 |
| 19 | 44,699 | | 1,359,873 | | 1,359,873 |
| 20 | 6,879 | | 212,467 | | 212,467 |
| 21 | 114,942 | | 3,427,671 | | 3,427,671 |
| 22 | 49,782 | | 1,509,147 | | 1,509,147 |
| 23 | 1,638 | | 53,251 | | 53,251 |
| | | | | | |
| | 6,673,757 | 54,429,546 | 237,765,986 | 0 | 292,195,532 |
| | 23,121 | 0 | 724,518 | 0 | 724,518 |
| | 1,094,083 | 0 | 33,809,644 | 0 | 33,809,644 |
| | 7,790,961 | 54,429,546 | 272,300,148 | 0 | 326,729,694 |

000009

| *USDA-RUS*<br><br>**OPERATING REPORT**<br><br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
|---|---|

**OPERATING REPORT SALES OF ELECTRICITY**

| Sale No | Comments |
|---|---|
| 1 | |
| 2 | |
| 3 | |
| 4 | |
| 5 | |
| 6 | |
| 7 | |
| 8 | |
| 9 | |
| 10 | |
| 11 | |
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| 23 | |
| | |

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USDA-RUS

# OPERATING REPORT

*INSTRUCTIONS - See RUS Bulletin 1717B-3*

BORROWER DESIGNATION
KY0062
PERIOD ENDED
December, 2009

## OPERATING REPORT PURCHASED POWER

| Purchase No. | Name Of Company or Public Authority (a) | Statistical Classification (b) | RUS Borrower Designation (c) | Average Monthly Billing Demand (MW) (d) | Actual Average Monthly NCP Demand (e) | Actual Average Monthly CP Demand () (f) |
|---|---|---|---|---|---|---|
| 1 | Associated Electric Coop, Inc (MO0073) | OS | MO0073 | | | |
| 2 | East Kentucky Power Coop, Inc (KY0059) | OS | KY0059 | | | |
| 3 | Southern Illinois Power Coop (IL0050) | OS | IL0050 | | | |
| 4 | Cargill-Alliant LLC | OS | | | | |
| 5 | Constellation Energy Commodities Group | OS | | | | |
| 6 | Domtar Paper Co. (KY) | SF | | | | |
| 7 | Eagle Energy Partners | OS | | | | |
| 8 | Henderson Munic Power & Light | RQ | | | | |
| 9 | LG&E Energy Marketing, Inc | RQ | | | | |
| 10 | Midwest Independent Transmission System Operator (IN) | OS | | | | |
| 11 | PJM Interconnection (PA) | OS | | | | |
| 12 | Reliant Energy Services, Inc | SF | | | | |
| 13 | Alcan Aluminum (KY) | OS | | | | |
| 14 | Southeastern Power Admin | LF | | | | |
| 15 | Southern Co. Services-Network Service | OS | | | | |
| 16 | The Energy Authority | OS | | | | |
| | Total for Distribution Borrowers | | | 0 | 0 | 0 |
| | Total for G&T Borrowers | | | 0 | 0 | 0 |
| | Total for Other | | | 0 | 0 | 0 |
| | Grand Total | | | 0 | 0 | 0 |

000011

USDA-RUS

# OPERATING REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-3

BORROWER DESIGNATION
KY0062

PERIOD ENDED
December, 2009

OPERATING REPORT PURCHASED POWER

| Purchase No | Electricity Purchased (MWh) (g) | Electricity Received (MWh) (h) | Electricity Delivered (MWh) (i) | Demand Charges (j) | Energy Charges (k) | Other Charges (l) | Total (j + k + l) (m) |
|---|---|---|---|---|---|---|---|
| 1 | 13,360 | | | | 519,945 | | 519,945 |
| 2 | 1,594 | | | | 92,759 | | 92,759 |
| 3 | 213,600 | | | | 8,353,650 | | 8,353,650 |
| 4 | 4,879 | | | | 198,390 | | 198,390 |
| 5 | 181 | | | | 6,550 | | 6,550 |
| 6 | 5,088 | | | | 279,840 | | 279,840 |
| 7 | 86 | | | | 4,266 | | 4,266 |
| 8 | 829,958 | | | | 23,747,674 | | 23,747,674 |
| 9 | 2,529,610 | | | | 51,591,885 | | 51,591,885 |
| 10 | 28,241 | | | | 1,445,264 | | 1,445,264 |
| 11 | 27,104 | | | | 1,075,809 | | 1,075,809 |
| 12 | 29,719 | | | | 2,064,729 | | 2,064,729 |
| 13 | 25,110 | | | | 783,221 | | 783,221 |
| 14 | 455,347 | | | | 8,900,491 | | 8,900,491 |
| 15 | 2,167 | | | | 113,097 | | 113,097 |
| 16 | 872 | | | | 41,406 | | 41,406 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 228,554 | 0 | 0 | 0 | 8,966,354 | 0 | 8,966,354 |
| | 3,938,362 | 0 | 0 | 0 | 90,252,642 | 0 | 90,252,642 |
| | 4,166,916 | 0 | 0 | 0 | 99,218,996 | 0 | 99,218,996 |

000012

| USDA-RUS<br><br>**OPERATING REPORT**<br><br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
|---|---|

**OPERATING REPORT PURCHASED POWER**

| Purchase No | Comments |
|---|---|
| 1 | |
| 2 | |
| 3 | |
| 4 | |
| 5 | |
| 6 | |
| 7 | |
| 8 | |
| 9 | |
| 10 | |
| 11 | |
| 12 | |
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| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITITES SERVICE<br>**OPERATING REPORT<br>SOURCES AND DISTRIBUTION OF ENERGY** | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 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.* |

| SOURCES OF ENERGY<br>(a) | NO. OF PLANTS<br>(b) | NAMEPLATE CAPACITY (kW)<br>(c) | NET ENERGY RECEIVED BY SYSTEM (MWh)<br>(d) | COST ($)<br>(e) |
|---|---|---|---|---|
| GENERATED IN OWN PLANT *(Details on Forms 12d, e, f, and g)*<br>1. Fossil Steam | 4 | 1,489,000 | 3,714,668 | 190,484,131 |
| 2. Nuclear | 0 | 0 | 0 | 0 |
| 3. Hydro | 0 | 0 | 0 | 0 |
| 4. Combined Cycle | 0 | 0 | 0 | 0 |
| 5. Internal Combustion | 1 | 70,000 | 877 | 676,101 |
| 6. Other | 0 | 0 | 0 | 0 |
| 7. TOTAL in Own Plant *(Sum of lines 1 thru 6)* | 5 | 1,559,000 | 3,715,545 | 191,160,232 |
| PURCHASED POWER<br>8. TOTAL PURCHASED POWER | | | 4,166,916 | 99,218,996 |
| INTERCHANGED POWER<br>9. Received Into System (Gross) | | | 870,976 | 0 |
| 10. Delivered Out of System (Gross) | | | 870,683 | 0 |
| 11. Net Interchange *(Line 9 minus 10)* | | | 293 | 0 |
| TRANSMISSION FOR OR BY OTHERS - (WHEELING)<br>12. Received Into System | | | 640,206 | 14,375,589 |
| 13. Delivered Out of System | | | 640,206 | 14,375,589 |
| 14. Net Energy Wheeled *(Line 12 minus 13)* | | | 0 | 0 |
| 15. TOTAL Energy Available for Sale (Sum of lines 7 + 8 + 11 + 14) | | | 7,882,754 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16. TOTAL Sales | | | 7,790,961 | |
| 17. Energy Furnished to Others Without Charge | | | 0 | |
| 18. Energy Used by Borrower *(Excluding Station Use)* | | | 0 | |
| 19. TOTAL Energy Accounted For *(Sum of lines 16 thru 18)* | | | 7,790,961 | |
| LOSSES<br>20. Energy Losses - MWh *(Line 15 minus 19)* | | | 91,793 | |
| 21. Energy Losses - Percentage ((Line 20 divided by line 15) * 100) | | | 1.16 % | |

RUS Form 12c

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>OPERATING REPORT -<br>STEAM PLANT | BORROWER DESIGNATION KY0062<br>PLANT Coleman<br>PERIOD ENDED December, 2009 |
|---|---|
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically<br>For detailed instructions, see Bulletin 1717B-3. | *This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.* |

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | 1 | 2 | 422,346.40 | 0.00 | 7,125.00 | | | 3,953 | | | 80 |
| 2. | 2 | 5 | 381,715.10 | | 7,271.40 | | | 3,840 | 37 | | 156 |
| 3. | 3 | 5 | 414,836.60 | | 11,723.30 | | | 3,824 | | | 209 |
| 4. | | | | | | | | | | | |
| 5. | | | | | | | | | | | |
| 6. | TOTAL | 12 | 1,218,898 | 0.00 | 26,119.70 | 0.00 | | 11,617 | 37 | 0 | 445 |
| 7. | Average BTU | | 11,529 | | 1,000.01 | | | | | | |
| 8. | Total BTU ($10^6$) | | 14,052,676.00 | | 26,120.00 | | 14,078,796 | | | | |
| 9. | Total Del. Cost ($) | | 32,475,148 | | 149,729.00 | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (kW) (m) | GROSS GEN. (MWh) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1. | 1 | 160,000 | 487,978.00 | |
| 2. | 2 | 160,000 | 434,176.00 | |
| 3. | 3 | 165,000 | 476,498.00 | |
| 4. | | | | |
| 5. | | | | |
| 6. | TOTAL | 485,000 | 1,398,652.00 | 10,066 |
| 7. | Station Service (MWh) | | 138,915.00 | |
| 8. | Net Generation (MWh) | | 1,259,737.00 | 11,175.98 |
| 9. | Station Service (%) | | 9.93 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 105 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | 92,182 |
| 4. | Oper. Plant Payroll ($) | 1,657,504 |
| 5. | Maint. Plant Payroll ($) | 1,051,948 |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | 2,709,452 |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | Load Factor (%) | 31.80% |
| 2. | Plant Factor (%) | 32.92% |
| 3. | Running Plant Capacity Factor (%) | 74.48% |
| 4. | 15 Minute Gross Maximum Demand (kW) | 502,016 |
| 5. | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10^6 BTU (c) |
|---|---|---|---|---|---|
| 1. | Operation, Supervision and Engineering | 500 | 837,258 | | |
| 2. | Fuel, Coal | 501.1 | 33,554,054 | | 2.38 |
| 3. | Fuel, Oil | 501.2 | | | |
| 4. | Fuel, Gas | 501.3 | 149,729 | | 5.73 |
| 5. | Fuel, Other | 501.4 | | | |
| 6. | **FUEL SUB-TOTAL** *(2 thru 5)* | 501 | 33,703,783 | 26.75 | 2.39 |
| 7. | Steam Expenses | 502 | 3,074,251 | | |
| 8. | Electric Expenses | 505 | 773,420 | | |
| 9. | Miscellaneous Steam Power Expenses | 506 | 857,124 | | |
| 10. | Allowances | 509 | | | |
| 11. | Rents | 507 | | | |
| 12. | **NON-FUEL SUB-TOTAL** *(1 + 7 thru 11)* | | 5,542,053 | 4.39 | |
| 13. | **OPERATION EXPENSE** *(6 + 12)* | | 39,245,836 | 31.15 | |
| 14. | Maintenance, Supervision and Engineering | 510 | 647,994 | | |
| 15. | Maintenance of Structures | 511 | 776,947 | | |
| 16. | Maintenance of Boiler Plant | 512 | 2,486,254 | | |
| 17. | Maintenance of Electric Plant | 513 | 243,308 | | |
| 18. | Maintenance of Miscellaneous Plant | 514 | 98,734 | | |
| 19. | **MAINTENANCE EXPENSE** *(14 thru 18)* | | 4,253,237 | 3.37 | |
| 20. | **TOTAL PRODUCTION EXPENSE** *(13 + 19)* | | 43,499,073 | 34.53 | |
| 21. | Depreciation | 403.1, 411.10 | 2,038,671 | | |
| 22. | Interest | 427 | 6,741,607 | | |
| 23. | **TOTAL FIXED COST** *(21 + 22)* | | 8,780,278 | 6.96 | |
| 24. | **POWER COST** *(20 + 23)* | | 52,279,351 | 41.50 | |

RUS Form 12d

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

OPERATING REPORT - STEAM PLANT

BORROWER DESIGNATION KY0062

PLANT Reid

PERIOD ENDED December, 2009

INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.

*This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.*

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | 1 | 3 | 1,823.00 | 33.39 | | | | 41 | 3,318 | | 674 |
| 2. | | | | | | | | | | | |
| 3. | | | | | | | | | | | |
| 4. | | | | | | | | | | | |
| 5. | | | | | | | | | | | |
| 6. | TOTAL | 3 | 1,823 | 33.39 | 0.00 | 0.00 | | 41 | 3,318 | 0 | 674 |
| 7. | Average BTU | | 12,201 | 137,975.44 | | | | | | | |
| 8. | Total BTU ($10^6$) | | 22,242.00 | 4,607 | | | 26,849 | | | | |
| 9. | Total Del. Cost ($) | | (131,090) | 64,268.00 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (kW) (m) | GROSS GEN. (MWh) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1. | 1 | 72,000 | 1,887.00 | |
| 2. | | | | |
| 3. | | | | |
| 4. | | | | |
| 5. | | | | |
| 6. | TOTAL | 72,000 | 1,887.00 | 14,228 |
| 7. | Station Service (MWh) | | 8,128.00 | |
| 8. | Net Generation (MWh) | | (6,241.00) | (4,302.03) |
| 9. | Station Service (%) | | 430.73 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 17 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | 14,925 |
| 4. | Oper. Plant Payroll ($) | 502,188 |
| 5. | Maint. Plant Payroll ($) | 200,442 |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | 702,630 |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | Load Factor (%) | 0.30% |
| 2. | Plant Factor (%) | 0.30% |
| 3. | Running Plant Capacity Factor (%) | 63.92% |
| 4. | 15 Minute Gross Maximum Demand (kW) | 71,700 |
| 5. | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10^6 BTU (c) |
|---|---|---|---|---|---|
| 1. | Operation, Supervision and Engineering | 500 | 196,064 | | |
| 2. | Fuel, Coal | 501.1 | (76,602) | | (3.44) |
| 3. | Fuel, Oil | 501.2 | 64,268 | | 13.95 |
| 4. | Fuel, Gas | 501.3 | | | |
| 5. | Fuel, Other | 501.4 | | | |
| 6. | **FUEL SUB-TOTAL** *(2 thru 5)* | 501 | (12,334) | 1.97 | (.45) |
| 7. | Steam Expenses | 502 | 214,241 | | |
| 8. | Electric Expenses | 505 | 133,556 | | |
| 9. | Miscellaneous Steam Power Expenses | 506 | 142,047 | | |
| 10. | Allowances | 509 | | | |
| 11. | Rents | 507 | | | |
| 12. | **NON-FUEL SUB-TOTAL** *(1 + 7 thru 11)* | | 685,908 | (109.90) | |
| 13. | **OPERATION EXPENSE** *(6 + 12)* | | 673,574 | (107.92) | |
| 14. | Maintenance, Supervision and Engineering | 510 | 113,620 | | |
| 15. | Maintenance of Structures | 511 | 47,993 | | |
| 16. | Maintenance of Boiler Plant | 512 | 382,702 | | |
| 17. | Maintenance of Electric Plant | 513 | 313,866 | | |
| 18. | Maintenance of Miscellaneous Plant | 514 | 24,292 | | |
| 19. | **MAINTENANCE EXPENSE** *(14 thru 18)* | | 882,473 | (141.39) | |
| 20. | **TOTAL PRODUCTION EXPENSE** *(13 + 19)* | | 1,556,047 | (249.32) | |
| 21. | Depreciation | 403.1, 411.10 | 182,562 | | |
| 22. | Interest | 427 | 911,907 | | |
| 23. | **TOTAL FIXED COST** *(21 + 22)* | | 1,094,469 | (175.36) | |
| 24. | **POWER COST** *(20 + 23)* | | 2,650,516 | (424.69) | |

RUS Form 12d

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>OPERATING REPORT -<br>STEAM PLANT | BORROWER DESIGNATION KY0062<br>PLANT Green<br>PERIOD ENDED December, 2009 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically.<br>For detailed instructions, see Bulletin 1717B-3. | *This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.* |

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | 1 | 5 | 728,855.20 | 251.72 | | | | 3,903 | | 49 | 81 |
| 2. | 2 | 6 | 754,801.90 | 81.99 | | | | 3,943 | | | 90 |
| 3. | | | | | | | | | | | |
| 4. | | | | | | | | | | | |
| 5. | | | | | | | | | | | |
| 6. | TOTAL | 11 | 1,483,657 | 333.71 | 0.00 | 0.00 | | 7,846 | 0 | 49 | 171 |
| 7. | Average BTU | | 11,716 | 138,000.05 | | | | | | | |
| 8. | Total BTU ($10^6$) | | 17,382,527.00 | 46,052 | | | 17,428,579 | | | | |
| 9. | Total Del. Cost ($) | | 28,232,837 | 695,218.00 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (kW) (m) | GROSS GEN. (MWh) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1. | 1 | 250,000 | 851,199.00 | |
| 2. | 2 | 242,000 | 863,240.00 | |
| 3. | | | | |
| 4. | | | | |
| 5. | | | | |
| 6. | TOTAL | 492,000 | 1,714,439.00 | 10,166 |
| 7. | Station Service (MWh) | | 159,128.00 | |
| 8. | Net Generation (MWh) | | 1,555,311.00 | 11,205.84 |
| 9. | Station Service (%) | | 9.28 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 108 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | 94,816 |
| 4. | Oper. Plant Payroll ($) | 2,255,405 |
| 5. | Maint. Plant Payroll ($) | 1,325,551 |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | 3,580,956 |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | Load Factor (%) | 40.00% |
| 2. | Plant Factor (%) | 39.78% |
| 3. | Running Plant Capacity Factor (%) | 88.83% |
| 4. | 15 Minute Gross Maximum Demand (kW) | 489,300 |
| 5. | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10^6 BTU (c) |
|---|---|---|---|---|---|
| 1. | Operation, Supervision and Engineering | 500 | 966,631 | | |
| 2. | Fuel, Coal | 501.1 | 29,050,571 | | |
| 3. | Fuel, Oil | 501.2 | 695,218 | | |
| 4. | Fuel, Gas | 501.3 | | | |
| 5. | Fuel, Other | 501.4 | | | |
| 6. | **FUEL SUB-TOTAL** *(2 thru 5)* | 501 | 29,745,789 | 19.13 | |
| 7. | Steam Expenses | 502 | 6,471,480 | | |
| 8. | Electric Expenses | 505 | 802,491 | | |
| 9. | Miscellaneous Steam Power Expenses | 506 | 836,312 | | |
| 10. | Allowances | 509 | | | |
| 11. | Rents | 507 | | | |
| 12. | **NON-FUEL SUB-TOTAL** *(1 + 7 thru 11)* | | 9,076,914 | 5.84 | |
| 13. | **OPERATION EXPENSE** *(6 + 12)* | | 38,822,703 | 24.96 | |
| 14. | Maintenance, Supervision and Engineering | 510 | 590,963 | | |
| 15. | Maintenance of Structures | 511 | 364,137 | | |
| 16. | Maintenance of Boiler Plant | 512 | 3,312,882 | | |
| 17. | Maintenance of Electric Plant | 513 | 444,544 | | |
| 18. | Maintenance of Miscellaneous Plant | 514 | 145,628 | | |
| 19. | **MAINTENANCE EXPENSE** *(14 thru 18)* | | 4,858,154 | 3.12 | |
| 20. | **TOTAL PRODUCTION EXPENSE** *(13 + 19)* | | 43,680,857 | 28.08 | |
| 21. | Depreciation | 403.1, 411.10 | 3,110,067 | | |
| 22. | Interest | 427 | 12,105,092 | | |
| 23. | **TOTAL FIXED COST** *(21 + 22)* | | 15,215,159 | 9.78 | |
| 24. | **POWER COST** *(20 + 23)* | | 58,896,016 | 37.87 | |

RUS Form 12d

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

# OPERATING REPORT - STEAM PLANT

BORROWER DESIGNATION KY0062

PLANT Wilson

PERIOD ENDED December, 2009

INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.

*This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.*

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | 1 | 8 | 889,130.30 | 472.00 | | | | 2,367 | | 1,462 | 204 |
| 2. | | | | | | | | | | | |
| 3. | | | | | | | | | | | |
| 4. | | | | | | | | | | | |
| 5. | | | | | | | | | | | |
| 6. | TOTAL | 8 | 889,130 | 472.00 | 0.00 | 0.00 | | 2,367 | 0 | 1,462 | 204 |
| 7. | Average BTU | | 11,561 | 138,000.00 | | | | | | | |
| 8. | Total BTU ($10^6$) | | 10,279,235.00 | 65,136 | | | 10,344,371 | | | | |
| 9. | Total Del. Cost ($) | | 15,216,170 | 870,507.00 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (kW) (m) | GROSS GEN. (MWh) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1. | 1 | 440,000 | 987,417.60 | |
| 2. | | | | |
| 3. | | | | |
| 4. | | | | |
| 5. | | | | |
| 6. | TOTAL | 440,000 | 987,417.60 | 10,476 |
| 7. | Station Service (MWh) | | 81,557.00 | |
| 8. | Net Generation (MWh) | | 905,861.00 | 11,419.38 |
| 9. | Station Service (%) | | 8.25 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 105 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | 92,182 |
| 4. | Oper. Plant Payroll ($) | 1,887,660 |
| 5. | Maint. Plant Payroll ($) | 1,583,418 |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | 3,471,078 |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | Load Factor (%) | 24.19% |
| 2. | Plant Factor (%) | 25.62% |
| 3. | Running Plant Capacity Factor (%) | 94.81% |
| 4. | 15 Minute Gross Maximum Demand (kW) | 466,000 |
| 5. | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10^6 BTU (c) |
|---|---|---|---|---|---|
| 1. | Operation, Supervision and Engineering | 500 | 562,452 | | |
| 2. | Fuel, Coal | 501.1 | 16,097,434 | | 1.56 |
| 3. | Fuel, Oil | 501.2 | 870,507 | | 13.36 |
| 4. | Fuel, Gas | 501.3 | | | |
| 5. | Fuel, Other | 501.4 | | | |
| 6. | **FUEL SUB-TOTAL** *(2 thru 5)* | 501 | 16,967,941 | 18.73 | 1.64 |
| 7. | Steam Expenses | 502 | 4,557,864 | | |
| 8. | Electric Expenses | 505 | 715,820 | | |
| 9. | Miscellaneous Steam Power Expenses | 506 | 1,228,161 | | |
| 10. | Allowances | 509 | | | |
| 11. | Rents | 507 | | | |
| 12. | **NON-FUEL SUB-TOTAL** *(1 + 7 thru 11)* | | 7,064,297 | 7.79 | |
| 13. | **OPERATION EXPENSE** *(6 + 12)* | | 24,032,238 | 26.52 | |
| 14. | Maintenance, Supervision and Engineering | 510 | 235,979 | | |
| 15. | Maintenance of Structures | 511 | 418,821 | | |
| 16. | Maintenance of Boiler Plant | 512 | 7,683,689 | | |
| 17. | Maintenance of Electric Plant | 513 | 5,785,196 | | |
| 18. | Maintenance of Miscellaneous Plant | 514 | 244,463 | | |
| 19. | **MAINTENANCE EXPENSE** *(14 thru 18)* | | 14,368,148 | 15.86 | |
| 20. | **TOTAL PRODUCTION EXPENSE** *(13 + 19)* | | 38,400,386 | 42.39 | |
| 21. | Depreciation | 403.1, 411.10 | 7,384,916 | | |
| 22. | Interest | 427 | 30,872,946 | | |
| 23. | **TOTAL FIXED COST** *(21 + 22)* | | 38,257,862 | 42.23 | |
| 24. | **POWER COST** *(20 + 23)* | | 76,658,248 | 84.62 | |

RUS Form 12d

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>OPERATING REPORT -<br>INTERNAL COMBUSTION PLANT | BORROWER DESIGNATION KY0062<br>PLANT Reid<br>PERIOD ENDED December, 2009 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically<br>For detailed instructions, see Bulletin 1717B-3 | *This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.* |

## SECTION A. INTERNAL COMBUSTION GENERATING UNITS

| LINE NO. | UNIT NO. (a) | SIZE (kW) (b) | FUEL CONSUMPTION: OIL (1000 Gals.) (c) | GAS (1000 C.F.) (d) | OTHER (e) | TOTAL (f) | OPERATING HOURS: IN SERVICE (g) | ON STANDBY (h) | OUT OF SERVICE Sche. (i) | Unsche. (j) | GROSS GENERATION (MWh) (k) | BTU PER kWh (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | 1 | 70,000 | 123.68 | | | | 25 | 3,859 | | 149 | 1,204 | |
| 2. | | | | | | | | | | | | |
| 3. | | | | | | | | | | | | |
| 4. | | | | | | | | | | | | |
| 5. | | | | | | | | | | | | |
| 6. | TOTAL | 70,000 | 123.68 | 0.00 | 0.00 | | 25 | 3,859 | 0 | 149 | 1,204 | 14,180.44 |
| 7. | Average BTU | | 138,001.56 | | | | STATION SERVICE (MWh) | | | | 327.00 | |
| 8. | Total BTU ($10^6$) | | 17,069.00 | | | 17,069.00 | NET GENERATION (MWh) | | | | 876.70 | 19,469.60 |
| 9. | Total Del. Cost ($) | | 249,463.00 | | | | STATION SERVICE % OF GROSS | | | | 27.16 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE | LINE NO. | ITEM | VALUE |
|---|---|---|---|---|---|
| 1. | No. Emp. Full Time (incl. Superintendent) | | 5. | Maint. Plant Payroll ($) | |
| 2. | No. Emp. Part Time | | 6. | Other Accounts Plant Payroll ($) | |
| 3. | Total Emp. - Hrs. Worked | | 7. | TOTAL Plant Payroll ($) | |
| 4. | Oper. Plant Payroll ($) | | | | |

## SECTION C. FACTORS & MAXIMUM DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | Load Factor (%) | 0.20% |
| 2. | Plant Factor (%) | 0.20% |
| 3. | Running Plant Capacity Factor (%) | 68.78% |
| 4. | 15 Min. Gross Max. Demand (kW) | 70,000 |
| 5. | Indicated Gross Max. Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10^6 BTU (c) |
|---|---|---|---|---|---|
| 1. | Operation, Supervision and Engineering | 546 | 0 | | |
| 2. | Fuel, Oil | 547.1 | 249,463 | | 14.61 |
| 3. | Fuel, Gas | 547.2 | 0 | | 0.00 |
| 4. | Fuel, Other | 547.3 | 0 | | 0.00 |
| 5. | Energy for Compressed Air | 547.4 | 0 | 0.00 | |
| 6. | **FUEL SUBTOTAL** *(2 thru 5)* | 547 | 249,463 | 284.54 | 14.61 |
| 7. | Generation Expenses | 548 | 12,196 | | |
| 8. | Miscellaneous Other Power Generation Expenses | 549 | 0 | | |
| 9. | Rents | 550 | 0 | | |
| 10. | **NON-FUEL SUBTOTAL** *(1 + 7 thru 9)* | | 12,196 | 13.91 | |
| 11. | **OPERATION EXPENSE** *(6 + 10)* | | 261,659 | 298.45 | |
| 12. | Maintenance, Supervision and Engineering | 551 | 0 | | |
| 13. | Maintenance of Structures | 552 | 0 | | |
| 14. | Maintenance of Generating and Electric Plant | 553 | 38,158 | | |
| 15. | Maintenance of Miscellaneous Other Power Generating Plant | 554 | 0 | | |
| 16. | **MAINTENANCE EXPENSE** *(12 thru 15)* | | 38,158 | 43.52 | |
| 17. | **TOTAL PRODUCTION EXPENSE** *(11 + 16)* | | 299,817 | 341.98 | |
| 18. | Depreciation | 553, 512 | 86,815 | | |
| 19. | Interest | 554, 513 | 289,469 | | |
| 20. | **TOTAL FIXED COST** *(18 + 19)* | | 376,284 | 429.20 | |
| 21. | **POWER COST** *(17 + 20)* | | 676,101 | 771.18 | |

*REMARKS (including Unscheduled Outages)*

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| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>OPERATING REPORT -<br>ANNUAL SUPPLEMENT | BORROWER DESIGNATION<br>KY0062<br><br>PERIOD ENDED<br>December, 2009 |
|---|---|
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically<br>For detailed instructions, see Bulletin 1717B-3 | *This data will be used to determine your financial situation. Your response is required (7 U.S.C 901 et seq.) and may be confidential.* |

## SECTION A. UTILITY PLANT

| ITEM | BALANCE BEGINNING OF YEAR (*a*) | ADDITIONS (*b*) | RETIREMENTS (*c*) | ADJUSTMENTS AND TRANSFERS (*d*) | BALANCE END OF YEAR (*e*) |
|---|---|---|---|---|---|
| 1. Total Intangible Plant (*301 thru 303*) | 66,895 | | | | 66,895 |
| 2. Total Steam Production Plant (*310 thru 317*) | 0 | 133,029,622 | 3,293,402 | 1,538,069,091 | 1,667,805,311 |
| 3. Total Nuclear Production Plant (*320 thru 326*) | 0 | | | | 0 |
| 4. Total Hydro Production Plant (*330 thru 337*) | 0 | | | | 0 |
| 5. Total Other Production Plant (*340 thru 347*) | 0 | | | 7,927,719 | 7,927,719 |
| 6. Total Production Plant (*2 thru 5*) | 0 | 133,029,622 | 3,293,402 | 1,545,996,810 | 1,675,733,030 |
| 7. Land and Land Rights (*350*) | 13,095,494 | 314,317 | | | 13,409,811 |
| 8. Structures and Improvements (*352*) | 6,536,641 | 5,029 | 1,432 | | 6,540,238 |
| 9. Station Equipment (*353*) | 107,922,449 | 120,432 | 2,438 | | 108,040,443 |
| 10. Other Transmission Plant (*354 thru 359.1*) | 84,116,266 | 5,081,451 | 30,743 | | 89,166,974 |
| 11. Total Transmission Plant (*7 thru 10*) | 211,670,850 | 5,521,229 | 34,613 | | 217,157,466 |
| 12. Land and Land Rights (*360*) | 0 | | | | 0 |
| 13. Structures and Improvements (*361*) | 0 | | | | 0 |
| 14. Station Equipment (*362*) | 0 | | | | 0 |
| 15. Other Distribution Plant (*363 thru 374*) | 0 | | | | 0 |
| 16. Total Distribution Plant (*12 thru 15*) | 0 | | | | 0 |
| 17. Total General Plant (*389 thru 399.1*) | 17,240,341 | 1,127,713 | 167,155 | | 18,200,899 |
| 18. Electric Plant in Service (*1 + 6 + 11 + 16 + 17*) | 228,978,086 | 139,678,564 | 3,495,170 | 1,545,996,810 | 1,911,158,290 |
| 19. Electric Plant Purchased or Sold (*102*) | 0 | | | | 0 |
| 20. Electric Plant Leased to Others (*104*) | 1,535,003,705 | 12,784,054 | 1,790,949 | (1,545,996,810) | 0 |
| 21. Electric Plant Held for Future Use (*105*) | 475,968 | | | | 475,968 |
| 22. Completed Construction Not Classified (*106*) | 19,129,242 | 352,888 | | | 19,482,130 |
| 23. Acquisition Adjustments (*114*) | 0 | | | | 0 |
| 24. Other Utility Plant (*118*) | 0 | | | | 0 |
| 25. Nuclear Fuel Assemblies (*120.1 thru 120.4*) | 0 | | | | 0 |
| 26. Total Utility Plant in Service (*18 thru 25*) | 1,783,587,001 | 152,815,506 | 5,286,119 | 0 | 1,931,116,388 |
| 27. Construction Work in Progress (*107*) | 8,185,240 | 47,071,607 | | | 55,256,847 |
| 28. Total Utility Plant (*26 + 27*) | 1,791,772,241 | 199,887,113 | 5,286,119 | 0 | 1,986,373,235 |

## SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT

| ITEM | COMP. RATE (%) (a) | BALANCE BEGINNING OF YEAR (*b*) | ANNUAL ACCRUALS (*c*) | RETIREMENTS LESS NET SALVAGE (*d*) | ADJUSTMENTS AND TRANSFERS (*e*) | BALANCE END OF YEAR (*f*) |
|---|---|---|---|---|---|---|
| 1. Depr. of Steam Prod. Plant (108.1) | 1.79 | 751,228,973 | 26,690,154 | 4,500,655 | | 773,418,472 |
| 2. Depr. of Nuclear Prod. Plant (108.2) | | 0 | | | | 0 |
| 3. Depr. of Hydraulic Prod. Plant (108.3) | | 0 | | | | 0 |
| 4. Depr. of Other Prod. Plant (108.4) | 2.40 | 5,228,941 | 189,972 | | | 5,418,913 |
| 5. Depr. of Transmission Plant (108.5) | 2.46 | 98,963,180 | 5,416,220 | 166,875 | | 104,212,525 |
| 6. Depr. of Distribution Plant (108.6) | | 0 | | | | 0 |
| 7. Depr. of General Plant (108.7) | | 5,871,523 | 401,545 | 158,307 | | 6,114,761 |
| 8. Retirement Work in Progress (108.8) | | (134,098) | | (10,423) | | (123,675) |
| 9. Total Depr. for Elec. Plant in Serv. (1-8) | | 861,158,519 | | | | 889,040,996 |
| 10. Depr. of Plant Leased to Others (109) | | 0 | | | | 0 |
| 11. Depr. of Plant Held for Future Use (110) | | 0 | | | | 0 |
| 12. Amort. of Elec. Plant in Service (111) | 1.86 | 17,915,076 | 1,727,124 | 583,696 | | 19,058,504 |
| 13. Amort. of Leased Plant (112) | | 0 | | | | 0 |
| 14. Amort. of Plant Held for Future Use | | 0 | | | | 0 |
| 15. Amort. of Acquisition Adj. (115) | | 0 | | | | 0 |
| 16. Depr. & Amort. Other Plant (119) | | 0 | | | | 0 |
| 17. Amort. of Nuclear Fuel (120.5) | | 0 | | | | 0 |
| 18. Total Prov. for Depr. & Amort. (9 - 17) | | 879,073,595 | 34,425,015 | 5,399,110 | | 908,099,500 |

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| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>OPERATING REPORT -<br>ANNUAL SUPPLEMENT | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
|---|---|
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3 | *This data will be used to determine your financial situation. Your response is required (7 U.S.C 901 et seq.) and may be confidential.* |

## SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT (*Continued*)

| | | |
|---|---|---|
| 19. Amount of Annual Accrual Charged to Expense $ 33,430,761 | 20. Amount of Annual Accrual Charged to Other Accounts $ 994,254 | 21. Book Cost of Property Retired $ 5,286,120 |
| 22. Removal Cost of Property Retired $ 121,839 | 23. Salvage Material from Property Retired $ 8,849 | 24. Renewal and Replacement Cost $ 8,723,425 |

## SECTION C. NONUTILITY PLANT

| ITEM | BALANCE BEGINNING OF YEAR (*a*) | ADDITIONS (*b*) | RETIREMENTS (*c*) | ADJUSTMENTS AND TRANSFERS (*d*) | BALANCE END OF YEAR (*e*) |
|---|---|---|---|---|---|
| 1. NONUTILITY PROPERTY (121) | | | | | |
| 2. PROVISION FOR DEPR. & AMORT. (122) | | | | | |

## SECTION D. DEMAND AND ENERGY AT POWER SOURCES

| MONTH | PEAK DEMAND (MW) (*a*) | MONTHLY PEAKS DATE (*b*) | TIME (*c*) | TYPE OF READING (*d*) | ENERGY OUTPUT (MWh) (e) |
|---|---|---|---|---|---|
| 1. JANUARY | 673 | 01/16/2009 | 7 | Coincident | 489,301 |
| 2. FEBRUARY | 547 | 02/20/2009 | 7 | Coincident | 445,772 |
| 3. MARCH | 545 | 03/03/2009 | 7 | Coincident | 461,206 |
| 4. APRIL | 443 | 04/06/2009 | 20 | Coincident | 440,459 |
| 5. MAY | 444 | 05/27/2009 | 19 | Coincident | 449,189 |
| 6. JUNE | 611 | 06/22/2009 | 17 | Coincident | 339,038 |
| 7. JULY | 1,312 | 07/09/2009 | 18 | Coincident | 648,997 |
| 8. AUGUST | 1,355 | 08/10/2009 | 17 | Coincident | 931,871 |
| 9. SEPTEMBER | 1,255 | 09/11/2009 | 17 | Coincident | 917,023 |
| 10. OCTOBER | 1,191 | 10/19/2009 | 7 | Coincident | 877,265 |
| 11. NOVEMBER | 1,250 | 11/30/2009 | 20 | Coincident | 843,783 |
| 12. DECEMBER | 1,340 | 12/16/2009 | 7 | Coincident | 978,850 |
| 13. ANNUAL PEAK | 1,355 | | | ANNUAL TOTAL | 7,822,754 |

## SECTION E. DEMAND AND ENERGY AT DELIVERY POINTS

| MONTH | DELIVERED TO RUS BORROWERS DEMAND (MW) (*a*) | ENERGY (MWh) (b) | DELIVERED TO OTHERS DEMAND (MW) (*c*) | ENERGY (MWh) (*d*) | TOTAL DELIVERED DEMAND (MW) (*e*) | ENERGY (MWh) (*f*) |
|---|---|---|---|---|---|---|
| 1. JANUARY | 859 | 443,701 | 798 | 42,387 | 1,657 | 486,088 |
| 2. FEBRUARY | 768 | 372,491 | 965 | 68,884 | 1,733 | 441,375 |
| 3. MARCH | 882 | 346,972 | 1,387 | 107,771 | 2,269 | 454,743 |
| 4. APRIL | 738 | 298,569 | 1,489 | 135,187 | 2,227 | 433,756 |
| 5. MAY | 638 | 291,566 | 1,734 | 151,357 | 2,372 | 442,923 |
| 6. JUNE | 782 | 338,753 | 1,153 | 56,006 | 1,935 | 394,759 |
| 7. JULY | 1,396 | 556,506 | 1,327 | 82,800 | 2,723 | 639,306 |
| 8. AUGUST | 1,405 | 810,511 | 986 | 110,875 | 2,391 | 921,386 |
| 9. SEPTEMBER | 1,528 | 787,745 | 929 | 120,376 | 2,457 | 908,121 |
| 10. OCTOBER | 1,260 | 803,346 | 870 | 64,380 | 2,130 | 867,726 |
| 11. NOVEMBER | 1,247 | 786,233 | 771 | 46,629 | 2,018 | 832,862 |
| 12. DECEMBER | 1,505 | 860,485 | 886 | 107,431 | 2,391 | 967,916 |
| 13. PEAK OR TOTAL | 1,528 | 6,696,878 | 1,734 | 1,094,083 | 2,723 | 7,790,961 |

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| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
|---|---|

**SECTION F: Part I. INVESTMENTS**

| No | DESCRIPTION (a) | INCLUDED ($) (b) | EXCLUDED ($) (c) | INCOME OR LOSS ($) (d) | RURAL DEVELOPMENT (e) |
|---|---|---|---|---|---|
| 2 | **Investments in Associated Organizations** | | | | |
| | United Utility Supply Capital | 31,773 | | | |
| | KY Assn for Electric Coops Capital Credit | 15,006 | | | |
| | Jackson Purchase Capital Credit | | 3,611 | | |
| | Kenergy Capital Credit | | 16,633 | | |
| | Meade County Capital Credit | | 828 | | |
| | Rural Cooperatives Credit Union Deposit | 5 | | | |
| | Touchstone Energy (NRECA) Capital Credit | 1,742 | | | |
| | CoBank Capital Credit | | 3,475,487 | | |
| | NRUCFC | | 2,039 | | |
| | Cooperative Membership Fees | 2,280 | | | |
| | ACES Power Marketing Membership Fees | 678,000 | | | |
| | Federated Rural Electric Insurance Exchange Capital Credit | 4,713 | 28,779 | | |
| | National Renewables Cooperative Organization Capital Credit | | 584 | | |
| | Totals | 733,519 | 3,527,961 | | |
| 3 | **Investments in Economic Development Projects** | | | | |
| | Breckinridge Co. Development Corp Stock | 5,000 | | | X |
| | Hancock Co. Industrial Foundation Stock | 5,000 | | | X |
| | Totals | 10,000 | | | |
| 4 | **Other Investments** | | | | |
| | Southern States Coop Capital Credit | 5,334 | | | X |
| | Totals | 5,334 | | | |
| 5 | **Special Funds** | | | | |
| | Other Special Funds - Deferred Compensation | | 93,835 | | |
| | Other Special Funds - Economic Reserve | 24,852,034 | 122,759,733 | | |
| | Other Special Funds - Rual Economic Reserve | 271,849 | 60,305,990 | | |
| | Other Special Funds - Transition Reserve | 62,168 | 34,972,918 | | |
| | Other Special Funds - Station Two O & M Fund | 150,000 | 250,000 | | |
| | Other Special Funds- RUS Counsel - Unwind | 101,226 | | | |
| | Other Special Funds - Maritime Communications Escrow | | 58,742 | | |
| | Totals | 25,437,277 | 218,441,218 | | |
| 6 | **Cash - General** | | | | |
| | General Fund | | 1,736 | | |
| | Right Of Way Fund | | 946 | | |
| | Cash-Oracle A/P Clearing | | 237,132 | | |
| | Working Fund | 3,725 | | | |
| | Totals | 3,725 | 239,814 | | |
| 7 | **Special Deposits** | | | | |
| | TVA Transmission Reservation | 571,739 | | | |
| | Totals | 571,739 | | | |
| 8 | **Temporary Investments** | | | | |
| | Fidelity-US Treasury Only (#2014) | | 59,701,883 | | |
| | PNC Bank Floaters | 185,000 | | | |
| | Totals | 185,000 | 59,701,883 | | |
| 9 | **Accounts and Notes Receivable - NET** | | | | |
| | Accts Receivable-Employees-Other | 447 | | | |
| | Accts Receivable-Employees-Computer Assist Program | 10,643 | | | |
| | Accts Receivable-Other-Oracle | 6,942 | | | |
| | Accts Receivable-Employees-Computer Assist Program-Oracle | 14,195 | | | |

| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
|---|---|

**SECTION F: Part I. INVESTMENTS**

| | | | | | |
|---|---|---|---|---|---|
| | Other Accts Receivable-Misc | 3,760,482 | | | |
| | Accts Receivable-HMP&L Sta Two Operation | 1,204 | | | |
| | Accts Receivable-LG&E Lease | 68,814 | | | |
| | Accts Receivable-E.On-US-Unwind | 1,073,779 | | | |
| | Accts Receivable HMP&L Litigation | 44,965 | | | |
| | Accts Receivable-HMP&L LEM | 196,436 | | | |
| | Accts Receivable-Misc LEM | 103,688 | | | |
| | Totals | 5,281,595 | | | |
| 11 | TOTAL INVESTMENTS (1 thru 10) | 32,228,189 | 281,910,878 | | |

000023

| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
|---|---|

**SECTION F: PART II. LOAN GUARANTEES**

| No | ORGANIZATION (a) | MATURITY DATE (b) | ORIGINAL AMOUNT ($) (c) | LOAN BALANCE ($) (d) | RURAL DEVELOPMENT (e) |
|---|---|---|---|---|---|
| | Total | | | | |
| | TOTAL (Included Loan Guarantees Only) | | | | |

000024

| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
|---|---|

**SECTION F: Part III. RATIO**

| | |
|---|---|
| RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT<br>[Total Of Included Investments (Part I, 11b) and Loan Guarantees - Loan Balance (Part II, 5d) to Total Utility Plant (Form12a, Section B, Line3)] | 1.62 % |

**SECTION F: PART IV. LOANS**

| No | ORGANIZATION (a) | MATURITY DATE (b) | ORIGINAL AMOUNT ($) (c) | LOAN BALANCE ($) (d) | RURAL DEVELOPMENT (e) |
|---|---|---|---|---|---|
| | Total | | | | |

000025

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>**OPERATING REPORT -<br>ANNUAL SUPPLEMENT** | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
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**SECTION G. MATERIALS AND SUPPLIES INVENTORY**

| ITEM | BALANCE BEGINNING OF YEAR<br>(*a*) | PURCHASED & SALVAGED<br>(*b*) | USED & SOLD<br>(*c*) | BALANCE END OF YEAR<br>(*d*) |
|---|---|---|---|---|
| 1. Coal | 0 | 109,618,428 | 85,122,386 | 24,496,042 |
| 2. Other Fuel | 0 | 23,494,131 | 10,160,529 | 13,333,602 |
| 3. Production Plant Parts and Supplies | 0 | 20,732,328 | 3,275,262 | 17,457,066 |
| 4. Station Transformers and Equipment | 0 | | | 0 |
| 5. Line Materials and Supplies | 756,008 | 384,739 | 398,958 | 741,789 |
| 6. Other Materials and Supplies | 0 | 8,889,729 | 6,676,046 | 2,213,683 |
| 7. TOTAL (*Sum of lines 1 thru 6*) | 756,008 | 163,119,355 | 105,633,181 | 58,242,182 |

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| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
|---|---|

**SECTION H. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS**

| No | ITEM | BALANCE END OF YEAR (a) | INTEREST (Billed This Year) (b) | PRINCIPAL (Billed This Year) (c) | TOTAL (Billed This Year) (d) |
|---|---|---|---|---|---|
| 1 | RUS (Excludes RUS - Economic Development Loans) | 706,451,745 | 38,156,278 | 168,666,404 | 206,822,682 |
| 2 | National Rural Utilities Cooperative Finance Corporation | 0 | 0 | 0 | 0 |
| 3 | Bank for Cooperatives | 0 | 0 | 0 | 0 |
| 4 | Federal Financing Bank | 0 | 0 | 0 | 0 |
| 5 | RUS - Economic Development Loans | 0 | 0 | 0 | 0 |
| 6 | Payments Unapplied | 0 | | | |
| 7 | Ohio County Kentucky Bonds-Series 1983 | 58,800,000 | 3,456,034 | 0 | 3,456,034 |
| 8 | Ohio County Kentucky Bonds-Series 2001A | 83,300,000 | 9,631,944 | 0 | 9,631,944 |
| 9 | LEM Settlement Promissory Note | 0 | 693,248 | 15,657,976 | 16,351,224 |
| 10 | PMCC Promissory Note | 0 | 572,919 | 12,380,000 | 12,952,919 |
| | Total | 848,551,745 | 52,510,423 | 196,704,380 | 249,214,803 |

000027

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| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>**OPERATING REPORT - ANNUAL SUPPLEMENT** | BORROWER DESIGNATION<br>KY0062<br><br>PERIOD ENDED<br>December, 2009 |
|---|---|
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**SECTION I. ANNUAL MEETING AND BOARD DATA**

| | | | |
|---|---|---|---|
| 1. Date of Last Annual Meeting<br>9/17/2009 | 2. Total Number of Members<br>3 | 3. Number of Members Present at Meeting<br>3 | 4. Was Quorum Present?<br>Yes |
| 5. Number of Members Voting by Proxy or Mail<br>0 | 6. Total Number of Board Members<br>6 | 7. Total Amount of Fees and Expenses for Board Members<br>$ 178,796 | 8. Does Manager Have Written Contract?<br>Yes |

**SECTION J. MAN-HOUR AND PAYROLL STATISTICS**

| | | | |
|---|---|---|---|
| 1. Number of Full Time Employees | 598 | 4. Payroll Expensed | 25,803,349 |
| 2. Man-Hours Worked - Regular Time | 564,816 | 5. Payroll Capitalized | 322,626 |
| 3. Man-Hours Worked - Overtime | 78,793 | 6. Payroll Other | 782,459 |

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| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
|---|---|

**SECTION K. LONG-TERM LEASES**

| No | NAME OF LESSER (a) | TYPE OF PROPERTY (b) | RENTAL THIS YEAR (c) |
|---|---|---|---|
| 1 | Louisville Gas & Electric | Interconnect Facilities-Cloverport Sub | 21,111 |
| | Total | | 21,111 |

000029

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>**OPERATING REPORT - LINES AND STATIONS** | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>December, 2009 |
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## SECTION A. EXPENSE AND COSTS

| ITEM | ACCOUNT NUMBER | LINES (a) | STATIONS (b) |
|---|---|---|---|
| **TRANSMISSION OPERATION** | | | |
| 1. Supervision and Engineering | 560 | 500,448 | 416,718 |
| 2. Load Dispatching | 561 | 1,587,750 | |
| 3. Station Expenses | 562 | | 1,073,841 |
| 4. Overhead Line Expenses | 563 | 1,067,037 | |
| 5. Underground Line Expenses | 564 | | |
| 6. Miscellaneous Expenses | 566 | 231,518 | 276,091 |
| 7. **SUBTOTAL** *(1 thru 6)* | | 3,386,753 | 1,766,650 |
| 8. Transmission of Electricity by Others | 565 | 3,078,600 | |
| 9. Rents | 567 | | 24,701 |
| 10. **TOTAL TRANSMISSION OPERATION** *(7 thru 9)* | | 6,465,353 | 1,791,351 |
| **TRANSMISSION MAINTENANCE** | | | |
| 11. Supervision and Engineering | 568 | 318,117 | 370,345 |
| 12. Structures | 569 | | 10,587 |
| 13. Station Equipment | 570 | | 1,855,415 |
| 14. Overhead Lines | 571 | 2,572,695 | |
| 15. Underground Lines | 572 | | |
| 16. Miscellaneous Transmission Plant | 573 | 43,390 | 55,048 |
| 17. **TOTAL TRANSMISSION MAINTENANCE** *(11 thru 16)* | | 2,934,202 | 2,291,395 |
| 18. **TOTAL TRANSMISSION EXPENSE** *(10 + 17)* | | 9,399,555 | 4,082,746 |
| 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)* | | 9,399,555 | 4,082,746 |
| **FIXED COSTS** | | | |
| 23. Depreciation - Transmission | 403.5 | 2,559,957 | 2,856,263 |
| 24. Depreciation - Distribution | 403.6 | | |
| 25. Interest - Transmission | 427 | 3,634,616 | 4,671,297 |
| 26. Interest - Distribution | 427 | | |
| 27. **TOTAL TRANSMISSION** *(18 + 23 + 25)* | | 15,594,128 | 11,610,306 |
| 28. **TOTAL DISTRIBUTION** *(21 + 24 + 26)* | | | |
| 29. **TOTAL LINES AND STATIONS** *(27 + 28)* | | 15,594,128 | 11,610,306 |

## SECTION B. FACILITIES IN SERVICE

| TRANSMISSION LINES | | SUBSTATIONS | |
|---|---|---|---|
| VOLTAGE (kV) | MILES | TYPE | CAPACITY (kVA) |
| 1. 69 KV | 826.63 | 13. Distr. Lines | |
| 2. 345 KV | 68.40 | | |
| 3. 161 KV | 349.63 | 14. **TOTAL** *(12 + 13)* | 1,259.06 |
| 4. 138 KV | 14.40 | | |
| 5. | | 15. Stepup at Generating Plants | 1,879,800 |
| 6. | | | |
| 7. | | 16. Transmission | 3,540,000 |
| 8. | | | |
| 9. | | 17. Distribution | |
| 10. | | | |
| 11. | | 18. **TOTAL** *(15 thru 17)* | 5,419,800 |
| 12. **TOTAL** *(1 thru 11)* | 1,259.06 | | |

## SECTION C. LABOR AND MATERIAL SUMMARY

| ITEM | LINES | STATIONS |
|---|---|---|
| 1. NUMBER OF EMPLOYEES | | 46 |
| 2. Oper. Labor | 2,195,579 | 1,084,790 |
| 3. Maint. Labor | 1,249,307 | 1,703,955 |
| 4. Oper. Material | | |
| 5. Maint. Material | | |

## SECTION D. OUTAGES

| | |
|---|---|
| 1. TOTAL | 6,036,242.80 |
| 2. Avg. No. Dist. Cons. Served | 111,944.00 |
| 3. Avg. No. Hours Out Per Cons. | 53.90 |

# RUS Form 12 – January 2010

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE | BORROWER DESIGNATION KY0062 |
| **OPERATING REPORT - FINANCIAL** | PERIOD ENDED<br>January, 2010 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3. | BORROWER NAME<br>Big Rivers Electric Corporation |
| *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.* | |

**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.

Mark A. Bailey

3/16/10
DATE

RUS Form 12

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED January, 2010 |
|---|---|
| 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 | 19,835,464 | 46,299,505 | 44,779,364 | 46,299,505 |
| 2. Income From Leased Property (Net) | 2,557,815 | | | |
| 3. Other Operating Revenue and Income | 1,290,971 | 1,152,998 | 623,458 | 1,152,998 |
| 4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)* | 23,684,250 | 47,452,503 | 45,402,822 | 47,452,503 |
| 5. Operating Expense - Production - Excluding Fuel | | 4,018,115 | 4,754,228 | 4,018,115 |
| 6. Operating Expense - Production - Fuel | | 19,108,102 | 14,798,674 | 19,108,102 |
| 7. Operating Expense - Other Power Supply | 12,139,064 | 8,417,675 | 9,323,621 | 8,417,675 |
| 8. Operating Expense - Transmission | 579,951 | 605,356 | 700,134 | 605,356 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 49,588 | 40,729 | 71,305 | 40,729 |
| 12. Operating Expense - Sales | (353) | 7,180 | 30,066 | 7,180 |
| 13. Operating Expense - Administrative & General | 1,498,186 | 2,037,484 | 2,873,260 | 2,037,484 |
| 14. **TOTAL OPERATION EXPENSE** *(5 thru 13)* | 14,266,436 | 34,234,641 | 32,551,288 | 34,234,641 |
| 15. Maintenance Expense - Production | | 2,110,529 | 2,316,658 | 2,110,529 |
| 16. Maintenance Expense - Transmission | 331,572 | 207,822 | 351,802 | 207,822 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 11,696 | 14,946 | 7,835 | 14,946 |
| 19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)* | 343,268 | 2,333,297 | 2,676,295 | 2,333,297 |
| 20. Depreciation and Amortization Expense | 466,891 | 2,830,055 | 2,880,607 | 2,830,055 |
| 21. Taxes | 92,161 | | 20,769 | |
| 22. Interest on Long-Term Debt | 5,973,510 | 4,234,969 | 4,153,262 | 4,234,969 |
| 23. Interest Charged to Construction - Credit | (13,895) | (18,627) | (21,855) | (18,627) |
| 24. Other Interest Expense | 137 | | | |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | 342,263 | 4,539 | 4,549 | 4,539 |
| 27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)* | 21,470,771 | 43,618,874 | 42,264,915 | 43,618,874 |
| 28. **OPERATING MARGINS** *(4 less 27)* | 2,213,479 | 3,833,629 | 3,137,907 | 3,833,629 |
| 29. Interest Income | 15,724 | 28,771 | 36,819 | 28,771 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | | 2,378 | | 2,378 |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | | | | |
| 35. Extraordinary Items | | | | |
| 36. **NET PATRONAGE CAPITAL OR MARGINS** (28 thru 35) | 2,229,203 | 3,864,778 | 3,174,726 | 3,864,778 |

RUS Form 12a

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**OPERATING REPORT - FINANCIAL**

BORROWER DESIGNATION KY0062

PERIOD ENDED January, 2010

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 | 1,931,225,164 | 32. Memberships | 75 |
| 2. Construction Work in Progress | 56,477,225 | 33. Patronage Capital | |
| 3. **TOTAL UTILITY PLANT** *(1 + 2)* | 1,987,702,389 | a Assigned and Assignable | |
| 4. Accum. Provision for Depreciation and Amort. | 911,082,474 | b Retired This year<br>c Retired Prior years | |
| 5. **NET UTILITY PLANT** *(3 - 4)* | 1,076,619,915 | d Net Patronage Capital | |
| 6. Non-Utility Property (Net) | | 34. Operating Margins - Prior Years | (251,616,737) |
| 7. Investments in Subsidiary Companies | | 35. Operating Margin - Current Year | 3,833,629 |
| 8. Invest. in Assoc. Org. - Patronage Capital | 3,576,488 | 36. Non-Operating Margins | 636,155,776 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 | 37. Other Margins and Equities | (5,116,423) |
| | | 38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)* | 383,256,320 |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | | 39. Long-Term Debt - RUS (Net) | 678,538,990 |
| 11. Investments in Economic Development Projects | 10,000 | 40. Long-Term Debt - FFB - RUS Guaranteed | |
| | | 41. Long-Term Debt - Other - RUS Guaranteed | |
| 12. Other Investements | 5,334 | 42. Long-Term Debt - Other (Net) | 142,100,000 |
| 13. Special Funds | 241,034,574 | 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)* | 245,311,389 | 44. Payments - Unapplied | |
| | | 45. **TOTAL LONG-TERM DEBT** *(39 thru 43 - 44)* | 820,638,990 |
| 15. Cash - General Funds | 38,650 | 46. Obligations Under Capital Leases - Noncurrent | |
| 16. Cash - Construction Funds - Trustee | | | |
| 17. Special Deposits | 571,756 | 47. Accumulated Operating Provisions and Asset Retirement Obligations | 17,177,991 |
| 18. Temporary Investments | 30,208,892 | | |
| 19. Notes Receivable (Net) | | 48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46 +47)* | 17,177,991 |
| 20. Accounts Receivable - Sales of Energy (Net) | 43,362,162 | 49. Notes Payable | |
| 21. Accounts Receivable - Other (Net) | 5,682,924 | 50. Accounts Payable | 22,664,448 |
| 22. Fuel Stock | 33,698,877 | 51. Current Maturities Long-Term Debt | 6,976,369 |
| 23. Materials and Supplies - Other | 20,343,640 | 52. Current Maturities Long-Term Debt - Rural Development | |
| 24. Prepayments | 5,628,052 | | |
| 25. Other Current and Accrued Assets | 1,165,987 | 53. Current Maturities Capital Leases | |
| 26. **TOTAL CURRENT AND ACCRUED ASSESTS** *(15 thru 25)* | 140,700,940 | 54. Taxes Accrued | 510,514 |
| | | 55. Interest Accrued | 3,626,034 |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 922,919 | 56. Other Current and Accrued Liabilities | 9,807,865 |
| 28. Regulatory Assets | | 57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)* | 43,585,230 |
| 29. Other Deferred Debits | 5,344,549 | | |
| 30. Accumulated Deferred Income Taxes | | 58. Deferred Credits | 204,241,181 |
| 31. **TOTAL ASSESTS AND OTHER DEBITS** *(5+14+26 thru 30)* | 1,468,899,712 | 59. Accumulated Deferred Income Taxes | |
| | | 60. **TOTAL LIABILITES AND OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)* | 1,468,899,712 |

RUS Form 12a

| USDA-RUS<br><br>**FINANCIAL AND STATISTICAL REPORT**<br><br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>January, 2010 |
|---|---|

**SECTION C. Notes to Financial Statements**

## Footnote to RUS Form 12b SE

Kenergy "LF" Contract termination date is March 31, 2011.

RUS Form 12b SE
Operating Report
Sales of Electricity

01/31/10
Page1

| 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 | 145 | 153 | 144 |
| 3 | Meade County Rural ECC | RQ | KY0018 | 119 | 123 | 119 |
| 4 | Kenergy Corporation | RQ | KY0065 | 394 | 409 | 414 |
| 5 | Kenergy Corporation | IF | KY0065 | | | |
| 6 | Kenergy Corporation | LF | KY0065 | | | |
| 7 | | | | | | |
| 8 | Associated Electric Coop | OS | MO0073 | | | |
| 9 | East Kentucky Power Coop | OS | KY0059 | | | |
| 10 | Oglethorpe Power | OS | GA0109 | | | |
| 11 | PowerSouth Energy Coop | OS | AL0042 | | | |
| 12 | | | | | | |
| 13 | Cargill-Alliant | OS | | | | |
| 14 | Constellation Power Source | OS | | | | |
| 15 | EDF Trading North America | OS | | | | |
| 16 | Henderson Municipal Power & Light | OS | | | | |
| 17 | LG&E Energy Marketing | OS | | | | |
| 18 | Midwest Independent Trans. | OS | | | | |
| 19 | PJM Interconnection | OS | | | | |
| 20 | Southern Company Services | OS | | | | |
| 21 | Tenaska Power Services | OS | | | | |
| 22 | Tennessee Valley Authority | OS | | | | |
| 23 | The Energy Authority | OS | | | | |
| 24 | Westar Energy, Inc. | OS | | | | |

| | | | (d) | (e) | (f) |
|---|---|---|---|---|---|
| Total for Ultimate Consumer(s) | | | 0 | 0 | 0 |
| Total for Distribution Borrowers | | | 658 | 685 | 677 |
| Total for G&T Borrowers | | | 0 | 0 | 0 |
| Total for Others | | | 0 | 0 | 0 |
| Grand Total | | | 658 | 685 | 677 |

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

**01/31/10**
**Page 2**

| Sale No. | Electricity Sold (g) | Revenue Demand (h) | Revenue Energy (I) | Revenue Other (j) | Revenue Total (h+I+j+k) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | 72,561 | 1,078,518 | 2,099,732 | | 3,178,250 |
| 3 | 59,035 | 877,015 | 1,714,510 | | 2,591,525 |
| 4 | 206,725 | 3,313,114 | 5,513,826 | | 8,826,940 |
| 5 | 7,539 | | 299,108 | | 299,108 |
| 6 | 543,408 | | 23,554,949 | | 23,554,949 |
| 7 | | | | | |
| 8 | 1,536 | | 48,807 | | 48,807 |
| 9 | 3,744 | | 247,104 | | 247,104 |
| 10 | 1,876 | | 88,992 | | 88,992 |
| 11 | 3,000 | | 108,400 | | 108,400 |
| 12 | | | | | |
| 13 | 18,576 | | 991,916 | | 991,916 |
| 14 | 11,155 | | 456,347 | | 456,347 |
| 15 | 17,292 | | 884,220 | | 884,220 |
| 16 | - | | - | | - |
| 17 | - | | - | | - |
| 18 | 62,956 | | 2,672,361 | | 2,672,361 |
| 19 | 13,089 | | 463,263 | | 463,263 |
| 20 | 845 | | 48,700 | | 48,700 |
| 21 | 859 | | 32,272 | | 32,272 |
| 22 | 33,750 | | 1,664,765 | | 1,664,765 |
| 23 | 2,576 | | 141,586 | | 141,586 |
| 24 | - | | - | | - |

| | | | | |
|---|---|---|---|---|
| - | - | - | - | - |
| 889,268 | 5,268,647 | 33,182,125 | - | 38,450,772 |
| 10,156 | - | 493,303 | - | 493,303 |
| 161,098 | - | 7,355,430 | - | 7,355,430 |
| 1,060,522 | 5,268,647 | 41,030,858 | - | 46,299,505 |

000009

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**01/31/10**
**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 | Constellation Energy Commodities | OS | | | | |
| 4 | EDF Trading North America | OS | | | | |
| 5 | Henderson Municipal Power & Light | RQ | | | | |
| 6 | LG&E/KU | RQ | | | | |
| 7 | Midwest Independent Trans. Sys. Op. | OS | | | | |
| 8 | PJM Interconnection | OS | | | | |
| 9 | RRI Energy Services | SF | | | | |
| 10 | Smelters | OS | | | | |
| 11 | Southeastern Power Admin | LF | | | | |

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

**RUS Form 12b PP** **01/31/10**
**Operating Report** **Page 2**
**Purchased Power**

| Purch No. | Electricity Purchased (g) | Power Echanges Electricity Received (h) | Power Echanges Electricity Delivered (I) | Revenue Demand (j) | Revenue Energy (k) | Revenue Other (l) | Revenue Total (j+k+l) |
|---|---|---|---|---|---|---|---|
| 1 | 2,520 | | | | 98,280 | | 98,280 |
| 2 | | | | | | | |
| 3 | 70 | | | | 2,590 | | 2,590 |
| 4 | 540 | | | | 19,710 | | 19,710 |
| 5 | 139,653 | | | | 4,549,698 | | 4,549,698 |
| 6 | 183 | | | | 9,653 | | 9,653 |
| 7 | 11,633 | | | | 667,261 | | 667,261 |
| 8 | 4,750 | | | | 265,855 | | 265,855 |
| 9 | 7,310 | | | | 389,658 | | 389,658 |
| 10 | 570 | | | | 19,849 | | 19,849 |
| 11 | 41,848 | | | | 791,151 | | 791,151 |

| | | | | | | |
|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - |
| 2,520 | - | - | - | 98,280 | - | 98,280 |
| 206,557 | - | - | - | 6,715,425 | - | 6,715,425 |
| 209,077 | - | - | - | 6,813,705 | - | 6,813,705 |

000011

**RUS Form 12c** **01/31/10**
**Operating Report**
**Sources and Distribution of Energy**

| 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 | 4 | 1,379,000 | 864,957 | 31,131,882 |
| 2 Nuclear | | | | |
| 3 Hydro | | | | |
| 4 Combined Cycle | | | | |
| 5 Internal Combustion | 1 | 65,000 | (55) | 44,235 |
| 6 Other | | | | |
| 7 TOTAL In Own Plant (Sum of lines 1 thru 6) | 5 | | 864,902 | 31,176,117 |
| PURCHASED POWER | | | | |
| 8 Total Purchased Power | | | 209,077 | 6,813,705 |
| INTERCHANGED POWER | | | | |
| 9 Received into System | | | 302,538 | |
| 10 Delivered Out of System | | | 301,456 | |
| 11 Net Interchange | | | 1,082 | |
| 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) | | | 1,075,061 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16 TOTAL Sales | | | 1,060,522 | |
| 17 Energy Furnished to Others Without Charge | | | | |
| 18 Energy Used by Borrower | | | | |
| 19 TOTAL Energy Accounted For (Sum of lines 16 thru 18) | | | 1,060,522 | |
| LOSSES | | | | |
| 20 Energy Losses - MWh (Line 15 minus 19) | | | 14,539 | |
| 21 Energy Losses - Percentage ((Line 20 divided by line 15)*100) | | | 1.35 | |

RUS Form 12d 1/31/2010
Operating Report
Steam Plant Coleman

**SECTION A. BOILERS/TURBINES**

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | - | 88,903.8 | | 1,401.0 | | | 744.0 | - | - | - |
| 2 | 2 | 2 | 79,532.7 | | 2,485.0 | | | 698.8 | - | - | 45.2 |
| 3 | 3 | 1 | 92,417.4 | | 2,212.0 | | | 734.8 | - | - | 9.2 |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 3 | 260,853.9 | | 6,098.0 | | | 2,177.6 | - | - | 54.4 |
| 7 | AVERAGE BTU | | 11,288 | | 1,000 | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 2,944,519 | | 6,098 | | 2,950,617 | | | | |
| 9 | Total Del. Cost ($) | | 6,999,140 | | 33,345 | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 160,000 | 100,294.0 | |
| 2 | 2 | 160,000 | 88,626.0 | |
| 3 | 3 | 165,000 | 103,610.0 | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 485,000 | 292,530.0 | 10,087 |
| 7 | Station Service (MWh) | | 26,490.0 | |
| 8 | Net Generation (MWh) | | 266,040.0 | 11,091 |
| 9 | Station Service (%) | | 9.06 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 105 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 80.83 |
| 2 | Plant Factor (%) | 81.07 |
| 3 | Running Plant Capacity Factor (%) | 83.08 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 128,131 | | |
| 2 | Fuel, Coal | 501.1 | 7,143,635 | | 2.43 |
| 3 | Fuel, Oil | 501.2 | - | | |
| 4 | Fuel, Gas | 501.3 | 33,345 | | 5.47 |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 7,176,980 | 26.98 | 2.43 |
| 7 | Steam Expenses | 502 | 465,342 | | |
| 8 | Electric Expenses | 505 | 150,332 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 75,548 | | |
| 10 | Allowances | 509 | | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 819,353 | 3.08 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 7,996,333 | 30.06 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 123,941 | | |
| 15 | Maintenance of Structures | 511 | 79,823 | | |
| 16 | Maintenance of Boiler Plant | 512 | 551,278 | | |
| 17 | Maintenance of Electric Plant | 513 | 50,786 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 46,034 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 851,862 | 3.20 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 8,848,195 | 33.26 | |
| 21 | Depreciation | 403.1 | 386,777 | | |
| 22 | Interest | 427 | 642,207 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 1,028,984 | 3.87 | |
| 24 | POWER COST (20 + 23) | | 9,877,179 | 37.13 | |

**RUS Form 12d** **1/31/2010**
**Operating Report**
**Steam Plant** **Reid**

**SECTION A. BOILERS/TURBINES**

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 3 | 23,209.1 | 22.653 | | | | 485.1 | 250.4 | | 8.5 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 3 | 23,209.1 | 22.653 | | | | 485.1 | 250.4 | | 8.5 |
| 7 | AVERAGE BTU | | 12,339 | 138000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 286,377 | 3,126 | | | 289,503 | | | | |
| 9 | Total Del. Cost ($) | | 618,953 | 127,097 | | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 72,000 | 24,545.0 | |
| 2 | 2 | | | |
| 3 | 3 | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 72,000 | 24,545.0 | 11,795 |
| 7 | Station Service (MWh) | | 3,250.0 | |
| 8 | Net Generation (MWh) | | 21,295.0 | 13,595 |
| 9 | Station Service (%) | | 13.24 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 46.01 |
| 2 | Plant Factor (%) | 49.99 |
| 3 | Running Plant Capacity Factor (%) | 76.66 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 22,216 | | |
| 2 | Fuel, Coal | 501.1 | 632,519 | | 2.21 |
| 3 | Fuel, Oil | 501.2 | 47,723 | | 15.27 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 680,242 | 31.94 | 2.35 |
| 7 | Steam Expenses | 502 | 44,012 | | |
| 8 | Electric Expenses | 505 | 26,633 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 20,524 | | |
| 10 | Allowances | 509 | | | |
| 11 | Rents | 507 | | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 113,385 | 5.32 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 793,627 | 37.27 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 21,419 | | |
| 15 | Maintenance of Structures | 511 | 12,498 | | |
| 16 | Maintenance of Boiler Plant | 512 | 95,349 | | |
| 17 | Maintenance of Electric Plant | 513 | 4,060 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 1,791 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 135,117 | 6.35 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 928,744 | 43.61 | |
| 21 | Depreciation | 403.1 | 33,417 | | |
| 22 | Interest | 427 | 67,039 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 100,456 | 4.72 | |
| 24 | **POWER COST (20 + 23)** | | 1,029,200 | 48.33 | |

**RUS Form 12d** **1/31/2010**
**Operating Report**
**Steam Plant** **Green**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 1 | 136,753.7 | 111.140 | | | | 713.0 | - | - | 31.0 |
| 2 | 2 | 1 | 146,633.0 | 23.621 | | | | 705.7 | - | - | 38.3 |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 2 | 283,386.7 | 134.761 | | | | 1,418.7 | - | - | 69.3 |
| 7 | AVERAGE BTU | | 11,452 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 3,245,344 | 18,597 | | | 3,263,942 | | | | |
| 9 | Total Del. Cost ($) | | 6,154,788 | 286,542 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 250,000 | 153,200.7 | |
| 2 | 2 | 242,000 | 163,553.0 | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 492,000 | 316,753.7 | 10,304 |
| 7 | Station Service (MWh) | | 29,928.5 | |
| 8 | Net Generation (MWh) | | 286,825.2 | 11,380 |
| 9 | Station Service (%) | | 9.45 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 108 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 87.05 |
| 2 | Plant Factor (%) | 87.96 |
| 3 | Running Plant Capacity Factor (%) | 92.26 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 151,970 | | |
| 2 | Fuel, Coal | 501.1 | 6,291,796 | | 1.94 |
| 3 | Fuel, Oil | 501.2 | 286,542 | | 15.41 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 6,578,338 | 22.94 | 2.02 |
| 7 | Steam Expenses | 502 | 1,157,510 | | |
| 8 | Electric Expenses | 505 | 167,800 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 123,972 | | |
| 10 | Allowances | 509 | | | |
| 11 | Rents | 507 | | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 1,601,252 | 5.58 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 8,179,590 | 28.52 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 105,349 | | |
| 15 | Maintenance of Structures | 511 | 42,432 | | |
| 16 | Maintenance of Boiler Plant | 512 | 699,822 | | |
| 17 | Maintenance of Electric Plant | 513 | 25,586 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 11,401 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 884,590 | 3.08 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 9,064,180 | 31.60 | |
| 21 | Depreciation | 403.1 | 565,521 | | |
| 22 | Interest | 427 | 793,156 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 1,358,677 | 4.74 | |
| 24 | **POWER COST (20 + 23)** | | 10,422,857 | 36.34 | |

**RUS Form 12d** **1/31/2010**
**Operating Report**
**Steam Plant** **Wilson**

**SECTION A. BOILERS/TURBINES**

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 1 | 280,222.4 | 73.300 | | | | 711.2 | - | - | 32.9 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 1 | 280,222.4 | 73.300 | | | | 711.2 | - | - | 32.9 |
| 7 | AVERAGE BTU | | 11,410 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 3,197,338 | 10,115 | | | 3,207,453 | | | | |
| 9 | Total Del. Cost ($) | | 4,378,025 | 155,688 | | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 440,000 | 313,112.9 | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 440,000 | 313,112.9 | 10,244 |
| 7 | Station Service (MWh) | | 22,315.8 | |
| 8 | Net Generation (MWh) | | 290,797.1 | 11,030 |
| 9 | Station Service (%) | | 7.13 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 105 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 92.20 |
| 2 | Plant Factor (%) | 95.60 |
| 3 | Running Plant Capacity Factor (%) | 100.10 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 56,388 | | |
| 2 | Fuel, Coal | 501.1 | 4,512,075 | | 1.41 |
| 3 | Fuel, Oil | 501.2 | 155,688 | | 15.39 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 4,667,763 | 16.05 | 1.46 |
| 7 | Steam Expenses | 502 | 980,457 | | |
| 8 | Electric Expenses | 505 | 133,171 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 311,734 | | |
| 10 | Allowances | 509 | | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 1,481,750 | 5.10 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 6,149,513 | 21.15 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 31,427 | | |
| 15 | Maintenance of Structures | 511 | 29,275 | | |
| 16 | Maintenance of Boiler Plant | 512 | 271,125 | | |
| 17 | Maintenance of Electric Plant | 513 | (106,557) | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 12,236 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 237,506 | 0.82 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 6,387,019 | 21.96 | |
| 21 | Depreciation | 403.1 | 1,348,098 | | |
| 22 | Interest | 427 | 2,067,529 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 3,415,627 | 11.75 | |
| 24 | POWER COST (20 + 23) | | 9,802,646 | 33.71 | |

RUS Form 12f 1/31/10
Operating Report
Internal Combustion Plant Reid

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

| LINE NO. | UNIT NO. (a) | SIZE (kW) (b) | FUEL CONSUMPTION OIL (1000 Gals.) (c) | GAS (1000 C.F.) (d) | OTHER (e) | TOTAL (f) | OPERATING HOURS IN SERVICE (g) | ON STANDBY (h) | OUT OF SERVICE Sche. (i) | OUT OF SERVICE Unsche. (j) | GROSS GENERATION (MWh) (k) | BTU PER kWh (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 70,000 | 0.000 | | | | - | 744.0 | - | - | 0.0 | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | TOTAL | 70,000 | 0.000 | | | | - | 744.0 | - | - | 0.0 | |
| 7 | AVERAGE BTU | | 138,000 | | | | STATION SERVICE (MWh) | | | | 55.5 | |
| 8 | Total BTU (10 6th pwr) | | - | | | - | NET GENERATION (MWh) | | | | (55.5) | |
| 9 | Total Del. Cost ($) | | | | | | STATION SERVICE % OF GROSS | | | | 0.00 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE | LINE NO. | ITEM | VALUE |
|---|---|---|---|---|---|
| 1. | No. Emp. Full Time (incl. Superintendent) | | 5. | Maint. Plant Payroll ($) | |
| 2. | No. Emp. Part Time | | 6. | Other Accounts Plant Payroll ($) | |
| 3. | Total Emp. - Hrs. Worked | | | | |
| 4 | Oper. Plant Payroll ($) | | 7. | TOTAL Plant Payroll ($) | |

**SECTION C. FACTORS & MAXIMUM DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | |
| 2 | Plant Factor (%) | |
| 3 | Running Plant Capacity Factor (%) | |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Max. Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 546 | | | |
| 2 | Fuel, Oil | 547.1 | 4,779 | | |
| 3 | Fuel, Gas | 547.2 | | | |
| 4 | Fuel, Other | 547.3 | | | |
| 5 | Energy for Compressed Air | 547.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 547 | 4,779 | | |
| 7 | Generation Expenses | 548 | 2,375 | | |
| 8 | Miscellaneous Other Power Generation Expenses | 549 | | | |
| 9 | Rents | 550 | | | |
| 10 | **NON- FUEL SUB-TOTAL (1 + 7 thru 9)** | | 2,375 | | |
| 11 | **OPERATION EXPENSE (6 + 10)** | | 7,154 | | |
| 12 | Maintenance, Supervision and Engineering | 551 | | | |
| 13 | Maintenance of Structures | 552 | | | |
| 14 | Maintenance of Generating and Electric Plant | 553 | 1,455 | | |
| 15 | Maintenance of Miscellaneous Other Power Generating Plant | 554 | | | |
| 16 | **MAINTENANCE EXPENSE (12 thru 15)** | | 1,455 | | |
| 17 | **TOTAL PRODUCTION EXPENSE (11 + 16)** | | 8,609 | | |
| 18 | Depreciation | 553, 512 | 15,831 | | |
| 19 | Interest | 554, 513 | 19,795 | | |
| 20 | **TOTAL FIXED COST (18 + 19)** | | 35,626 | | |
| 21 | **POWER COST (17 + 20)** | | 44,235 | | |

RUS Form 12I 01/31/10

**OPERATING REPORT - LINES AND STATIONS**

**SECTION A. EXPENSE AND COSTS**

| | ITEM | Account Number | LINES (a) | STATIONS (b) |
|---|---|---|---|---|
| | **TRANSMISSION OPERATION** | | | |
| 1 | Supervision and Engineering | 560 | 35,368 | 28,763 |
| 2 | Load Dispatching | 561 | 113,777 | |
| 3 | Station Expenses | 562 | | 70,289 |
| 4 | Overhead Line Expenses | 563 | 91,765 | |
| 5 | Underground Line Expenses | 564 | | |
| 6 | Miscellaneous Expenses | 566 | 20,704 | 20,136 |
| 7 | **SUBTOTAL (1 thru 6)** | | 261,614 | 119,188 |
| 8 | Transmission of Electricity by Others | 565 | 222,496 | |
| 9 | Rents | 567 | | 2,058 |
| 10 | **TOTAL TRANSMISSION OPERATION (7 THRU 9)** | | 484,110 | 121,246 |
| | **TRANSMISSION MAINTENANCE** | | | |
| 11 | Supervision and Engineering | 568 | 22,190 | 26,178 |
| 12 | Structures | 569 | | - |
| 13 | Station Equipment | 570 | | 135,405 |
| 14 | Overhead Lines | 571 | 20,317 | |
| 15 | Underground Lines | 572 | | |
| 16 | Miscellaneous Transmission Plant | 573 | 1,903 | 1,829 |
| 17 | **TOTAL TRANSMISSION MAINTENANCE (11 THRU 16)** | | 44,410 | 163,412 |
| 18 | **TOTAL TRANSMISSION EXPENSE (10 + 17)** | | 528,520 | 284,658 |
| 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)** | | 528,520 | 284,658 |
| | **FIXED COSTS** | | | |
| 23 | Depreciation - Transmission | 403.5 | 278,711 | (84,908) |
| 24 | Depreciation - Distribution | 403.6 | | |
| 25 | Interest - Transmission | 427 | 256,169 | 324,169 |
| 26 | Interest - Distribution | 427 | | |
| 27 | **TOTAL TRANSMISSION (18 + 23 + 25)** | | 1,063,400 | 523,919 |
| 28 | **TOTAL DISTRIBUTION (21 + 24 + 26)** | | - | - |
| 29 | **TOTAL LINES AND STATIONS (27 + 28)** | | 1,063,400 | 523,919 |

**SECTION B. FACILITIES IN SERVICE**

| | TRANSMISSION LINES | | SUBSTATIONS | |
|---|---|---|---|---|
| | VOLTAGE (KV) | MILES | TYPE | CAPACITY (kVA) |
| 1 | 69 KV | 826.63 | 13. Distr. Lines | |
| 2 | 345 KV | 68.40 | | |
| 3 | 138 KV | 14.40 | 14. Total (12 + 13) | 1,259.06 |
| 4 | 161 KV | 349.63 | | |
| 5 | | | 15. Stepup at Generating Plants | 1,879,800 |
| 6 | | | | |
| 7 | | | 16. Transmission | 3,540,000 |
| 8 | | | | |
| 9 | | | 17. Distribution | |
| 10 | | | | |
| 11 | | | 18. Total (15 thru 17) | 5,419,800 |
| 12 | TOTAL ( 1 thru 11 | 1,259.06 | | |

**SECTION C. LABOR AND MATERIAL SUMMARY**

| 1. NUMBER OR EMPLOYEES | | 45 |
|---|---|---|
| ITEM | LINES | STATIONS |
| 2. Oper. Labor | 161,012 | 74,810 |
| 3. Maint Labor | 85,830 | 139,811 |
| 4. Oper. Material | 323,098 | 46,436 |
| 5. Maint. Material | (41,420) | 23,601 |

**SECTION D. OUTAGES**

| | |
|---|---|
| 1. TOTAL | 1,567.80 |
| 2. Avg. No. Dist. Cons. Served | 111,944.00 |
| 3. Avg No. Hours Out Per Cons. | 0.01 |

# RUS Form 12 – February 2010

*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.*

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE | BORROWER DESIGNATION KY0062 |
| **OPERATING REPORT - FINANCIAL** | PERIOD ENDED<br>February, 2010 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3. | BORROWER NAME<br>Big Rivers Electric Corporation |
| *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.* | |

**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.

Mark A. Bailey 4/7/10
DATE

RUS Form 12

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED February, 2010 |
|---|---|
| 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 |
|---|---|---|---|---|
| | LAST YEAR (a) | THIS YEAR (b) | BUDGET (c) | (d) |
| 1. Electric Energy Revenues | 37,869,711 | 89,806,850 | 83,576,625 | 43,507,346 |
| 2. Income From Leased Property (Net) | 5,032,885 | | | |
| 3. Other Operating Revenue and Income | 2,565,184 | 2,298,022 | 1,246,916 | 1,145,023 |
| 4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)* | 45,467,780 | 92,104,872 | 84,823,541 | 44,652,369 |
| 5. Operating Expense - Production - Excluding Fuel | | 8,076,160 | 9,145,295 | 4,058,045 |
| 6. Operating Expense - Production - Fuel | | 36,751,862 | 27,444,679 | 17,643,759 |
| 7. Operating Expense - Other Power Supply | 23,190,840 | 15,591,245 | 18,193,610 | 7,173,570 |
| 8. Operating Expense - Transmission | 1,161,566 | 1,281,337 | 1,331,922 | 675,982 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 98,880 | 83,046 | 124,306 | 42,317 |
| 12. Operating Expense - Sales | 1,138 | 10,859 | 46,132 | 3,680 |
| 13. Operating Expense - Administrative & General | 2,618,773 | 4,592,104 | 5,325,922 | 2,554,620 |
| 14. **TOTAL OPERATION EXPENSE** *(5 thru 13)* | 27,071,197 | 66,386,613 | 61,611,866 | 32,151,973 |
| 15. Maintenance Expense - Production | | 4,274,670 | 5,397,239 | 2,164,141 |
| 16. Maintenance Expense - Transmission | 737,459 | 549,833 | 681,029 | 342,010 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 17,483 | 59,592 | 13,012 | 44,646 |
| 19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)* | 754,942 | 4,884,095 | 6,091,280 | 2,550,797 |
| 20. Depreciation and Amortization Expense | 934,345 | 5,654,129 | 5,762,957 | 2,824,073 |
| 21. Taxes | 184,322 | | 41,538 | |
| 22. Interest on Long-Term Debt | 11,656,587 | 8,031,260 | 7,889,037 | 3,796,292 |
| 23. Interest Charged to Construction - Credit | (29,737) | (42,478) | (50,739) | (23,851) |
| 24. Other Interest Expense | 261 | | | |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | 681,668 | 11,084 | 8,649 | 6,545 |
| 27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)* | 41,253,585 | 84,924,703 | 81,354,588 | 41,305,829 |
| 28. **OPERATING MARGINS** *(4 less 27)* | 4,214,195 | 7,180,169 | 3,468,953 | 3,346,540 |
| 29. Interest Income | 28,176 | 53,703 | 71,923 | 24,932 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | | 4,756 | | 2,378 |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | | | | |
| 35. Extraordinary Items | | | | |
| 36. **NET PATRONAGE CAPITAL OR MARGINS** (28 thru 35) | 4,242,371 | 7,238,628 | 3,540,876 | 3,373,850 |

RUS Form 12a

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br><br>PERIOD ENDED February, 2010 |
|---|---|
| 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 | 1,931,254,469 | 32. Memberships | 75 |
| 2. Construction Work in Progress | 59,327,869 | 33. Patronage Capital | |
| 3. **TOTAL UTILITY PLANT** *(1 + 2)* | 1,990,582,338 | a Assigned and Assignable | |
| 4. Accum. Provision for Depreciation and Amort. | 914,071,836 | b Retired This year<br>c Retired Prior years | |
| 5. **NET UTILITY PLANT** *(3 - 4)* | 1,076,510,502 | d Net Patronage Capital | |
| 6. Non-Utility Property (Net) | | 34. Operating Margins - Prior Years | (251,616,737) |
| 7. Investments in Subsidiary Companies | | 35. Operating Margin - Current Year | 7,180,169 |
| 8. Invest. in Assoc. Org. - Patronage Capital | 3,576,488 | 36. Non-Operating Margins | 636,183,085 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 | 37. Other Margins and Equities | (5,116,423) |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | | 38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)* | 386,630,169 |
| | | 39. Long-Term Debt - RUS (Net) | 678,538,989 |
| 11. Investments in Economic Development Projects | 10,000 | 40. Long-Term Debt - FFB - RUS Guaranteed | |
| | | 41. Long-Term Debt - Other - RUS Guaranteed | |
| 12. Other Investements | 5,334 | 42. Long-Term Debt - Other (Net) | 142,100,000 |
| 13. Special Funds | 238,182,707 | 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)* | 242,459,522 | 44. Payments - Unapplied | |
| | | 45. **TOTAL LONG-TERM DEBT** *(39 thru 43 - 44)* | 820,638,989 |
| 15. Cash - General Funds | 1,392,776 | 46. Obligations Under Capital Leases - Noncurrent | |
| 16. Cash - Construction Funds - Trustee | | | |
| 17. Special Deposits | 571,772 | 47. Accumulated Operating Provisions and Asset Retirement Obligations | 17,142,725 |
| 18. Temporary Investments | 44,497,213 | | |
| 19. Notes Receivable (Net) | | 48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46 + 47)* | 17,142,725 |
| 20. Accounts Receivable - Sales of Energy (Net) | 40,832,773 | 49. Notes Payable | |
| 21. Accounts Receivable - Other (Net) | 2,398,443 | 50. Accounts Payable | 24,925,861 |
| 22. Fuel Stock | 33,339,100 | 51. Current Maturities Long-Term Debt | 6,976,369 |
| 23. Materials and Supplies - Other | 20,552,125 | 52. Current Maturities Long-Term Debt - Rural Development | |
| 24. Prepayments | 4,652,329 | | |
| 25. Other Current and Accrued Assets | 769,546 | 53. Current Maturities Capital Leases | |
| 26. **TOTAL CURRENT AND ACCRUED ASSESTS** *(15 thru 25)* | 149,006,077 | 54. Taxes Accrued | 466,685 |
| | | 55. Interest Accrued | 6,828,778 |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 925,553 | 56. Other Current and Accrued Liabilities | 9,100,203 |
| 28. Regulatory Assets | | 57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)* | 48,297,896 |
| 29. Other Deferred Debits | 6,062,229 | | |
| 30. Accumulated Deferred Income Taxes | | 58. Deferred Credits | 202,254,104 |
| 31. **TOTAL ASSESTS AND OTHER DEBITS** *(5+14+26 thru 30)* | 1,474,963,883 | 59. Accumulated Deferred Income Taxes | |
| | | 60. **TOTAL LIABILITES AND OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)* | 1,474,963,883 |

| USDA-RUS<br><br>**FINANCIAL AND STATISTICAL REPORT**<br><br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>February, 2010 |
|---|---|

**SECTION C. Notes to Financial Statements**

## Footnote to RUS Form 12b SE

Kenergy "LF" Contract termination date is March 31, 2011.

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

**02/28/10**
**Page1**

| 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 | 138 | 146 | 135 |
| 3 | Meade County Rural ECC | RQ | KY0018 | 116 | 119 | 110 |
| 4 | Kenergy Corporation | RQ | KY0065 | 386 | 399 | 407 |
| 5 | Kenergy Corporation | IF | KY0065 | | | |
| 6 | Kenergy Corporation | LF | KY0065 | | | |
| 7 | | | | | | |
| 8 | Associated Electric Coop | OS | MO0073 | | | |
| 9 | East Kentucky Power Coop | OS | KY0059 | | | |
| 10 | Oglethorpe Power | OS | GA0109 | | | |
| 11 | PowerSouth Energy Coop | OS | AL0042 | | | |
| 12 | | | | | | |
| 13 | Cargill-Alliant | OS | | | | |
| 14 | Constellation Power Source | OS | | | | |
| 15 | EDF Trading North America | OS | | | | |
| 16 | Henderson Municipal Power & Light | OS | | | | |
| 17 | LG&E Energy Marketing | OS | | | | |
| 18 | Midwest Independent Trans. | OS | | | | |
| 19 | PJM Interconnection | OS | | | | |
| 20 | Southern Company Services | OS | | | | |
| 21 | Tenaska Power Services | OS | | | | |
| 22 | Tennessee Valley Authority | OS | | | | |
| 23 | The Energy Authority | OS | | | | |
| 24 | Westar Energy, Inc. | OS | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Total for Ultimate Consumer(s) | | | 0 | 0 | 0 |
| Total for Distribution Borrowers | | | 640 | 664 | 652 |
| Total for G&T Borrowers | | | 0 | 0 | 0 |
| Total for Others | | | 0 | 0 | 0 |
| Grand Total | | | 640 | 664 | 652 |

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

**02/28/10**
**Page 2**

| Sale No. | Electricity Sold (g) | Revenue Demand (h) | Revenue Energy (I) | Revenue Other (j) | Revenue Total (h+I+j+k) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | 133,743 | 2,055,177 | 3,819,914 | | 5,875,091 |
| 3 | 110,429 | 1,704,983 | 3,167,709 | | 4,872,692 |
| 4 | 390,134 | 6,512,092 | 10,238,805 | | 16,750,897 |
| 5 | 7,562 | | 286,953 | | 286,953 |
| 6 | 1,032,631 | | 44,620,897 | | 44,620,897 |
| 7 | | | | | |
| 8 | 3,445 | | 122,430 | | 122,430 |
| 9 | 15,631 | | 758,897 | | 758,897 |
| 10 | 1,996 | | 94,912 | | 94,912 |
| 11 | 4,200 | | 153,600 | | 153,600 |
| 12 | | | | | |
| 13 | 22,624 | | 1,147,000 | | 1,147,000 |
| 14 | 74,572 | | 3,024,749 | | 3,024,749 |
| 15 | 41,977 | | 1,911,393 | | 1,911,393 |
| 16 | - | | - | | - |
| 17 | - | | - | | - |
| 18 | 156,498 | | 6,593,433 | | 6,593,433 |
| 19 | 22,897 | | 858,472 | | 858,472 |
| 20 | 895 | | 50,600 | | 50,600 |
| 21 | 4,521 | | 172,233 | | 172,233 |
| 22 | 49,549 | | 2,253,236 | | 2,253,236 |
| 23 | 5,130 | | 259,366 | | 259,366 |
| 24 | - | | - | | - |

| | | | | |
|---|---|---|---|---|
| - | - | - | - | - |
| 1,674,499 | 10,272,252 | 62,134,278 | - | 72,406,530 |
| 25,272 | - | 1,129,839 | - | 1,129,839 |
| 378,663 | - | 16,270,482 | - | 16,270,482 |
| 2,078,434 | 10,272,252 | 79,534,599 | - | 89,806,851 |

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**02/28/10**
**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 | Constellation Energy Commodities | OS | | | | |
| 4 | EDF Trading North America | OS | | | | |
| 5 | Henderson Municipal Power & Light | RQ | | | | |
| 6 | LG&E/KU | RQ | | | | |
| 7 | Midwest Independent Trans. Sys. Op. | OS | | | | |
| 8 | PJM Interconnection | OS | | | | |
| 9 | RRI Energy Services | SF | | | | |
| 10 | Smelters | OS | | | | |
| 11 | Southeastern Power Admin | LF | | | | |

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

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**RUS Form 12b PP** **02/28/10**
**Operating Report** **Page 2**
**Purchased Power**

| Purch No. | Electricity Purchased (g) | Power Echanges Electricity Received (h) | Power Echanges Electricity Delivered (I) | Revenue Demand (j) | Revenue Energy (k) | Revenue Other (l) | Revenue Total (j+k+l) |
|---|---|---|---|---|---|---|---|
| 1 | 2,520 | | | | 98,280 | | 98,280 |
| 2 | | | | | | | |
| 3 | 70 | | | | 2,590 | | 2,590 |
| 4 | 540 | | | | 19,710 | | 19,710 |
| 5 | 275,585 | | | | 8,982,612 | | 8,982,612 |
| 6 | 235 | | | | 11,922 | | 11,922 |
| 7 | 17,925 | | | | 934,599 | | 934,599 |
| 8 | 4,750 | | | | 265,855 | | 265,855 |
| 9 | 7,310 | | | | 479,557 | | 479,557 |
| 10 | 570 | | | | 19,849 | | 19,849 |
| 11 | 94,868 | | | | 1,723,852 | | 1,723,852 |

| | | | | | | |
|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - |
| 2,520 | - | - | - | 98,280 | - | 98,280 |
| 401,853 | - | - | - | 12,440,546 | - | 12,440,546 |
| 404,373 | - | - | - | 12,538,826 | - | 12,538,826 |

**RUS Form 12c** **02/28/10**

**Operating Report**

**Sources and Distribution of Energy**

| 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 | 4 | 1,379,000 | 1,699,619 | 60,505,935 |
| 2 Nuclear | | | | |
| 3 Hydro | | | | |
| 4 Combined Cycle | | | | |
| 5 Internal Combustion | 1 | 65,000 | (102) | 99,731 |
| 6 Other | | | | |
| 7 TOTAL In Own Plant (Sum of lines 1 thru 6) | 5 | | 1,699,517 | 60,605,666 |
| PURCHASED POWER | | | | |
| 8 Total Purchased Power | | | 404,373 | 12,538,826 |
| INTERCHANGED POWER | | | | |
| 9 Received into System | | | 303,784 | |
| 10 Delivered Out of System | | | 301,456 | |
| 11 Net Interchange | | | 2,328 | |
| 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) | | | 2,106,218 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16 TOTAL Sales | | | 2,078,434 | |
| 17 Energy Furnished to Others Without Charge | | | | |
| 18 Energy Used by Borrower | | | | |
| 19 TOTAL Energy Accounted For (Sum of lines 16 thru 18) | | | 2,078,434 | |
| LOSSES | | | | |
| 20 Energy Losses - MWh (Line 15 minus 19) | | | 27,784 | |
| 21 Energy Losses - Percentage ((Line 20 divided by line 15)*100) | | | 1.32 | |

**RUS Form 12d** **2/28/2010**
**Operating Report**
**Steam Plant** **Coleman**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | - | 177,634.4 | | 1,517.0 | | | 1,416.0 | - | - | - |
| 2 | 2 | 2 | 156,266.9 | | 2,575.0 | | | 1,370.8 | - | - | 45.2 |
| 3 | 3 | 1 | 174,910.5 | | 3,100.0 | | | 1,359.4 | - | - | 56.6 |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 3 | 508,811.8 | | 7,192.0 | | | 4,146.2 | - | - | 101.8 |
| 7 | AVERAGE BTU | | 11,178 | | 1,000 | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 5,687,498 | | 7,192 | | 5,694,690 | | | | |
| 9 | Total Del. Cost ($) | | 13,474,561 | | 40,704 | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 160,000 | 199,390.0 | |
| 2 | 2 | 160,000 | 172,623.0 | |
| 3 | 3 | 165,000 | 195,708.0 | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 485,000 | 567,721.0 | 10,031 |
| 7 | Station Service (MWh) | | 50,992.0 | |
| 8 | Net Generation (MWh) | | 516,729.0 | 11,021 |
| 9 | Station Service (%) | | 8.98 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 104 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 81.66 |
| 2 | Plant Factor (%) | 82.67 |
| 3 | Running Plant Capacity Factor (%) | 84.71 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 246,320 | | |
| 2 | Fuel, Coal | 501.1 | 13,769,121 | | 2.42 |
| 3 | Fuel, Oil | 501.2 | - | | |
| 4 | Fuel, Gas | 501.3 | 40,704 | | 5.66 |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 13,809,825 | 26.73 | 2.43 |
| 7 | Steam Expenses | 502 | 953,070 | | |
| 8 | Electric Expenses | 505 | 299,062 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 179,358 | | |
| 10 | Allowances | 509 | 5,817 | | |
| 11 | Rents | 507 | | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 1,683,627 | 3.26 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 15,493,452 | 29.98 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 245,814 | | |
| 15 | Maintenance of Structures | 511 | 139,026 | | |
| 16 | Maintenance of Boiler Plant | 512 | 960,836 | | |
| 17 | Maintenance of Electric Plant | 513 | 82,794 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 61,861 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 1,490,331 | 2.88 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 16,983,783 | 32.87 | |
| 21 | Depreciation | 403.1 | 773,553 | | |
| 22 | Interest | 427 | 1,218,224 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 1,991,777 | 3.85 | |
| 24 | **POWER COST (20 + 23)** | | 18,975,560 | 36.72 | |

000013

RUS Form 12d 2/28/2010
Operating Report
Steam Plant Reid

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 3 | 56,581.2 | 22.653 | | | | 1,157.1 | 250.4 | | 8.5 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 3 | 56,581.2 | 22.653 | | | | 1,157.1 | 250.4 | | 8.5 |
| 7 | AVERAGE BTU | | 12,339 | 138000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 698,155 | 3,126 | | | 701,281 | | | | |
| 9 | Total Del. Cost ($) | | 1,479,404 | 47,723 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 72,000 | 59,658.0 | |
| 2 | 2 | | | |
| 3 | 3 | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 72,000 | 59,658.0 | 11,755 |
| 7 | Station Service (MWh) | | 6,889.0 | |
| 8 | Net Generation (MWh) | | 52,769.0 | 13,290 |
| 9 | Station Service (%) | | 11.55 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 58.76 |
| 2 | Plant Factor (%) | 63.84 |
| 3 | Running Plant Capacity Factor (%) | 78.12 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 33,115 | | |
| 2 | Fuel, Coal | 501.1 | 1,505,274 | | 2.16 |
| 3 | Fuel, Oil | 501.2 | 47,723 | | 15.27 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 1,552,997 | 29.43 | 2.21 |
| 7 | Steam Expenses | 502 | 79,007 | | |
| 8 | Electric Expenses | 505 | 48,162 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 49,081 | | |
| 10 | Allowances | 509 | 23,561 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 232,926 | 4.41 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 1,785,923 | 33.84 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 42,450 | | |
| 15 | Maintenance of Structures | 511 | 25,694 | | |
| 16 | Maintenance of Boiler Plant | 512 | 165,470 | | |
| 17 | Maintenance of Electric Plant | 513 | 13,301 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 4,782 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 251,697 | 4.77 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 2,037,620 | 38.61 | |
| 21 | Depreciation | 403.1 | 66,834 | | |
| 22 | Interest | 427 | 127,168 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 194,002 | 3.68 | |
| 24 | POWER COST (20 + 23) | | 2,231,622 | 42.29 | |

**RUS Form 12d** **2/28/2010**
**Operating Report**
**Steam Plant** **Green**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 1 | 268,010.0 | 126.925 | | | | 1,385.0 | - | - | 31.0 |
| 2 | 2 | 1 | 283,639.6 | 32.224 | | | | 1,377.7 | - | - | 38.3 |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 2 | 551,649.6 | 159.149 | | | | 2,762.7 | - | - | 69.3 |
| 7 | AVERAGE BTU | | 11,534 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 6,362,726 | 21,963 | | | 6,384,689 | | | | |
| 9 | Total Del. Cost ($) | | 11,582,904 | 339,433 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 250,000 | 301,424.9 | |
| 2 | 2 | 242,000 | 320,247.0 | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 492,000 | 621,671.9 | 10,270 |
| 7 | Station Service (MWh) | | 57,803.6 | |
| 8 | Net Generation (MWh) | | 563,868.3 | 11,323 |
| 9 | Station Service (%) | | 9.30 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 109 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 89.73 |
| 2 | Plant Factor (%) | 90.66 |
| 3 | Running Plant Capacity Factor (%) | 90.94 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 285,524 | | |
| 2 | Fuel, Coal | 501.1 | 11,832,721 | | 1.86 |
| 3 | Fuel, Oil | 501.2 | 339,433 | | 15.46 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 12,172,154 | 21.59 | 1.91 |
| 7 | Steam Expenses | 502 | 2,289,269 | | |
| 8 | Electric Expenses | 505 | 315,469 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 302,792 | | |
| 10 | Allowances | 509 | 5,736 | | |
| 11 | Rents | 507 | | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 3,198,790 | 5.67 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 15,370,944 | 27.26 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 204,114 | | |
| 15 | Maintenance of Structures | 511 | 109,273 | | |
| 16 | Maintenance of Boiler Plant | 512 | 1,160,749 | | |
| 17 | Maintenance of Electric Plant | 513 | 102,920 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 30,093 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 1,607,149 | 2.85 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 16,978,093 | 30.11 | |
| 21 | Depreciation | 403.1 | 1,131,042 | | |
| 22 | Interest | 427 | 1,503,498 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 2,634,540 | 4.67 | |
| 24 | **POWER COST (20 + 23)** | | 19,612,633 | 34.78 | |

**RUS Form 12d** **2/28/2010**
**Operating Report**
**Steam Plant** **Wilson**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 2 | 542,520.8 | 145.700 | | | | 1,377.4 | - | - | 38.6 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 2 | 542,520.8 | 145.700 | | | | 1,377.4 | - | - | 38.6 |
| 7 | AVERAGE BTU | | 11,528 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 6,254,180 | 20,107 | | | 6,274,286 | | | | |
| 9 | Total Del. Cost ($) | | 8,591,198 | 309,537 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 440,000 | 608,940.1 | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 440,000 | 608,940.1 | 10,304 |
| 7 | Station Service (MWh) | | 42,686.8 | |
| 8 | Net Generation (MWh) | | 566,253.3 | 11,080 |
| 9 | Station Service (%) | | 7.01 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 103 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 94.20 |
| 2 | Plant Factor (%) | 97.70 |
| 3 | Running Plant Capacity Factor (%) | 100.50 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 112,236 | | |
| 2 | Fuel, Coal | 501.1 | 8,889,090 | | 1.42 |
| 3 | Fuel, Oil | 501.2 | 309,537 | | 15.39 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 9,198,627 | 16.24 | 1.47 |
| 7 | Steam Expenses | 502 | 2,002,592 | | |
| 8 | Electric Expenses | 505 | 304,346 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 516,626 | | |
| 10 | Allowances | 509 | 20,269 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 2,956,069 | 5.22 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 12,154,696 | 21.47 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 75,933 | | |
| 15 | Maintenance of Structures | 511 | 109,919 | | |
| 16 | Maintenance of Boiler Plant | 512 | 743,877 | | |
| 17 | Maintenance of Electric Plant | 513 | (34,520) | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 22,773 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 917,982 | 1.62 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 13,072,678 | 23.09 | |
| 21 | Depreciation | 403.1 | 2,696,197 | | |
| 22 | Interest | 427 | 3,917,245 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 6,613,442 | 11.68 | |
| 24 | POWER COST (20 + 23) | | 19,686,120 | 34.77 | |

RUS Form 12f 2/28/10
Operating Report
Internal Combustion Plant Reid

| SECTION A. INTERNAL COMBUSTION GENERATING UNITS | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | FUEL CONSUMPTION | | | | OPERATING HOURS | | | | | |
| LINE NO. | UNIT NO. (a) | SIZE (kW) (b) | OIL (1000 Gals.) (c) | GAS (1000 C.F.) (d) | OTHER (e) | TOTAL (f) | IN SERVICE (g) | ON STANDBY (h) | OUT OF SERVICE Sche. (i) | OUT OF SERVICE Unsche. (j) | GROSS GENERATION (MWh) (k) | BTU PER kWh (l) |
| 1 | 1 | 70,000 | 2.796 | | | | 1.1 | 1,410.9 | 4.0 | - | 4.6 | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | TOTAL | 70,000 | 2.796 | | | | 1.1 | 1,410.9 | 4.0 | - | 4.6 | 83,913 |
| 7 | AVERAGE BTU | | 138,000 | | | | STATION SERVICE (MWh) | | | | 106.6 | |
| 8 | Total BTU (10 6th pwr) | | 386 | | | 386 | NET GENERATION (MWh) | | | | (102.0) | |
| 9 | Total Del. Cost ($) | | 18,258 | | | | STATION SERVICE % OF GROSS | | | | 2,317.39 | |

| SECTION B. LABOR REPORT | | | | | |
|---|---|---|---|---|---|
| LINE NO. | ITEM | VALUE | LINE NO. | ITEM | VALUE |
| 1. | No. Emp. Full Time (incl. Superintendent) | | 5. | Maint. Plant Payroll ($) | |
| 2. | No. Emp. Part Time | | 6. | Other Accounts Plant Payroll ($) | |
| 3. | Total Emp. - Hrs. Worked | | | | |
| 4 | Oper. Plant Payroll ($) | | 7. | TOTAL Plant Payroll ($) | |

| SECTION C. FACTORS & MAXIMUM DEMAND | | |
|---|---|---|
| LINE NO. | ITEM | VALUE |
| 1 | Load Factor (%) | |
| 2 | Plant Factor (%) | |
| 3 | Running Plant Capacity Factor (%) | 5.85 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Max. Demand (kW) | |

| SECTION D. COST OF NET ENERGY GENERATED | | | | | |
|---|---|---|---|---|---|
| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
| 1 | Operation, Supervision and Engineering | 546 | | | |
| 2 | Fuel, Oil | 547.1 | 18,258 | | |
| 3 | Fuel, Gas | 547.2 | | | |
| 4 | Fuel, Other | 547.3 | | | |
| 5 | Energy for Compressed Air | 547.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 547 | 18,258 | | |
| 7 | Generation Expenses | 548 | 4,748 | | |
| 8 | Miscellaneous Other Power Generation Expenses | 549 | | | |
| 9 | Rents | 550 | | | |
| 10 | NON- FUEL SUB-TOTAL (1 + 7 thru 9) | | 4,748 | | |
| 11 | OPERATION EXPENSE (6 + 10) | | 23,006 | | |
| 12 | Maintenance, Supervision and Engineering | 551 | | | |
| 13 | Maintenance of Structures | 552 | | | |
| 14 | Maintenance of Generating and Electric Plant | 553 | 7,512 | | |
| 15 | Maintenance of Miscellaneous Other Power Generating Plant | 554 | | | |
| 16 | MAINTENANCE EXPENSE (12 thru 15) | | 7,512 | | |
| 17 | TOTAL PRODUCTION EXPENSE (11 + 16) | | 30,518 | | |
| 18 | Depreciation | 553, 512 | 31,662 | | |
| 19 | Interest | 554, 513 | 37,551 | | |
| 20 | TOTAL FIXED COST (18 + 19) | | 69,213 | | |
| 21 | POWER COST (17 + 20) | | 99,731 | | |

**RUS Form 12I** **02/28/10**

**OPERATING REPORT - LINES AND STATIONS**

| | **SECTION A. EXPENSE AND COSTS** | | | |
|---|---|---|---|---|
| | ITEM | Account Number | LINES (a) | STATIONS (b) |
| | **TRANSMISSION OPERATION** | | | |
| 1 | Supervision and Engineering | 560 | 66,310 | 54,315 |
| 2 | Load Dispatching | 561 | 212,745 | |
| 3 | Station Expenses | 562 | | 149,189 |
| 4 | Overhead Line Expenses | 563 | 182,013 | |
| 5 | Underground Line Expenses | 564 | | |
| 6 | Miscellaneous Expenses | 566 | 38,596 | 37,565 |
| 7 | **SUBTOTAL (1 thru 6)** | | 499,664 | 241,069 |
| 8 | Transmission of Electricity by Others | 565 | 536,487 | |
| 9 | Rents | 567 | | 4,117 |
| 10 | **TOTAL TRANSMISSION OPERATION (7 THRU 9)** | | 1,036,151 | 245,186 |
| | **TRANSMISSION MAINTENANCE** | | | |
| 11 | Supervision and Engineering | 568 | 40,495 | 48,023 |
| 12 | Structures | 569 | | 1,874 |
| 13 | Station Equipment | 570 | | 300,919 |
| 14 | Overhead Lines | 571 | 148,968 | |
| 15 | Underground Lines | 572 | | |
| 16 | Miscellaneous Transmission Plant | 573 | 6,579 | 2,975 |
| 17 | **TOTAL TRANSMISSION MAINTENANCE (11 THRU 16)** | | 196,042 | 353,791 |
| 18 | **TOTAL TRANSMISSION EXPENSE (10 + 17)** | | 1,232,193 | 598,977 |
| 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)** | | 1,232,193 | 598,977 |
| | **FIXED COSTS** | | | |
| 23 | Depreciation - Transmission | 403.5 | 497,502 | 137,591 |
| 24 | Depreciation - Distribution | 403.6 | | |
| 25 | Interest - Transmission | 427 | 488,529 | 610,389 |
| 26 | Interest - Distribution | 427 | | |
| 27 | **TOTAL TRANSMISSION (18 + 23 + 25)** | | 2,218,224 | 1,346,957 |
| 28 | **TOTAL DISTRIBUTION (21 + 24 + 26)** | | - | - |
| 29 | **TOTAL LINES AND STATIONS (27 + 28)** | | 2,218,224 | 1,346,957 |

| **SECTION B. FACILITIES IN SERVICE** | | | | | **SECTION C. LABOR AND MATERIAL SUMMARY** | | |
|---|---|---|---|---|---|---|---|
| **TRANSMISSION LINES** | | | **SUBSTATIONS** | | 1. NUMBER OR EMPLOYEES | | 52 |
| | VOLTAGE (KV) | MILES | TYPE | CAPACITY (kVA) | ITEM | LINES | STATIONS |
| 1 | 69 KV | 826.63 | 13. Distr. Lines | | 2. Oper. Labor | 309,836 | 151,717 |
| 2 | 345 KV | 68.40 | | | | | |
| 3 | 138 KV | 14.40 | 14. Total (12 + 13) | 1,259.06 | 3. Maint Labor | 178,280 | 266,161 |
| 4 | 161 KV | 349.63 | | | | | |
| 5 | | | 15. Stepup at Generating Plants | 1,879,800 | 4. Oper. Material | 726,315 | 93,469 |
| 6 | | | | | | | |
| 7 | | | 16. Transmission | 3,540,000 | 5. Maint. Material | 17,762 | 87,630 |
| 8 | | | | | | | |
| 9 | | | 17. Distribution | | **SECTION D. OUTAGES** | | |
| 10 | | | | | 1. TOTAL | | 1,567.80 |
| 11 | | | 18. Total | | 2. Avg. No. Dist. Cons. Served | | 111,944.00 |
| 12 | TOTAL ( 1 thru 11 | 1,259.06 | (15 thru 17) | 5,419,800 | 3. Avg No. Hours Out Per Cons. | | 0.01 |

000018

*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.*

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE | BORROWER DESIGNATION KY0062 |
| **OPERATING REPORT - FINANCIAL** | PERIOD ENDED<br>March, 2010 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.<br>*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.* | BORROWER NAME<br>Big Rivers Electric Corporation |

**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.

Mark A. Bailey 5/11/10
DATE

RUS Form 12

000004

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED March, 2010 |
|---|---|
| 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 | 55,255,736 | 133,826,157 | 125,360,433 | 44,019,306 |
| 2. Income From Leased Property (Net) | 7,486,224 | | | |
| 3. Other Operating Revenue and Income | 3,839,410 | 3,368,119 | 1,870,374 | 1,070,098 |
| 4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)* | 66,581,370 | 137,194,276 | 127,230,807 | 45,089,404 |
| 5. Operating Expense - Production - Excluding Fuel | | 12,507,120 | 14,069,680 | 4,430,959 |
| 6. Operating Expense - Production - Fuel | | 53,943,832 | 41,505,156 | 17,191,970 |
| 7. Operating Expense - Other Power Supply | 33,288,009 | 23,271,447 | 27,923,166 | 7,680,203 |
| 8. Operating Expense - Transmission | 1,817,625 | 1,994,141 | 2,008,178 | 712,804 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 143,347 | 136,362 | 179,602 | 53,316 |
| 12. Operating Expense - Sales | 21,065 | 31,867 | 80,198 | 21,008 |
| 13. Operating Expense - Administrative & General | 3,925,540 | 7,301,336 | 8,071,667 | 2,709,232 |
| 14. **TOTAL OPERATION EXPENSE** *(5 thru 13)* | 39,195,586 | 99,186,105 | 93,837,647 | 32,799,492 |
| 15. Maintenance Expense - Production | | 6,974,697 | 8,515,605 | 2,700,027 |
| 16. Maintenance Expense - Transmission | 942,265 | 928,141 | 1,089,628 | 378,308 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 22,695 | 74,391 | 17,070 | 14,799 |
| 19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)* | 964,960 | 7,977,229 | 9,622,303 | 3,093,134 |
| 20. Depreciation and Amortization Expense | 1,401,285 | 8,478,170 | 8,646,151 | 2,824,041 |
| 21. Taxes | 279,655 | 910 | 62,307 | 910 |
| 22. Interest on Long-Term Debt | 17,662,783 | 12,164,743 | 12,025,074 | 4,133,482 |
| 23. Interest Charged to Construction - Credit | (47,753) | (59,833) | (87,340) | (17,355) |
| 24. Other Interest Expense | 397 | 1,313 | | 1,313 |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | 1,020,941 | 16,723 | 14,101 | 5,640 |
| 27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)* | 60,477,854 | 127,765,360 | 124,120,243 | 42,840,657 |
| 28. **OPERATING MARGINS** *(4 less 27)* | 6,103,516 | 9,428,916 | 3,110,564 | 2,248,747 |
| 29. Interest Income | 44,496 | 82,613 | 111,291 | 28,911 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | | 7,135 | | 2,378 |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | 529,384 | 12,806 | | 12,806 |
| 35. Extraordinary Items | | | | |
| 36. **NET PATRONAGE CAPITAL OR MARGINS** (28 thru 35) | 6,677,396 | 9,531,470 | 3,221,855 | 2,292,842 |

RUS Form 12a

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED March, 2010 |
|---|---|
| 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 | 1,931,306,200 | 32. Memberships | 75 |
| 2. Construction Work in Progress | 67,289,978 | 33. Patronage Capital | |
| 3. **TOTAL UTILITY PLANT** *(1 + 2)* | 1,998,596,178 | a Assigned and Assignable | |
| 4. Accum. Provision for Depreciation and Amort. | 917,044,266 | b Retired This year | |
| | | c Retired Prior years | |
| 5. **NET UTILITY PLANT** *(3 - 4)* | 1,081,551,912 | d Net Patronage Capital | |
| 6. Non-Utility Property (Net) | | 34. Operating Margins - Prior Years | (251,616,737) |
| 7. Investments in Subsidiary Companies | | 35. Operating Margin - Current Year | 9,441,723 |
| 8. Invest. in Assoc. Org. - Patronage Capital | 3,588,289 | 36. Non-Operating Margins | 636,214,374 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 | 37. Other Margins and Equities | (5,116,423) |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | | 38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)* | 388,923,012 |
| 11. Investments in Economic Development Projects | 10,000 | 39. Long-Term Debt - RUS (Net) | 673,785,226 |
| | | 40. Long-Term Debt - FFB - RUS Guaranteed | |
| | | 41. Long-Term Debt - Other - RUS Guaranteed | |
| 12. Other Investements | 5,334 | 42. Long-Term Debt - Other (Net) | 142,100,000 |
| 13. Special Funds | 235,859,194 | 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)* | 240,147,810 | 44. Payments - Unapplied | |
| | | 45. **TOTAL LONG-TERM DEBT** *(39 thru 43 - 44)* | 815,885,226 |
| 15. Cash - General Funds | 32,598 | 46. Obligations Under Capital Leases - Noncurrent | |
| 16. Cash - Construction Funds - Trustee | | | |
| 17. Special Deposits | 571,789 | 47. Accumulated Operating Provisions and Asset Retirement Obligations | 17,198,869 |
| 18. Temporary Investments | 60,187,080 | | |
| 19. Notes Receivable (Net) | | 48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46 + 47)* | 17,198,869 |
| 20. Accounts Receivable - Sales of Energy (Net) | 41,186,958 | 49. Notes Payable | 10,000,000 |
| 21. Accounts Receivable - Other (Net) | 2,287,104 | 50. Accounts Payable | 23,764,771 |
| 22. Fuel Stock | 35,257,833 | 51. Current Maturities Long-Term Debt | 13,298,154 |
| 23. Materials and Supplies - Other | 20,457,004 | 52. Current Maturities Long-Term Debt - Rural Development | |
| 24. Prepayments | 4,078,062 | | |
| 25. Other Current and Accrued Assets | 1,013,105 | 53. Current Maturities Capital Leases | |
| 26. **TOTAL CURRENT AND ACCRUED ASSESTS** *(15 thru 25)* | 165,071,533 | 54. Taxes Accrued | 1,089,740 |
| | | 55. Interest Accrued | 8,577,354 |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 1,043,303 | 56. Other Current and Accrued Liabilities | 10,133,046 |
| 28. Regulatory Assets | | 57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)* | 66,863,065 |
| 29. Other Deferred Debits | 1,300,176 | | |
| 30. Accumulated Deferred Income Taxes | | 58. Deferred Credits | 200,244,562 |
| 31. **TOTAL ASSESTS AND OTHER DEBITS** *(5+14+26 thru 30)* | 1,489,114,734 | 59. Accumulated Deferred Income Taxes | |
| | | 60. **TOTAL LIABILITES AND OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)* | 1,489,114,734 |

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| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>March, 2010 |
|---|---|

**SECTION C. Notes to Financial Statements**

## Footnote RUS Form 12b SE

Kenergy "IF" Contract termination date is March 31, 2011.

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**RUS Form 12b SE** **03/31/10**
**Operating Report** **Page1**
**Sales of Electricity**

| 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 | 128 | 139 | 127 |
| 3 | Meade County Rural ECC | RQ | KY0018 | 108 | 111 | 102 |
| 4 | Kenergy Corporation | RQ | KY0065 | 368 | 381 | 377 |
| 5 | Kenergy Corporation | IF | KY0065 | | | |
| 6 | Kenergy Corporation | LF | KY0065 | | | |
| 7 | | | | | | |
| 8 | Associated Electric Coop | OS | MO0073 | | | |
| 9 | East Kentucky Power Coop | OS | KY0059 | | | |
| 10 | Oglethorpe Power | OS | GA0109 | | | |
| 11 | PowerSouth Energy Coop | OS | AL0042 | | | |
| 12 | | | | | | |
| 13 | Cargill-Alliant | OS | | | | |
| 14 | Constellation Power Source | OS | | | | |
| 15 | EDF Trading North America | OS | | | | |
| 16 | Midwest Independent Trans. | OS | | | | |
| 17 | PJM Interconnection | OS | | | | |
| 18 | Southern Company Services | OS | | | | |
| 19 | Tenaska Power Services | OS | | | | |
| 20 | Tennessee Valley Authority | OS | | | | |
| 21 | The Energy Authority | OS | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Total for Ultimate Consumer(s) | | | 0 | 0 | 0 |
| Total for Distribution Borrowers | | | 604 | 631 | 606 |
| Total for G&T Borrowers | | | 0 | 0 | 0 |
| Total for Others | | | 0 | 0 | 0 |
| Grand Total | | | 604 | 631 | 606 |

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

**03/31/10**
**Page 2**

| Sale No. | Electricity Sold (g) | Revenue Demand (h) | Revenue Energy (I) | Revenue Other (j) | Revenue Total (h+I+j+k) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | 184,472 | 2,875,871 | 5,348,124 | | 8,223,995 |
| 3 | 148,456 | 2,383,326 | 4,319,809 | | 6,703,135 |
| 4 | 558,954 | 9,379,387 | 14,848,953 | | 24,228,340 |
| 5 | 8,158 | | 312,652 | | 312,652 |
| 6 | 1,572,161 | | 68,996,915 | | 68,996,915 |
| 7 | | | | | |
| 8 | 3,675 | | 132,370 | | 132,370 |
| 9 | 40,351 | | 1,760,881 | | 1,760,881 |
| 10 | 2,196 | | 103,037 | | 103,037 |
| 11 | 7,080 | | 262,640 | | 262,640 |
| 12 | | | | | |
| 13 | 94,400 | | 3,643,967 | | 3,643,967 |
| 14 | 88,055 | | 3,443,183 | | 3,443,183 |
| 15 | 59,203 | | 2,554,141 | | 2,554,141 |
| 16 | 236,349 | | 9,188,181 | | 9,188,181 |
| 17 | 25,534 | | 946,094 | | 946,094 |
| 18 | 1,395 | | 67,940 | | 67,940 |
| 19 | 4,989 | | 190,185 | | 190,185 |
| 20 | 65,568 | | 2,773,647 | | 2,773,647 |
| 21 | 6,117 | | 294,854 | | 294,854 |

| | | | | |
|---|---|---|---|---|
| - | - | - | - | - |
| 2,472,201 | 14,638,584 | 93,826,453 | - | 108,465,037 |
| 53,302 | - | 2,258,928 | - | 2,258,928 |
| 581,610 | - | 23,102,192 | - | 23,102,192 |
| 3,107,113 | 14,638,584 | 119,187,573 | - | 133,826,157 |

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**03/31/10**
**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 | Constellation Energy Commodities | OS | | | | |
| 4 | EDF Trading North America | OS | | | | |
| 5 | Henderson Municipal Power & Light | RQ | | | | |
| 6 | LG&E/KU | RQ | | | | |
| 7 | Midwest Independent Trans. Sys. Op. | OS | | | | |
| 8 | PJM Interconnection | OS | | | | |
| 9 | RRI Energy Services | SF | | | | |
| 10 | Alcan Aluminum | OS | | | | |
| 11 | Southeastern Power Admin | LF | | | | |

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

**RUS Form 12b PP** **03/31/10**
**Operating Report** **Page 2**
**Purchased Power**

| Purch No. | Electricity Purchased (g) | Power Echanges Electricity Received (h) | Power Echanges Electricity Delivered (I) | Revenue Demand (j) | Revenue Energy (k) | Revenue Other (l) | Revenue Total (j+k+l) |
|---|---|---|---|---|---|---|---|
| 1 | 2,520 | | | | 98,280 | | 98,280 |
| 2 | | | | | | | |
| 3 | 70 | | | | 2,590 | | 2,590 |
| 4 | 540 | | | | 19,710 | | 19,710 |
| 5 | 402,500 | | | | 13,745,777 | | 13,745,777 |
| 6 | 235 | | | | 11,921 | | 11,921 |
| 7 | 27,459 | | | | 1,382,405 | | 1,382,405 |
| 8 | 5,301 | | | | 288,108 | | 288,108 |
| 9 | 7,350 | | | | 570,816 | | 570,816 |
| 10 | 570 | | | | 19,849 | | 19,849 |
| 11 | 129,586 | | | | 2,424,666 | | 2,424,666 |

| | | | | | | |
|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - |
| 2,520 | - | - | - | 98,280 | - | 98,280 |
| 573,611 | - | - | - | 18,465,842 | - | 18,465,842 |
| 576,131 | - | - | - | 18,564,122 | - | 18,564,122 |

**RUS Form 12c** **03/31/10**

**Operating Report**

**Sources and Distribution of Energy**

| 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 | 4 | 1,489,000 | 2,567,402 | 90,621,106 |
| 2 Nuclear | | | | |
| 3 Hydro | | | | |
| 4 Combined Cycle | | | | |
| 5 Internal Combustion | 1 | 70,000 | (155) | 165,936 |
| 6 Other | | | | |
| 7 TOTAL In Own Plant (Sum of lines 1 thru 6) | 5 | | 2,567,247 | 90,787,042 |
| PURCHASED POWER | | | | |
| 8 Total Purchased Power | | | 576,131 | 18,564,122 |
| INTERCHANGED POWER | | | | |
| 9 Received into System | | | 655,926 | |
| 10 Delivered Out of System | | | 651,982 | |
| 11 Net Interchange | | | 3,944 | |
| 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) | | | 3,147,322 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16 TOTAL Sales | | | 3,107,113 | |
| 17 Energy Furnished to Others Without Charge | | | | |
| 18 Energy Used by Borrower | | | | |
| 19 TOTAL Energy Accounted For (Sum of lines 16 thru 18) | | | 3,107,113 | |
| LOSSES | | | | |
| 20 Energy Losses - MWh (Line 15 minus 19) | | | 40,209 | |
| 21 Energy Losses - Percentage ((Line 20 divided by line 15)*100) | | | 1.28 | |

**RUS Form 12d** **3/31/2010**
**Operating Report**
**Steam Plant** **Coleman**

**SECTION A. BOILERS/TURBINES**

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 2 | 241,526.4 | | 4,259.0 | | | 1,917.1 | 185.7 | - | 56.2 |
| 2 | 2 | 3 | 222,330.9 | | 4,633.0 | | | 1,949.2 | 88.6 | - | 121.2 |
| 3 | 3 | 2 | 267,232.3 | | 5,420.2 | | | 2,094.0 | - | - | 65.0 |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 7 | 731,089.6 | | 14,312.2 | | | 5,960.3 | 274.3 | - | 242.4 |
| 7 | AVERAGE BTU | | 11,148 | | 1,000 | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 8,150,187 | | 14,312 | | 8,164,499 | | | | |
| 9 | Total Del. Cost ($) | | 19,391,912 | | 89,302 | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 160,000 | 270,815.0 | |
| 2 | 2 | 160,000 | 244,955.0 | |
| 3 | 3 | 165,000 | 301,736.0 | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 485,000 | 817,506.0 | 9,987 |
| 7 | Station Service (MWh) | | 74,592.0 | |
| 8 | Net Generation (MWh) | | 742,914.0 | 10,990 |
| 9 | Station Service (%) | | 9.12 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 104 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 77.12 |
| 2 | Plant Factor (%) | 78.07 |
| 3 | Running Plant Capacity Factor (%) | 84.79 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 383,966 | | |
| 2 | Fuel, Coal | 501.1 | 19,848,579 | | 2.44 |
| 3 | Fuel, Oil | 501.2 | - | | |
| 4 | Fuel, Gas | 501.3 | 89,302 | | 6.24 |
| 5 | Fuel, Other | 501.4 | - | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 19,937,881 | 26.84 | 2.44 |
| 7 | Steam Expenses | 502 | 1,551,221 | | |
| 8 | Electric Expenses | 505 | 447,332 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 330,557 | | |
| 10 | Allowances | 509 | 10,832 | | |
| 11 | Rents | 507 | - | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 2,723,908 | 3.67 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 22,661,789 | 30.5 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 387,434 | | |
| 15 | Maintenance of Structures | 511 | 196,111 | | |
| 16 | Maintenance of Boiler Plant | 512 | 1,570,555 | | |
| 17 | Maintenance of Electric Plant | 513 | 100,550 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 69,326 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 2,323,976 | 3.13 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 24,985,765 | 33.63 | |
| 21 | Depreciation | 403.1 | 1,160,337 | | |
| 22 | Interest | 427 | 1,846,164 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 3,006,501 | 4.05 | |
| 24 | POWER COST (20 + 23) | | 27,992,266 | 37.68 | |

**RUS Form 12d** **3/31/2010**
**Operating Report**
**Steam Plant** **Reid**

**SECTION A. BOILERS/TURBINES**

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 6 | 73,054.6 | 34.978 | | | | 1,501.9 | 619.6 | 11.5 | 26.0 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 6 | 73,054.6 | 34.978 | | | | 1,501.9 | 619.6 | 11.5 | 26.0 |
| 7 | AVERAGE BTU | | 12,464 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 910,553 | 4,827 | | | 915,379 | | | | |
| 9 | Total Del. Cost ($) | | 1,903,270 | 75,414 | | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 72,000 | 76,745.0 | |
| 2 | 2 | | | |
| 3 | 3 | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 72,000 | 76,745.0 | 11,928 |
| 7 | Station Service (MWh) | | 9,522.0 | |
| 8 | Net Generation (MWh) | | 67,223.0 | 13,617 |
| 9 | Station Service (%) | | 12.41 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 17 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 49.58 |
| 2 | Plant Factor (%) | 53.86 |
| 3 | Running Plant Capacity Factor (%) | 77.42 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 60,109 | | |
| 2 | Fuel, Coal | 501.1 | 1,939,293 | | 2.13 |
| 3 | Fuel, Oil | 501.2 | 75,414 | | 15.62 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 2,014,707 | 29.97 | 2.2 |
| 7 | Steam Expenses | 502 | 135,133 | | |
| 8 | Electric Expenses | 505 | 71,428 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 76,138 | | |
| 10 | Allowances | 509 | 35,092 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 377,900 | 5.62 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 2,392,607 | 35.59 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 66,703 | | |
| 15 | Maintenance of Structures | 511 | 34,893 | | |
| 16 | Maintenance of Boiler Plant | 512 | 274,466 | | |
| 17 | Maintenance of Electric Plant | 513 | 25,586 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 8,672 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 410,320 | 6.10 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 2,802,927 | 41.70 | |
| 21 | Depreciation | 403.1 | 100,252 | | |
| 22 | Interest | 427 | 192,722 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 292,974 | 4.36 | |
| 24 | POWER COST (20 + 23) | | 3,095,901 | 46.05 | |

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**RUS Form 12d** 3/31/2010
***Operating Report***
**Steam Plant** Green

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 1 | 422,154.4 | 134.415 | | | | 2,128.0 | - | - | 31.0 |
| 2 | 2 | 1 | 432,153.6 | 39.219 | | | | 2,120.7 | - | - | 38.3 |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 2 | 854,308.0 | 173.634 | | | | 4,248.7 | - | - | 69.3 |
| 7 | AVERAGE BTU | | 11,621 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 9,927,913 | 23,961 | | | 9,951,875 | | | | |
| 9 | Total Del. Cost ($) | | 17,240,008 | 374,866 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 250,000 | 480,832.3 | |
| 2 | 2 | 242,000 | 493,964.0 | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 492,000 | 974,796.3 | 10,209 |
| 7 | Station Service (MWh) | | 89,044.6 | |
| 8 | Net Generation (MWh) | | 885,751.7 | 11,236 |
| 9 | Station Service (%) | | 9.13 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 109 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 92.28 |
| 2 | Plant Factor (%) | 93.24 |
| 3 | Running Plant Capacity Factor (%) | 94.76 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 441,033 | | |
| 2 | Fuel, Coal | 501.1 | 17,616,163 | | 1.77 |
| 3 | Fuel, Oil | 501.2 | 374,865 | | 15.64 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 17,991,028 | 20.31 | 1.81 |
| 7 | Steam Expenses | 502 | 3,517,603 | | |
| 8 | Electric Expenses | 505 | 461,204 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 458,397 | | |
| 10 | Allowances | 509 | 11,177 | | |
| 11 | Rents | 507 | | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 4,889,414 | 5.52 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 22,880,442 | 25.83 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 318,028 | | |
| 15 | Maintenance of Structures | 511 | 149,727 | | |
| 16 | Maintenance of Boiler Plant | 512 | 1,699,742 | | |
| 17 | Maintenance of Electric Plant | 513 | 140,650 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 41,781 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 2,349,928 | 2.65 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 25,230,370 | 28.48 | |
| 21 | Depreciation | 403.1 | 1,696,561 | | |
| 22 | Interest | 427 | 2,275,492 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 3,972,053 | 4.48 | |
| 24 | **POWER COST (20 + 23)** | | 29,202,423 | 32.97 | |

**RUS Form 12d** **3/31/2010**
**Operating Report**
**Steam Plant** **Wilson**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. | TIMES STARTED | FUEL CONSUMPTION | | | | | OPERATING HOURS | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | COAL (1000 Lbs.) | OIL (1000 Gals.) | GAS (1000 C.F.) | OTHER | TOTAL | IN SERVICE | ON STANDBY | OUT OF SERVICE Scheduled | OUT OF SERVICE Unsched. |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) |
| 1 | 1 | 2 | 817,035.5 | 173.800 | | | | 2,120.4 | - | - | 38.6 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 2 | 817,035.5 | 173.800 | | | | 2,120.4 | - | - | 38.6 |
| 7 | AVERAGE BTU | | 11,635 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 9,506,208 | 23,984 | | | 9,530,192 | | | | |
| 9 | Total Del. Cost ($) | | 13,118,086 | 418,141 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 440,000 | 935,796.8 | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 440,000 | 935,796.8 | 10,184 |
| 7 | Station Service (MWh) | | 64,283.9 | |
| 8 | Net Generation (MWh) | | 871,512.9 | 10,935 |
| 9 | Station Service (%) | | 6.87 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 103 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 95.00 |
| 2 | Plant Factor (%) | 98.50 |
| 3 | Running Plant Capacity Factor (%) | 100.30 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 176,916 | | |
| 2 | Fuel, Coal | 501.1 | 13,544,944 | | 1.42 |
| 3 | Fuel, Oil | 501.2 | 418,141 | | 17.43 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 13,963,085 | 16.02 | 1.47 |
| 7 | Steam Expenses | 502 | 3,031,560 | | |
| 8 | Electric Expenses | 505 | 430,847 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 828,882 | | |
| 10 | Allowances | 509 | 40,572 | | |
| 11 | Rents | 507 | | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 4,508,777 | 5.17 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 18,471,862 | 21.20 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 120,959 | | |
| 15 | Maintenance of Structures | 511 | 126,032 | | |
| 16 | Maintenance of Boiler Plant | 512 | 1,525,875 | | |
| 17 | Maintenance of Electric Plant | 513 | 64,725 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 35,598 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 1,873,189 | 2.15 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 20,345,051 | 23.34 | |
| 21 | Depreciation | 403.1 | 4,044,295 | | |
| 22 | Interest | 427 | 5,941,170 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 9,985,465 | 11.46 | |
| 24 | **POWER COST (20 + 23)** | | 30,330,516 | 34.80 | |

**RUS Form 12f** 3/31/10
**Operating Report**
**Internal Combustion Plant** Reid

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

| LINE NO. | UNIT NO. (a) | SIZE (kW) (b) | FUEL CONSUMPTION: OIL (1000 Gals.) (c) | GAS (1000 C.F.) (d) | OTHER (e) | TOTAL (f) | OPERATING HOURS: IN SERVICE (g) | ON STANDBY (h) | OUT OF SERVICE Sche. (i) | OUT OF SERVICE Unsche. (j) | GROSS GENERATION (MWh) (k) | BTU PER kWh (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 70,000 | 4.608 | | | | 1.1 | 1,410.9 | 4.0 | - | 7.5 | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | TOTAL | 70,000 | 4.608 | | | | 1.1 | 1,410.9 | 4.0 | - | 7.5 | 84,800 |
| 7 | AVERAGE BTU | | 138,000 | | | | STATION SERVICE (MWh) | | | | 162.3 | |
| 8 | Total BTU (10 6th pwr) | | 636 | | | 636 | NET GENERATION (MWh) | | | | (154.8) | |
| 9 | Total Del. Cost ($) | | 37,131 | | | | STATION SERVICE % OF GROSS | | | | 2,164.00 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE | LINE NO. | ITEM | VALUE |
|---|---|---|---|---|---|
| 1. | No. Emp. Full Time (Incl. Superintendent) | | 5. | Maint. Plant Payroll ($) | |
| 2. | No. Emp. Part Time | | 6. | Other Accounts Plant Payroll ($) | |
| 3. | Total Emp. - Hrs. Worked | | | | |
| 4 | Oper. Plant Payroll ($) | | 7. | TOTAL Plant Payroll ($) | |

**SECTION C. FACTORS & MAXIMUM DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | |
| 2 | Plant Factor (%) | |
| 3 | Running Plant Capacity Factor (%) | 7.48 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Max. Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 546 | | | |
| 2 | Fuel, Oil | 547.1 | - | | 0 |
| 3 | Fuel, Gas | 547.2 | | | |
| 4 | Fuel, Other | 547.3 | | | |
| 5 | Energy for Compressed Air | 547.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 547 | - | 0.00 | 0 |
| 7 | Generation Expenses | 548 | - | | |
| 8 | Miscellaneous Other Power Generation Expenses | 549 | | | |
| 9 | Rents | 550 | | | |
| 10 | NON- FUEL SUB-TOTAL (1 + 7 thru 9) | | - | 0.00 | |
| 11 | OPERATION EXPENSE (6 + 10) | | - | 0.00 | |
| 12 | Maintenance, Supervision and Engineering | 551 | | | |
| 13 | Maintenance of Structures | 552 | | | |
| 14 | Maintenance of Generating and Electric Plant | 553 | - | | |
| 15 | Maintenance of Miscellaneous Other Power Generating Plant | 554 | | | |
| 16 | MAINTENANCE EXPENSE (12 thru 15) | | - | 0.00 | |
| 17 | TOTAL PRODUCTION EXPENSE (11 + 16) | | - | 0.00 | |
| 18 | Depreciation | 553, 512 | - | | |
| 19 | Interest | 554, 513 | - | | |
| 20 | TOTAL FIXED COST (18 + 19) | | - | 0.00 | |
| 21 | POWER COST (17 + 20) | | - | 0.00 | |

**RUS Form 12I** **03/31/10**

**OPERATING REPORT - LINES AND STATIONS**

| | ITEM | Account Number | LINES (a) | STATIONS (b) |
|---|---|---|---|---|
| | **SECTION A. EXPENSE AND COSTS** | | | |
| | **TRANSMISSION OPERATION** | | | |
| 1 | Supervision and Engineering | 560 | 105,398 | 86,853 |
| 2 | Load Dispatching | 561 | 325,767 | |
| 3 | Station Expenses | 562 | | 245,507 |
| 4 | Overhead Line Expenses | 563 | 274,151 | |
| 5 | Underground Line Expenses | 564 | | |
| 6 | Miscellaneous Expenses | 566 | 59,782 | 55,864 |
| 7 | **SUBTOTAL (1 thru 6)** | | 765,098 | 388,224 |
| 8 | Transmission of Electricity by Others | 565 | 834,644 | |
| 9 | Rents | 567 | | 6,175 |
| 10 | **TOTAL TRANSMISSION OPERATION (7 THRU 9)** | | 1,599,742 | 394,399 |
| | **TRANSMISSION MAINTENANCE** | | | |
| 11 | Supervision and Engineering | 568 | 64,779 | 77,178 |
| 12 | Structures | 569 | | 1,933 |
| 13 | Station Equipment | 570 | | 456,758 |
| 14 | Overhead Lines | 571 | 283,115 | |
| 15 | Underground Lines | 572 | | |
| 16 | Miscellaneous Transmission Plant | 573 | 12,187 | 32,191 |
| 17 | **TOTAL TRANSMISSION MAINTENANCE (11 THRU 16)** | | 360,081 | 568,060 |
| 18 | **TOTAL TRANSMISSION EXPENSE (10 + 17)** | | 1,959,823 | 962,459 |
| 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)** | | 1,959,823 | 962,459 |
| | **FIXED COSTS** | | | |
| 23 | Depreciation - Transmission | 403.5 | 716,292 | 360,083 |
| 24 | Depreciation - Distribution | 403.6 | | |
| 25 | Interest - Transmission | 427 | 741,984 | 922,153 |
| 26 | Interest - Distribution | 427 | | |
| 27 | **TOTAL TRANSMISSION (18 + 23 + 25)** | | 3,418,099 | 2,244,695 |
| 28 | **TOTAL DISTRIBUTION (21 + 24 + 26)** | | - | - |
| 29 | **TOTAL LINES AND STATIONS (27 + 28)** | | 3,418,099 | 2,244,695 |

**SECTION B. FACILITIES IN SERVICE**

| | TRANSMISSION LINES VOLTAGE (KV) | MILES | SUBSTATIONS TYPE | CAPACITY (kVA) |
|---|---|---|---|---|
| 1 | 69 KV | 826.63 | 13. Distr. Lines | |
| 2 | 345 KV | 68.40 | | |
| 3 | 138 KV | 14.40 | 14. Total (12 + 13) | 1,259.06 |
| 4 | 161 KV | 349.63 | | |
| 5 | | | 15. Stepup at Generating Plants | 1,879,800 |
| 6 | | | | |
| 7 | | | 16. Transmission | 3,540,000 |
| 8 | | | | |
| 9 | | | 17. Distribution | |
| 10 | | | | |
| 11 | | | 18. Total (15 thru 17) | 5,419,800 |
| 12 | TOTAL ( 1 thru 11 | 1,259.06 | | |

**SECTION C. LABOR AND MATERIAL SUMMARY**

| ITEM | LINES | STATIONS |
|---|---|---|
| 1. NUMBER OR EMPLOYEES | | 50 |
| 2. Oper. Labor | 483,744 | 251,772 |
| 3. Maint Labor | 287,977 | 409,547 |
| 4. Oper. Material | 1,115,998 | 142,627 |
| 5. Maint. Material | 72,104 | 158,513 |

**SECTION D. OUTAGES**

| | |
|---|---|
| 1. TOTAL | 78,392.70 |
| 2. Avg. No. Dist. Cons. Served | 111,944.00 |
| 3. Avg No. Hours Out Per Cons. | 0.70 |

000018

# RUS Form 12 – April 2010

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE | BORROWER DESIGNATION KY0062 |
| **OPERATING REPORT - FINANCIAL** | PERIOD ENDED<br>April, 2010 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3. | BORROWER NAME<br>Big Rivers Electric Corporation |
| *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.* | |

## 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.

Mark A. Bailey 5/27/10
DATE

RUS Form 12

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED April, 2010 |
|---|---|
| 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 | 71,093,908 | 171,384,422 | 165,703,084 | 37,558,265 |
| 2. Income From Leased Property (Net) | 9,826,442 | | | |
| 3. Other Operating Revenue and Income | 5,105,274 | 4,508,252 | 2,493,832 | 1,140,133 |
| 4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)* | 86,025,624 | 175,892,674 | 168,196,916 | 38,698,398 |
| 5. Operating Expense - Production - Excluding Fuel | | 16,670,915 | 18,869,206 | 4,163,796 |
| 6. Operating Expense - Production - Fuel | | 69,816,072 | 55,664,230 | 15,872,240 |
| 7. Operating Expense - Other Power Supply | 42,917,182 | 31,616,589 | 37,989,414 | 8,345,142 |
| 8. Operating Expense - Transmission | 2,484,770 | 2,575,202 | 2,622,250 | 581,061 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 222,626 | 178,952 | 236,550 | 42,590 |
| 12. Operating Expense - Sales | 27,852 | (4,274) | 96,264 | (36,141) |
| 13. Operating Expense - Administrative & General | 5,490,490 | 9,773,138 | 10,548,148 | 2,471,802 |
| 14. **TOTAL OPERATION EXPENSE** *(5 thru 13)* | 51,142,920 | 130,626,594 | 126,026,062 | 31,440,490 |
| 15. Maintenance Expense - Production | | 9,540,856 | 12,118,221 | 2,566,159 |
| 16. Maintenance Expense - Transmission | 1,317,925 | 1,242,165 | 1,440,594 | 314,024 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 36,461 | 83,089 | 20,743 | 8,698 |
| 19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)* | 1,354,386 | 10,866,110 | 13,579,558 | 2,888,881 |
| 20. Depreciation and Amortization Expense | 1,861,490 | 11,302,223 | 11,530,945 | 2,824,053 |
| 21. Taxes | 371,816 | 65,910 | 83,076 | 65,000 |
| 22. Interest on Long-Term Debt | 23,374,305 | 16,012,874 | 15,960,882 | 3,848,132 |
| 23. Interest Charged to Construction - Credit | (59,608) | (107,773) | (131,879) | (47,940) |
| 24. Other Interest Expense | 530 | 21,696 | | 20,383 |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | 1,386,283 | 14,615 | 38,714 | (2,109) |
| 27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)* | 79,432,122 | 168,802,249 | 167,087,358 | 41,036,890 |
| 28. **OPERATING MARGINS** *(4 less 27)* | 6,593,502 | 7,090,425 | 1,109,558 | (2,338,492) |
| 29. Interest Income | 52,965 | 110,851 | 146,771 | 28,239 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | | 9,513 | | 2,378 |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | 534,563 | 12,806 | | |
| 35. Extraordinary Items | | | | |
| 36. **NET PATRONAGE CAPITAL OR MARGINS** (28 thru 35) | 7,181,030 | 7,223,595 | 1,256,329 | (2,307,875) |

RUS Form 12a

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED April, 2010 |
|---|---|
| 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 | 1,931,385,644 | 32. Memberships | 75 |
| 2. Construction Work in Progress | 71,907,450 | 33. Patronage Capital | |
| 3. **TOTAL UTILITY PLANT** *(1 + 2)* | 2,003,293,094 | a Assigned and Assignable | |
| 4. Accum. Provision for Depreciation and Amort. | 919,946,814 | b Retired This year<br>c Retired Prior years | |
| 5. **NET UTILITY PLANT** *(3 - 4)* | 1,083,346,280 | d Net Patronage Capital | |
| 6. Non-Utility Property (Net) | | 34. Operating Margins - Prior Years | (251,616,737) |
| 7. Investments in Subsidiary Companies | | 35. Operating Margin - Current Year | 7,103,231 |
| 8. Invest. in Assoc. Org. - Patronage Capital | 3,588,289 | 36. Non-Operating Margins | 636,244,991 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 | 37. Other Margins and Equities | (5,116,423) |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | | 38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)* | 386,615,137 |
| 11. Investments in Economic Development Projects | 10,000 | 39. Long-Term Debt - RUS (Net) | 669,757,689 |
| | | 40. Long-Term Debt - FFB - RUS Guaranteed | |
| | | 41. Long-Term Debt - Other - RUS Guaranteed | |
| 12. Other Investements | 5,334 | 42. Long-Term Debt - Other (Net) | 142,100,000 |
| 13. Special Funds | 233,521,368 | 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)* | 237,809,984 | 44. Payments - Unapplied | |
| | | 45. **TOTAL LONG-TERM DEBT** *(39 thru 43 - 44)* | 811,857,689 |
| 15. Cash - General Funds | (17,934) | 46. Obligations Under Capital Leases - Noncurrent | |
| 16. Cash - Construction Funds - Trustee | | | |
| 17. Special Deposits | 571,816 | 47. Accumulated Operating Provisions and Asset Retirement Obligations | 17,169,694 |
| 18. Temporary Investments | 50,833,209 | | |
| 19. Notes Receivable (Net) | | 48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46 + 47)* | 17,169,694 |
| 20. Accounts Receivable - Sales of Energy (Net) | 34,963,962 | 49. Notes Payable | 10,000,000 |
| 21. Accounts Receivable - Other (Net) | 2,742,338 | 50. Accounts Payable | 27,419,094 |
| 22. Fuel Stock | 37,810,082 | 51. Current Maturities Long-Term Debt | 5,335,408 |
| 23. Materials and Supplies - Other | 20,236,821 | 52. Current Maturities Long-Term Debt - Rural Development | |
| 24. Prepayments | 3,714,516 | | |
| 25. Other Current and Accrued Assets | 1,042,858 | 53. Current Maturities Capital Leases | |
| 26. **TOTAL CURRENT AND ACCRUED ASSESTS** *(15 thru 25)* | 151,897,668 | 54. Taxes Accrued | 1,284,020 |
| | | 55. Interest Accrued | 3,975,597 |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 1,149,411 | 56. Other Current and Accrued Liabilities | 12,141,808 |
| 28. Regulatory Assets | | 57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)* | 60,155,927 |
| 29. Other Deferred Debits | 613,135 | | |
| 30. Accumulated Deferred Income Taxes | | 58. Deferred Credits | 199,018,031 |
| 31. **TOTAL ASSESTS AND OTHER DEBITS** *(5+14+26 thru 30)* | 1,474,816,478 | 59. Accumulated Deferred Income Taxes | |
| | | 60. **TOTAL LIABILITES AND OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)* | 1,474,816,478 |

| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>April, 2010 |
|---|---|

**SECTION C. Notes to Financial Statements**

## Footnote to RUS Form 12b SE

Kenergy "IF" Contract termination date is March 31, 2011

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

**04/30/10**
**Page1**

| 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 | 119 | 130 | 118 |
| 3 | Meade County Rural ECC | RQ | KY0018 | 95 | 99 | 90 |
| 4 | Kenergy Corporation | RQ | KY0065 | 351 | 360 | 351 |
| 5 | Kenergy Corporation | IF | KY0065 | | | |
| 6 | Kenergy Corporation | LF | KY0065 | | | |
| 7 | | | | | | |
| 8 | Associated Electric Coop | OS | MO0073 | | | |
| 9 | East Kentucky Power Coop | OS | KY0059 | | | |
| 10 | Oglethorpe Power | OS | GA0109 | | | |
| 11 | PowerSouth Energy Coop | OS | AL0042 | | | |
| 12 | | | | | | |
| 13 | Ameren UE | OS | | | | |
| 14 | Cargill-Alliant | OS | | | | |
| 15 | Constellation Power Source | OS | | | | |
| 16 | EDF Trading North America | OS | | | | |
| 17 | Midwest Independent Trans. | OS | | | | |
| 18 | PJM Interconnection | OS | | | | |
| 19 | Southern Company Services | OS | | | | |
| 20 | Tenaska Power Services | OS | | | | |
| 21 | Tennessee Valley Authority | OS | | | | |
| 22 | The Energy Authority | OS | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Total for Ultimate Consumer(s) | | | 0 | 0 | 0 |
| Total for Distribution Borrowers | | | 565 | 589 | 559 |
| Total for G&T Borrowers | | | 0 | 0 | 0 |
| Total for Others | | | 0 | 0 | 0 |
| Grand Total | | | 565 | 589 | 559 |

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

**03/31/10**
**Page 2**

| Sale No. | Electricity Sold (g) | Revenue Demand (h) | Revenue Energy (I) | Revenue Other (j) | Revenue Total (h+I+j+k) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | 226,110 | 3,568,969 | 6,515,442 | | 10,084,411 |
| 3 | 176,537 | 2,804,904 | 5,112,897 | | 7,917,801 |
| 4 | 708,642 | 11,953,486 | 18,563,937 | | 30,517,423 |
| 5 | 8,282 | | 311,049 | | 311,049 |
| 6 | 2,092,832 | | 91,512,221 | | 91,512,221 |
| 7 | | | | | |
| 8 | 3,818 | | 137,429 | | 137,429 |
| 9 | 40,351 | | 1,760,881 | | 1,760,881 |
| 10 | 2,196 | | 103,037 | | 103,037 |
| 11 | 7,080 | | 262,640 | | 262,640 |
| 12 | | | | | |
| 13 | 17,777 | | 556,374 | | 556,374 |
| 14 | 100,949 | | 3,845,748 | | 3,845,748 |
| 15 | 92,547 | | 3,591,838 | | 3,591,838 |
| 16 | 115,138 | | 4,358,899 | | 4,358,899 |
| 17 | 300,814 | | 11,316,789 | | 11,316,789 |
| 18 | 29,159 | | 1,069,442 | | 1,069,442 |
| 19 | 1,750 | | 81,705 | | 81,705 |
| 20 | 5,964 | | 224,326 | | 224,326 |
| 21 | 83,931 | | 3,384,718 | | 3,384,718 |
| 22 | 7,535 | | 347,691 | | 347,691 |

| | | | | |
|---|---|---|---|---|
| - | - | - | - | - |
| 3,212,403 | 18,327,359 | 122,015,546 | - | 140,342,905 |
| 53,445 | - | 2,263,987 | - | 2,263,987 |
| 755,564 | - | 28,777,530 | - | 28,777,530 |
| 4,021,412 | 18,327,359 | 153,057,063 | - | 171,384,422 |

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**04/30/10**
**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 | Associated Electric Coop | OS | MO0073 | | | |
| 2 | Southern Illinois Power Coop | OS | IL0050 | | | |
| 3 | | | | | | |
| 4 | Cargill-Alliant | OS | | | | |
| 5 | Constellation Energy Commodities | OS | | | | |
| 6 | EDF Trading North America | OS | | | | |
| 7 | Henderson Municipal Power & Light | RQ | | | | |
| 8 | LG&E/KU | RQ | | | | |
| 9 | Midwest Independent Trans. Sys. Op. | OS | | | | |
| 10 | PJM Interconnection | OS | | | | |
| 11 | RRI Energy Services | SF | | | | |
| 12 | Alcan Aluminum | OS | | | | |
| 13 | Southeastern Power Admin | LF | | | | |
| 14 | The Energy Authority | OS | | | | |

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

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**04/30/10**
**Page 2**

| Purch No. | Electricity Purchased (g) | Power Echanges Electricity Received (h) | Power Echanges Electricity Delivered (I) | Revenue Demand (j) | Revenue Energy (k) | Revenue Other (I) | Revenue Total (j+k+l) |
|---|---|---|---|---|---|---|---|
| 1 | 468 | | | | 19,188 | | 19,188 |
| 2 | 2,520 | | | | 98,280 | | 98,280 |
| 3 | | | | | | | |
| 4 | 2,748 | | | | 80,752 | | 80,752 |
| 5 | 420 | | | | 14,840 | | 14,840 |
| 6 | 540 | | | | 19,710 | | 19,710 |
| 7 | 489,028 | | | | 18,844,323 | | 18,844,323 |
| 8 | 235 | | | | 11,921 | | 11,921 |
| 9 | 44,294 | | | | 2,136,640 | | 2,136,640 |
| 10 | 10,722 | | | | 491,462 | | 491,462 |
| 11 | 7,350 | | | | 660,716 | | 660,716 |
| 12 | 570 | | | | 19,849 | | 19,849 |
| 13 | 151,701 | | | | 2,965,800 | | 2,965,800 |
| 14 | 231 | | | | 10,130 | | 10,130 |
| | - | - | - | - | - | - | - |
| | 2,988 | - | - | - | 117,468 | - | 117,468 |
| | 707,839 | - | - | - | 25,256,143 | - | 25,256,143 |
| | 710,827 | - | - | - | 25,373,611 | - | 25,373,611 |

**RUS Form 12c** **04/30/10**
**Operating Report**
**Sources and Distribution of Energy**

| 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 | 4 | 1,489,000 | 3,356,013 | 118,795,821 |
| 2 Nuclear | | | | |
| 3 Hydro | | | | |
| 4 Combined Cycle | | | | |
| 5 Internal Combustion | 1 | 70,000 | (158) | 205,591 |
| 6 Other | | | | |
| 7 TOTAL In Own Plant (Sum of lines 1 thru 6) | 5 | | 3,355,855 | 119,001,412 |
| PURCHASED POWER | | | | |
| 8 Total Purchased Power | | | 710,827 | 25,373,611 |
| INTERCHANGED POWER | | | | |
| 9 Received into System | | | 888,556 | |
| 10 Delivered Out of System | | | 883,863 | |
| 11 Net Interchange | | | 4,693 | |
| 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) | | | 4,071,375 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16 TOTAL Sales | | | 4,021,412 | |
| 17 Energy Furnished to Others Without Charge | | | | |
| 18 Energy Used by Borrower | | | | |
| 19 TOTAL Energy Accounted For (Sum of lines 16 thru 18) | | | 4,021,412 | |
| LOSSES | | | | |
| 20 Energy Losses - MWh (Line 15 minus 19) | | | 49,963 | |
| 21 Energy Losses - Percentage ((Line 20 divided by line 15)*100) | | | 1.23 | |

RUS Form 12d 4/30/2010
Operating Report
Steam Plant Coleman

| SECTION A. BOILERS/TURBINES | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| LINE NO. | UNIT NO. | TIMES STARTED | FUEL CONSUMPTION | | | | | OPERATING HOURS | | | |
| | | | COAL (1000 Lbs.) | OIL (1000 Gals.) | GAS (1000 C.F.) | OTHER | TOTAL | IN SERVICE | ON STANDBY | OUT OF SERVICE Scheduled | OUT OF SERVICE Unsched. |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) |
| 1 | 1 | 4 | 323,046.5 | | 6,177.1 | | | 2,608.8 | 185.7 | - | 84.5 |
| 2 | 2 | 6 | 282,905.0 | | 8,580.5 | | | 2,480.7 | 216.8 | - | 181.5 |
| 3 | 3 | 3 | 343,011.2 | | 7,170.9 | | | 2,704.4 | 73.3 | - | 101.3 |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 13 | 948,962.7 | | 21,928.5 | | | 7,793.9 | 475.8 | - | 367.3 |
| 7 | AVERAGE BTU | | 11,147 | | 1,000 | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 10,578,087 | | 21,929 | | 10,600,016 | | | | |
| 9 | Total Del. Cost ($) | | 25,225,933 | | 131,850 | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 160,000 | 362,295.0 | |
| 2 | 2 | 160,000 | 312,992.0 | |
| 3 | 3 | 165,000 | 389,350.0 | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 485,000 | 1,064,637.0 | 9,956 |
| 7 | Station Service (MWh) | | 98,430.0 | |
| 8 | Net Generation (MWh) | | 966,207.0 | 10,971 |
| 9 | Station Service (%) | | 9.25 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 106 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 75.32 |
| 2 | Plant Factor (%) | 76.25 |
| 3 | Running Plant Capacity Factor (%) | 84.46 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 490,973 |
| 5 | Indicated Gross Maximum Demand (kW) | |

| SECTION D. COST OF NET ENERGY GENERATED | | | | | |
|---|---|---|---|---|---|
| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
| 1 | Operation, Supervision and Engineering | 500 | 494,576 | | |
| 2 | Fuel, Coal | 501.1 | 25,836,845 | | 2.44 |
| 3 | Fuel, Oil | 501.2 | - | | |
| 4 | Fuel, Gas | 501.3 | 131,850 | | 6.01 |
| 5 | Fuel, Other | 501.4 | - | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 25,968,695 | 26.88 | 2.45 |
| 7 | Steam Expenses | 502 | 2,083,876 | | |
| 8 | Electric Expenses | 505 | 591,850 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 406,916 | | |
| 10 | Allowances | 509 | 18,036 | | |
| 11 | Rents | 507 | - | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 3,595,254 | 3.72 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 29,563,949 | 30.60 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 507,995 | | |
| 15 | Maintenance of Structures | 511 | 239,121 | | |
| 16 | Maintenance of Boiler Plant | 512 | 1,981,098 | | |
| 17 | Maintenance of Electric Plant | 513 | 220,973 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 92,860 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 3,042,047 | 3.15 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 32,605,996 | 33.75 | |
| 21 | Depreciation | 403.1 | 1,547,115 | | |
| 22 | Interest | 427 | 2,432,543 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 3,979,658 | 4.12 | |
| 24 | POWER COST (20 + 23) | | 36,585,654 | 37.87 | |

**RUS Form 12d** **4/30/2010**
**Operating Report**
**Steam Plant** **Reid**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 7 | 77,994.9 | 42.420 | | | | 1,613.1 | 1,228.4 | 11.5 | 26.0 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 7 | 77,994.9 | 42.420 | | | | 1,613.1 | 1,228.4 | 11.5 | 26.0 |
| 7 | AVERAGE BTU | | 12,464 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 972,128 | 5,854 | | | 977,982 | | | | |
| 9 | Total Del. Cost ($) | | 2,032,595 | 92,573 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 72,000 | 82,149.0 | |
| 2 | 2 | | | |
| 3 | 3 | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 72,000 | 82,149.0 | 11,905 |
| 7 | Station Service (MWh) | | 11,351.0 | |
| 8 | Net Generation (MWh) | | 70,798.0 | 13,814 |
| 9 | Station Service (%) | | 13.82 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 17 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 39.80 |
| 2 | Plant Factor (%) | 43.23 |
| 3 | Running Plant Capacity Factor (%) | 77.16 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 71,700 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 85,515 | | |
| 2 | Fuel, Coal | 501.1 | 2,082,669 | | 2.14 |
| 3 | Fuel, Oil | 501.2 | 92,573 | | 15.81 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 2,175,242 | 30.72 | 2.22 |
| 7 | Steam Expenses | 502 | 188,312 | | |
| 8 | Electric Expenses | 505 | 98,148 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 105,893 | | |
| 10 | Allowances | 509 | 38,350 | | |
| 11 | Rents | 507 | | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 516,218 | 7.29 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 2,691,460 | 38.02 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 93,467 | | |
| 15 | Maintenance of Structures | 511 | 38,254 | | |
| 16 | Maintenance of Boiler Plant | 512 | 306,410 | | |
| 17 | Maintenance of Electric Plant | 513 | 31,538 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 10,697 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 480,366 | 6.79 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 3,171,826 | 44.80 | |
| 21 | Depreciation | 403.1 | 133,669 | | |
| 22 | Interest | 427 | 253,938 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 387,607 | 5.47 | |
| 24 | **POWER COST (20 + 23)** | | 3,559,433 | 50.28 | |

RUS Form 12d 4/30/2010
Operating Report
Steam Plant Green

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 3 | 563,387.1 | 158.035 | | | | 2,839.5 | - | 1.9 | 37.6 |
| 2 | 2 | 1 | 571,517.8 | 46.698 | | | | 2,840.7 | - | - | 38.3 |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | - |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 4 | 1,134,904.9 | 204.733 | | | | 5,680.2 | - | 1.9 | 75.9 |
| 7 | AVERAGE BTU | | 11,695 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 13,272,713 | 28,253 | | | 13,300,966 | | | | |
| 9 | Total Del. Cost ($) | | 22,376,199 | 445,675 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 250,000 | 647,112.0 | |
| 2 | 2 | 242,000 | 658,597.0 | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 492,000 | 1,305,709.0 | 10,187 |
| 7 | Station Service (MWh) | | 118,533.9 | |
| 8 | Net Generation (MWh) | | 1,187,175.1 | 11,204 |
| 9 | Station Service (%) | | 9.08 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 108 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 92.69 |
| 2 | Plant Factor (%) | 93.66 |
| 3 | Running Plant Capacity Factor (%) | 94.94 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 489,300 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 583,011 | | |
| 2 | Fuel, Coal | 501.1 | 22,926,903 | | 1.73 |
| 3 | Fuel, Oil | 501.2 | 445,675 | | 15.77 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 23,372,578 | 19.69 | 1.76 |
| 7 | Steam Expenses | 502 | 4,638,654 | | |
| 8 | Electric Expenses | 505 | 603,426 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 611,153 | | |
| 10 | Allowances | 509 | 16,307 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 6,452,551 | 5.44 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 29,825,129 | 25.12 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 428,924 | | |
| 15 | Maintenance of Structures | 511 | 211,633 | | |
| 16 | Maintenance of Boiler Plant | 512 | 2,275,471 | | |
| 17 | Maintenance of Electric Plant | 513 | 265,201 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 64,525 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 3,245,754 | 2.73 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 33,070,883 | 27.86 | |
| 21 | Depreciation | 403.1 | 2,262,083 | | |
| 22 | Interest | 427 | 2,991,090 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 5,253,173 | 4.42 | |
| 24 | POWER COST (20 + 23) | | 38,324,056 | 32.28 | |

**RUS Form 12d** **4/30/2010**
**Operating Report**
**Steam Plant** **Wilson**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 6 | 1,054,453.9 | 256.100 | | | | 2,757.5 | - | - | 121.5 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 6 | 1,054,453.9 | 256.100 | | | | 2,757.5 | - | - | 121.5 |
| 7 | AVERAGE BTU | | 11,706 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 12,343,437 | 35,342 | | | 12,378,779 | | | | |
| 9 | Total Del. Cost ($) | | 17,098,695 | 610,782 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 440,000 | 1,215,215.8 | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 440,000 | 1,215,215.8 | 10,186 |
| 7 | Station Service (MWh) | | 83,382.5 | |
| 8 | Net Generation (MWh) | | 1,131,833.3 | 10,937 |
| 9 | Station Service (%) | | 6.86 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 102 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | - |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 92.50 |
| 2 | Plant Factor (%) | 95.90 |
| 3 | Running Plant Capacity Factor (%) | 100.20 |
| 4 | 15 Minute Gross Maximum Demand (kW) | |
| 5 | Indicated Gross Maximum Demand (kW) | 456,376 |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 237,146 | | |
| 2 | Fuel, Coal | 501.1 | 17,647,948 | | 1.43 |
| 3 | Fuel, Oil | 501.2 | 610,782 | | 17.28 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 18,258,730 | 16.13 | 1.48 |
| 7 | Steam Expenses | 502 | 4,125,994 | | |
| 8 | Electric Expenses | 505 | 547,844 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 1,127,995 | | |
| 10 | Allowances | 509 | 58,419 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 6,097,398 | 5.39 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 24,356,128 | 21.52 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 160,269 | | |
| 15 | Maintenance of Structures | 511 | 170,818 | | |
| 16 | Maintenance of Boiler Plant | 512 | 2,247,839 | | |
| 17 | Maintenance of Electric Plant | 513 | 127,611 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 49,191 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 2,755,728 | 2.43 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 27,111,856 | 23.95 | |
| 21 | Depreciation | 403.1 | 5,392,394 | | |
| 22 | Interest | 427 | 7,822,428 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 13,214,822 | 11.68 | |
| 24 | POWER COST (20 + 23) | | 40,326,678 | 35.63 | |

**RUS Form 12f** **4/30/10**
**Operating Report**
**Internal Combustion Plant** **Reid**

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

| LINE NO. | UNIT NO. (a) | SIZE (kW) (b) | FUEL CONSUMPTION OIL (1000 Gals.) (c) | GAS (1000 C.F.) (d) | OTHER (e) | TOTAL (f) | OPERATING HOURS IN SERVICE (g) | ON STANDBY (h) | OUT OF SERVICE Sche. (i) | OUT OF SERVICE Unsche. (j) | GROSS GENERATION (MWh) (k) | BTU PER kWh (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 70,000 | 10.636 | | | | 2.7 | 2,857.0 | 16.3 | 3.0 | 64.9 | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | TOTAL | 70,000 | 10.636 | | | | 2.7 | 2,857.0 | 16.3 | 3.0 | 64.9 | 22,619 |
| 7 | AVERAGE BTU | | 138,000 | | | | STATION SERVICE (MWh) | | | | 223.6 | |
| 8 | Total BTU (10 6th pwr) | | 1,468 | | | 1,468 | NET GENERATION (MWh) | | | | (158.7) | |
| 9 | Total Del. Cost ($) | | 40,828 | | | | STATION SERVICE % OF GROSS | | | | 344.53 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE | LINE NO. | ITEM | VALUE |
|---|---|---|---|---|---|
| 1. | No. Emp. Full Time (Incl. Superintendent) | | 5. | Maint. Plant Payroll ($) | |
| 2. | No. Emp. Part Time | | 6. | Other Accounts Plant Payroll ($) | |
| 3. | Total Emp. - Hrs. Worked | | | | |
| 4 | Oper. Plant Payroll ($) | | 7. | TOTAL Plant Payroll ($) | |

**SECTION C. FACTORS & MAXIMUM DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 0.03 |
| 2 | Plant Factor (%) | 0.03 |
| 3 | Running Plant Capacity Factor (%) | 33.41 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 70,000 |
| 5 | Indicated Gross Max. Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 546 | | | |
| 2 | Fuel, Oil | 547.1 | 40,828 | | |
| 3 | Fuel, Gas | 547.2 | | | |
| 4 | Fuel, Other | 547.3 | | | |
| 5 | Energy for Compressed Air | 547.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 547 | 40,828 | | |
| 7 | Generation Expenses | 548 | 9,494 | | |
| 8 | Miscellaneous Other Power Generation Expenses | 549 | | | |
| 9 | Rents | 550 | | | |
| 10 | **NON- FUEL SUB-TOTAL (1 + 7 thru 9)** | | 9,494 | | |
| 11 | **OPERATION EXPENSE (6 + 10)** | | 50,322 | | |
| 12 | Maintenance, Supervision and Engineering | 551 | | | |
| 13 | Maintenance of Structures | 552 | | | |
| 14 | Maintenance of Generating and Electric Plant | 553 | 16,961 | | |
| 15 | Maintenance of Miscellaneous Other Power Generating Plant | 554 | | | |
| 16 | **MAINTENANCE EXPENSE (12 thru 15)** | | 16,961 | | |
| 17 | **TOTAL PRODUCTION EXPENSE (11 + 16)** | | 67,283 | | |
| 18 | Depreciation | 553, 512 | 63,324 | | |
| 19 | Interest | 554, 513 | 74,984 | | |
| 20 | **TOTAL FIXED COST (18 + 19)** | | 138,308 | | |
| 21 | **POWER COST (17 + 20)** | | 205,591 | | |

**RUS Form 12i** **04/30/10**

**OPERATING REPORT - LINES AND STATIONS**

| SECTION A. EXPENSE AND COSTS | | | | |
|---|---|---|---|---|
| | ITEM | Account Number | LINES (a) | STATIONS (b) |
| | **TRANSMISSION OPERATION** | | | |
| 1 | Supervision and Engineering | 560 | 138,109 | 113,530 |
| 2 | Load Dispatching | 561 | 415,664 | |
| 3 | Station Expenses | 562 | | 329,628 |
| 4 | Overhead Line Expenses | 563 | 361,673 | |
| 5 | Underground Line Expenses | 564 | | |
| 6 | Miscellaneous Expenses | 566 | 74,469 | 70,159 |
| 7 | **SUBTOTAL (1 thru 6)** | | 989,915 | 513,317 |
| 8 | Transmission of Electricity by Others | 565 | 1,063,736 | |
| 9 | Rents | 567 | | 8,234 |
| 10 | **TOTAL TRANSMISSION OPERATION (7 THRU 9)** | | 2,053,651 | 521,551 |
| | **TRANSMISSION MAINTENANCE** | | | |
| 11 | Supervision and Engineering | 568 | 84,971 | 101,227 |
| 12 | Structures | 569 | | 2,013 |
| 13 | Station Equipment | 570 | | 580,994 |
| 14 | Overhead Lines | 571 | 423,658 | |
| 15 | Underground Lines | 572 | | |
| 16 | Miscellaneous Transmission Plant | 573 | 15,959 | 33,343 |
| 17 | **TOTAL TRANSMISSION MAINTENANCE (11 THRU 16)** | | 524,588 | 717,577 |
| 18 | **TOTAL TRANSMISSION EXPENSE (10 + 17)** | | 2,578,239 | 1,239,128 |
| 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)** | | 2,578,239 | 1,239,128 |
| | **FIXED COSTS** | | | |
| 23 | Depreciation - Transmission | 403.5 | 935,084 | 582,625 |
| 24 | Depreciation - Distribution | 403.6 | | |
| 25 | Interest - Transmission | 427 | 977,264 | 1,213,049 |
| 26 | Interest - Distribution | 427 | | |
| 27 | **TOTAL TRANSMISSION (18 + 23 + 25)** | | 4,490,587 | 3,034,802 |
| 28 | **TOTAL DISTRIBUTION (21 + 24 + 26)** | | - | - |
| 29 | **TOTAL LINES AND STATIONS (27 + 28)** | | 4,490,587 | 3,034,802 |

| SECTION B. FACILITIES IN SERVICE | | | | | SECTION C. LABOR AND MATERIAL SUMMARY | | |
|---|---|---|---|---|---|---|---|
| TRANSMISSION LINES | | | SUBSTATIONS | | 1. NUMBER OR EMPLOYEES | | 49 |
| | VOLTAGE (KV) | MILES | TYPE | CAPACITY (kVA) | ITEM | LINES | STATIONS |
| 1 | 69 KV | 826.63 | 13. Distr. Lines | | 2. Oper. Labor | 619,072 | 332,060 |
| 2 | 345 KV | 68.40 | | | | | |
| 3 | 138 KV | 14.40 | 14. Total (12 + 13) | 1,259.06 | 3. Maint Labor | 377,462 | 533,296 |
| 4 | 161 KV | 349.63 | | | | | |
| 5 | | | 15. Stepup at | 1,879,800 | 4. Oper. Material | 1,434,579 | 189,491 |
| 6 | | | Generating Plants | | | | |
| 7 | | | 16. Transmission | 3,540,000 | 5. Maint. Material | 147,126 | 184,281 |
| 8 | | | | | | | |
| 9 | | | 17. Distribution | | **SECTION D. OUTAGES** | | |
| 10 | | | | | 1. TOTAL | | 78,392.70 |
| 11 | | | 18. Total | | 2. Avg. No. Dist. Cons. Served | | 111,944.00 |
| 12 | TOTAL ( 1 thru 11 | 1,259.06 | (15 thru 17) | 5,419,800 | 3. Avg No. Hours Out Per Cons. | | 0.70 |

# RUS Form 12 – May 2010

*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.*

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE | BORROWER DESIGNATION KY0062 |
| **OPERATING REPORT - FINANCIAL** | PERIOD ENDED<br>May, 2010 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3. | BORROWER NAME<br>Big Rivers Electric Corporation |
| *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.* | |

## 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.

Mark A. Bailey 6/28/10
DATE

RUS Form 12

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br><br>PERIOD ENDED May, 2010 |
|---|---|
| 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 | 87,175,988 | 212,795,893 | 205,740,133 | 41,411,471 |
| 2. Income From Leased Property (Net) | 12,038,916 | | | |
| 3. Other Operating Revenue and Income | 6,397,899 | 5,651,424 | 3,117,290 | 1,143,172 |
| 4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)* | 105,612,803 | 218,447,317 | 208,857,423 | 42,554,643 |
| 5. Operating Expense - Production - Excluding Fuel | | 21,188,007 | 23,642,902 | 4,517,091 |
| 6. Operating Expense - Production - Fuel | | 85,234,373 | 67,918,626 | 15,418,301 |
| 7. Operating Expense - Other Power Supply | 52,724,775 | 40,535,542 | 48,298,633 | 8,918,953 |
| 8. Operating Expense - Transmission | 3,128,368 | 3,192,907 | 3,231,821 | 617,705 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 268,188 | 224,501 | 293,104 | 45,549 |
| 12. Operating Expense - Sales | 27,924 | 7,421 | 112,330 | 11,696 |
| 13. Operating Expense - Administrative & General | 6,821,561 | 11,199,673 | 12,830,895 | 1,426,535 |
| 14. **TOTAL OPERATION EXPENSE** *(5 thru 13)* | 62,970,816 | 161,582,424 | 156,328,311 | 30,955,830 |
| 15. Maintenance Expense - Production | | 13,127,832 | 16,274,081 | 3,586,975 |
| 16. Maintenance Expense - Transmission | 1,645,516 | 1,575,922 | 1,778,211 | 333,757 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 47,675 | 90,347 | 23,525 | 7,258 |
| 19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)* | 1,693,191 | 14,794,101 | 18,075,817 | 3,927,990 |
| 20. Depreciation and Amortization Expense | 2,334,439 | 14,187,897 | 14,418,380 | 2,885,674 |
| 21. Taxes | 463,977 | 68,252 | 103,845 | 2,342 |
| 22. Interest on Long-Term Debt | 28,935,326 | 19,712,710 | 19,969,724 | 3,699,835 |
| 23. Interest Charged to Construction - Credit | (72,355) | (137,114) | (182,752) | (29,341) |
| 24. Other Interest Expense | 667 | 42,774 | | 21,078 |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | 1,724,406 | 19,154 | 46,995 | 4,540 |
| 27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)* | 98,050,467 | 210,270,198 | 208,760,320 | 41,467,948 |
| 28. **OPERATING MARGINS** *(4 less 27)* | 7,562,336 | 8,177,119 | 97,103 | 1,086,695 |
| 29. Interest Income | 62,155 | 141,497 | 183,854 | 30,645 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | | 11,891 | | 2,378 |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | 534,562 | 12,806 | | |
| 35. Extraordinary Items | | | | |
| 36. **NET PATRONAGE CAPITAL OR MARGINS** (28 thru 35) | 8,159,053 | 8,343,313 | 280,957 | 1,119,718 |

RUS Form 12a

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED May, 2010 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically<br>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 | 1,935,247,429 | 32. Memberships | 75 |
| 2. Construction Work in Progress | 67,092,488 | 33. Patronage Capital | |
| 3. **TOTAL UTILITY PLANT** *(1 + 2)* | 2,002,339,917 | a Assigned and Assignable | |
| 4. Accum. Provision for Depreciation and Amort. | 920,155,574 | b Retired This year<br>c Retired Prior years | |
| 5. **NET UTILITY PLANT** *(3 - 4)* | 1,082,184,343 | d Net Patronage Capital | |
| 6. Non-Utility Property (Net) | | 34. Operating Margins - Prior Years | (251,616,737) |
| 7. Investments in Subsidiary Companies | | 35. Operating Margin - Current Year | 8,189,925 |
| 8. Invest. in Assoc. Org. - Patronage Capital | 3,588,289 | 36. Non-Operating Margins | 636,278,014 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 | 37. Other Margins and Equities | (5,116,423) |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | | 38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)* | 387,734,854 |
| | | 39. Long-Term Debt - RUS (Net) | 669,757,689 |
| 11. Investments in Economic Development Projects | 10,000 | 40. Long-Term Debt - FFB - RUS Guaranteed | |
| | | 41. Long-Term Debt - Other - RUS Guaranteed | |
| 12. Other Investements | 5,334 | 42. Long-Term Debt - Other (Net) | 142,100,000 |
| 13. Special Funds | 231,726,819 | 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)* | 236,015,435 | 44. Payments - Unapplied | |
| | | 45. **TOTAL LONG-TERM DEBT** *(39 thru 43 - 44)* | 811,857,689 |
| 15. Cash - General Funds | 32,556 | 46. Obligations Under Capital Leases - Noncurrent | |
| 16. Cash - Construction Funds - Trustee | | | |
| 17. Special Deposits | 571,845 | 47. Accumulated Operating Provisions and Asset Retirement Obligations | 17,133,293 |
| 18. Temporary Investments | 49,803,284 | | |
| 19. Notes Receivable (Net) | | 48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46 +47)* | 17,133,293 |
| 20. Accounts Receivable - Sales of Energy (Net) | 37,368,744 | 49. Notes Payable | 10,000,000 |
| 21. Accounts Receivable - Other (Net) | 4,088,956 | 50. Accounts Payable | 27,076,252 |
| 22. Fuel Stock | 38,677,515 | 51. Current Maturities Long-Term Debt | 5,335,408 |
| 23. Materials and Supplies - Other | 20,443,825 | 52. Current Maturities Long-Term Debt - Rural Development | |
| 24. Prepayments | 3,385,948 | | |
| 25. Other Current and Accrued Assets | 1,363,844 | 53. Current Maturities Capital Leases | |
| 26. **TOTAL CURRENT AND ACCRUED ASSESTS** *(15 thru 25)* | 155,736,517 | 54. Taxes Accrued | 1,476,434 |
| | | 55. Interest Accrued | 7,746,841 |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 1,293,017 | 56. Other Current and Accrued Liabilities | 10,853,492 |
| 28. Regulatory Assets | | 57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)* | 62,488,427 |
| 29. Other Deferred Debits | 1,250,279 | | |
| 30. Accumulated Deferred Income Taxes | | 58. Deferred Credits | 197,265,328 |
| 31. **TOTAL ASSESTS AND OTHER DEBITS** *(5+14+26 thru 30)* | 1,476,479,591 | 59. Accumulated Deferred Income Taxes | |
| | | 60. **TOTAL LIABILITES AND OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)* | 1,476,479,591 |

**000006**

| USDA-RUS<br><br>**FINANCIAL AND STATISTICAL REPORT**<br><br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>May, 2010 |
|---|---|

**SECTION C. Notes to Financial Statements**

## Footnote to Rus Form 12b SE

Kenergy "IF" Contract termination date is March 31, 2011

000007

**RUS Form 12b SE** **05/31/10**
**Operating Report** **Page1**
**Sales of Electricity**

| 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 | 120 | 131 | 117 |
| 3 | Meade County Rural ECC | RQ | KY0018 | 92 | 97 | 87 |
| 4 | Kenergy Corporation | RQ | KY0065 | 356 | 362 | 355 |
| 5 | Kenergy Corporation | IF | KY0065 | | | |
| 6 | Kenergy Corporation | LF | KY0065 | | | |
| 7 | | | | | | |
| 8 | Associated Electric Coop | OS | MO0073 | | | |
| 9 | East Kentucky Power Coop | OS | KY0059 | | | |
| 10 | Oglethorpe Power | OS | GA0109 | | | |
| 11 | PowerSouth Energy Coop | OS | AL0042 | | | |
| 12 | | | | | | |
| 13 | Ameren UE | OS | | | | |
| 14 | Cargill-Alliant | OS | | | | |
| 15 | Constellation Power Source | OS | | | | |
| 16 | EDF Trading North America | OS | | | | |
| 17 | Midwest Independent Trans. | OS | | | | |
| 18 | PJM Interconnection | OS | | | | |
| 19 | Southern Company Services | OS | | | | |
| 20 | Tenaska Power Services | OS | | | | |
| 21 | Tennessee Valley Authority | OS | | | | |
| 22 | The Energy Authority | OS | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Total for Ultimate Consumer(s) | | | 0 | 0 | 0 |
| Total for Distribution Borrowers | | | 568 | 590 | 559 |
| Total for G&T Borrowers | | | 0 | 0 | 0 |
| Total for Others | | | 0 | 0 | 0 |
| Grand Total | | | 568 | 590 | 559 |

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

**05/31/10**
**Page 2**

| Sale No. | Electricity Sold (g) | Revenue Demand (h) | Revenue Energy (i) | Revenue Other (j) | Revenue Total (h+i+j+k) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | 276,851 | 4,479,082 | 7,975,786 | | 12,454,868 |
| 3 | 209,342 | 3,387,937 | 6,062,545 | | 9,450,482 |
| 4 | 875,270 | 14,970,284 | 22,864,987 | | 37,835,271 |
| 5 | 10,465 | | 414,749 | | 414,749 |
| 6 | 2,631,742 | | 115,361,151 | | 115,361,151 |
| 7 | | | | | |
| 8 | 3,818 | | 137,429 | | 137,429 |
| 9 | 46,959 | | 2,003,513 | | 2,003,513 |
| 10 | 2,506 | | 116,397 | | 116,397 |
| 11 | 7,080 | | 262,640 | | 262,640 |
| 12 | | | | | |
| 13 | 17,777 | | 556,374 | | 556,374 |
| 14 | 118,466 | | 4,372,665 | | 4,372,665 |
| 15 | 124,381 | | 4,564,416 | | 4,564,416 |
| 16 | 122,843 | | 4,656,533 | | 4,656,533 |
| 17 | 376,599 | | 14,411,436 | | 14,411,436 |
| 18 | 34,745 | | 1,253,424 | | 1,253,424 |
| 19 | 1,890 | | 87,105 | | 87,105 |
| 20 | 7,525 | | 275,229 | | 275,229 |
| 21 | 108,478 | | 4,222,241 | | 4,222,241 |
| 22 | 7,832 | | 359,970 | | 359,970 |

| | | | | |
|---|---|---|---|---|
| - | - | - | - | - |
| 4,003,670 | 22,837,303 | 152,679,218 | - | 175,516,521 |
| 60,363 | - | 2,519,979 | - | 2,519,979 |
| 920,536 | - | 34,759,393 | - | 34,759,393 |
| 4,984,569 | 22,837,303 | 189,958,590 | - | 212,795,893 |

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**05/31/10**
**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 | Associated Electric Coop | OS | MO0073 | | | |
| 2 | Southern Illinois Power Coop | OS | IL0050 | | | |
| 3 | | | | | | |
| 4 | Cargill-Alliant | OS | | | | |
| 5 | Constellation Energy Commodities | OS | | | | |
| 6 | EDF Trading North America | OS | | | | |
| 7 | Henderson Municipal Power & Light | RQ | | | | |
| 8 | LG&E/KU | RQ | | | | |
| 9 | Midwest Independent Trans. Sys. Op. | OS | | | | |
| 10 | PJM Interconnection | OS | | | | |
| 11 | RRI Energy Services | SF | | | | |
| 12 | Alcan Aluminum | OS | | | | |
| 13 | Southeastern Power Admin | LF | | | | |
| 14 | The Energy Authority | OS | | | | |

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

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**05/31/10**
**Page 2**

| Purch No. | Electricity Purchased (g) | Power Echanges Electricity Received (h) | Power Echanges Electricity Delivered (I) | Revenue Demand (j) | Revenue Energy (k) | Revenue Other (l) | Revenue Total (j+k+l) |
|---|---|---|---|---|---|---|---|
| 1 | 936 | | | | 37,908 | | 37,908 |
| 2 | 2,520 | | | | 98,280 | | 98,280 |
| 3 | | | | | | | |
| 4 | 2,748 | | | | 80,752 | | 80,752 |
| 5 | 570 | | | | 22,340 | | 22,340 |
| 6 | 540 | | | | 19,710 | | 19,710 |
| 7 | 615,602 | | | | 23,305,079 | | 23,305,079 |
| 8 | 235 | | | | 11,921 | | 11,921 |
| 9 | 74,018 | | | | 3,757,683 | | 3,757,683 |
| 10 | 16,719 | | | | 693,999 | | 693,999 |
| 11 | 9,044 | | | | 823,842 | | 823,842 |
| 12 | 570 | | | | 19,849 | | 19,849 |
| 13 | 204,750 | | | | 3,898,868 | | 3,898,868 |
| 14 | 231 | | | | 10,130 | | 10,130 |
| | - | - | - | - | - | - | - |
| | 3,456 | - | - | - | 136,188 | - | 136,188 |
| | 925,027 | - | - | - | 32,644,173 | - | 32,644,173 |
| | 928,483 | - | - | - | 32,780,361 | - | 32,780,361 |

**RUS Form 12c**
**Operating Report**
**Sources and Distribution of Energy**

**05/31/10**

| 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 | 4 | 1,489,000 | 4,114,205 | 147,814,048 |
| 2 Nuclear | | | | |
| 3 Hydro | | | | |
| 4 Combined Cycle | | | | |
| 5 Internal Combustion | 1 | 70,000 | (231) | 251,901 |
| 6 Other | | | | |
| 7 TOTAL In Own Plant (Sum of lines 1 thru 6) | 5 | | 4,113,974 | 148,065,949 |
| PURCHASED POWER | | | | |
| 8 Total Purchased Power | | | 928,483 | 32,780,361 |
| INTERCHANGED POWER | | | | |
| 9 Received into System | | | 1,076,794 | |
| 10 Delivered Out of System | | | 1,072,827 | |
| 11 Net Interchange | | | 3,967 | |
| 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) | | | 5,046,424 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16 TOTAL Sales | | | 4,984,569 | |
| 17 Energy Furnished to Others Without Charge | | | | |
| 18 Energy Used by Borrower | | | | |
| 19 TOTAL Energy Accounted For (Sum of lines 16 thru 18) | | | 4,984,569 | |
| LOSSES | | | | |
| 20 Energy Losses - MWh (Line 15 minus 19) | | | 61,855 | |
| 21 Energy Losses - Percentage ((Line 20 divided by line 15)*100) | | | 1.23 | |

**RUS Form 12d** **5/31/2010**
**Operating Report**
**Steam Plant** **Coleman**

**SECTION A. BOILERS/TURBINES**

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 6 | 385,091.4 | | 9,718.2 | | | 3,202.4 | 283.2 | - | 137.4 |
| 2 | 2 | 8 | 349,988.5 | | 11,799.3 | | | 3,094.3 | 310.9 | - | 217.8 |
| 3 | 3 | 4 | 424,584.3 | | 10,958.5 | | | 3,404.1 | 73.3 | - | 145.6 |
| 4 | | | . | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 18 | 1,159,664.2 | | 32,476.0 | | | 9,700.8 | 667.4 | - | 500.8 |
| 7 | AVERAGE BTU | | 11,156 | | 1,000 | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 12,937,214 | | 32,476 | | 12,969,690 | | | | |
| 9 | Total Del. Cost ($) | | 30,815,243 | | 193,439 | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 160,000 | 433,325.0 | |
| 2 | 2 | 160,000 | 387,778.0 | |
| 3 | 3 | 165,000 | 483,750.0 | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 485,000 | 1,304,853.0 | 9,940 |
| 7 | Station Service (MWh) | | 122,586.0 | |
| 8 | Net Generation (MWh) | | 1,182,267.0 | 10,970 |
| 9 | Station Service (%) | | 9.39 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 106 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 73.38 |
| 2 | Plant Factor (%) | 74.26 |
| 3 | Running Plant Capacity Factor (%) | 83.16 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 486,697 |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 621,948 | | |
| 2 | Fuel, Coal | 501.1 | 31,559,560 | | 2.44 |
| 3 | Fuel, Oil | 501.2 | - | | |
| 4 | Fuel, Gas | 501.3 | 193,439 | | 5.96 |
| 5 | Fuel, Other | 501.4 | - | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 31,752,999 | 26.86 | 2.45 |
| 7 | Steam Expenses | 502 | 2,638,000 | | |
| 8 | Electric Expenses | 505 | 748,118 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 543,575 | | |
| 10 | Allowances | 509 | 25,237 | | |
| 11 | Rents | 507 | - | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 4,576,878 | 3.87 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 36,329,877 | 30.73 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 626,064 | | |
| 15 | Maintenance of Structures | 511 | 325,984 | | |
| 16 | Maintenance of Boiler Plant | 512 | 2,423,797 | | |
| 17 | Maintenance of Electric Plant | 513 | 266,650 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 101,395 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 3,743,890 | 3.17 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 40,073,767 | 33.90 | |
| 21 | Depreciation | 403.1 | 1,994,210 | | |
| 22 | Interest | 427 | 2,997,152 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 4,991,362 | 4.22 | |
| 24 | POWER COST (20 + 23) | | 45,065,129 | 38.12 | |

RUS Form 12d 5/31/2010
Operating Report
Steam Plant Reid

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 8 | 81,160.2 | 50.984 | | | | 1,680.5 | 1,905.0 | 11.5 | 26.0 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 8 | 81,160.2 | 50.984 | | | | 1,680.5 | 1,905.0 | 11.5 | 26.0 |
| 7 | AVERAGE BTU | | 12,452 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 1,010,607 | 7,036 | | | 1,017,643 | | | | |
| 9 | Total Del. Cost ($) | | 2,098,017 | 112,469 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 72,000 | 85,513.0 | |
| 2 | 2 | | | |
| 3 | 3 | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 72,000 | 85,513.0 | 11,900 |
| 7 | Station Service (MWh) | | 13,106.0 | |
| 8 | Net Generation (MWh) | | 72,407.0 | 14,054 |
| 9 | Station Service (%) | | 15.33 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 17 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 32.92 |
| 2 | Plant Factor (%) | 35.76 |
| 3 | Running Plant Capacity Factor (%) | 77.1 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 76,900 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 112,741 | | |
| 2 | Fuel, Coal | 501.1 | 2,179,331 | | 2.16 |
| 3 | Fuel, Oil | 501.2 | 112,469 | | 15.99 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 2,291,800 | 31.65 | 2.25 |
| 7 | Steam Expenses | 502 | 256,634 | | |
| 8 | Electric Expenses | 505 | 122,010 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 133,901 | | |
| 10 | Allowances | 509 | 40,276 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 665,562 | 9.19 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 2,957,362 | 40.84 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 114,722 | | |
| 15 | Maintenance of Structures | 511 | 48,203 | | |
| 16 | Maintenance of Boiler Plant | 512 | 376,400 | | |
| 17 | Maintenance of Electric Plant | 513 | 43,244 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 15,162 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 597,731 | 8.26 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 3,555,093 | 49.10 | |
| 21 | Depreciation | 403.1 | 167,086 | | |
| 22 | Interest | 427 | 313,148 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 480,234 | 6.63 | |
| 24 | POWER COST (20 + 23) | | 4,035,327 | 55.73 | |

**RUS Form 12d** **5/31/2010**
**Operating Report**
**Steam Plant** **Green**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 7 | 652,912.1 | 234.656 | | | | 3,339.3 | - | 181.8 | 101.9 |
| 2 | 2 | 1 | 711,791.6 | 50.477 | | | | 3,584.7 | - | - | 38.3 |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 8 | 1,364,703.7 | 285.133 | | | | 6,924.0 | - | 181.8 | 140.2 |
| 7 | AVERAGE BTU | | 11,707 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 15,976,586 | 39,348 | | | 16,015,935 | | | | |
| 9 | Total Del. Cost ($) | | 26,690,523 | 632,108 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 250,000 | 753,096.0 | |
| 2 | 2 | 242,000 | 822,433.0 | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 492,000 | 1,575,529.0 | 10,165 |
| 7 | Station Service (MWh) | | 144,107.1 | |
| 8 | Net Generation (MWh) | | 1,431,421.9 | 11,189 |
| 9 | Station Service (%) | | 9.15 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 108 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 88.88 |
| 2 | Plant Factor (%) | 89.80 |
| 3 | Running Plant Capacity Factor (%) | 93.98 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 499,400 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 773,269 | | |
| 2 | Fuel, Coal | 501.1 | 27,352,915 | | 1.71 |
| 3 | Fuel, Oil | 501.2 | 632,108 | | 16.06 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 27,985,023 | 19.55 | 1.75 |
| 7 | Steam Expenses | 502 | 5,798,457 | | |
| 8 | Electric Expenses | 505 | 777,958 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 768,586 | | |
| 10 | Allowances | 509 | 20,875 | | |
| 11 | Rents | 507 | | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 8,139,145 | 5.69 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 36,124,168 | 25.24 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 540,853 | | |
| 15 | Maintenance of Structures | 511 | 283,734 | | |
| 16 | Maintenance of Boiler Plant | 512 | 3,610,249 | | |
| 17 | Maintenance of Electric Plant | 513 | 517,247 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 76,604 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 5,028,687 | 3.51 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 41,152,855 | 28.75 | |
| 21 | Depreciation | 403.1 | 2,827,603 | | |
| 22 | Interest | 427 | 3,673,206 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 6,500,809 | 4.54 | |
| 24 | **POWER COST (20 + 23)** | | 47,653,664 | 33.29 | |

**RUS Form 12d** **5/31/2010**
**Operating Report**
**Steam Plant** **Wilson**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 6 | 1,322,938.9 | 256.500 | | | | 3,501.5 | - | - | 121.5 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 6 | 1,322,938.9 | 256.500 | | | | 3,501.5 | - | - | 121.5 |
| 7 | AVERAGE BTU | | 11,747 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 15,540,563 | 35,397 | | | 15,575,960 | | | | |
| 9 | Total Del. Cost ($) | | 21,839,438 | 611,739 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 440,000 | 1,532,327.9 | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 440,000 | 1,532,327.9 | 10,165 |
| 7 | Station Service (MWh) | | 104,219.4 | |
| 8 | Net Generation (MWh) | | 1,428,108.5 | 10,907 |
| 9 | Station Service (%) | | 6.80 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 102 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 92.70 |
| 2 | Plant Factor (%) | 96.10 |
| 3 | Running Plant Capacity Factor (%) | 99.50 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 456,376 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 306,573 | | |
| 2 | Fuel, Coal | 501.1 | 22,546,304 | | 1.45 |
| 3 | Fuel, Oil | 501.2 | 611,739 | | 17.28 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 23,158,043 | 16.22 | 1.49 |
| 7 | Steam Expenses | 502 | 5,360,914 | | |
| 8 | Electric Expenses | 505 | 667,144 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 1,383,583 | | |
| 10 | Allowances | 509 | 76,341 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 7,794,555 | 5.46 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 30,952,598 | 21.67 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 198,441 | | |
| 15 | Maintenance of Structures | 511 | 311,686 | | |
| 16 | Maintenance of Boiler Plant | 512 | 2,935,396 | | |
| 17 | Maintenance of Electric Plant | 513 | 207,700 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 82,397 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 3,735,620 | 2.62 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 34,688,218 | 24.29 | |
| 21 | Depreciation | 403.1 | 6,740,492 | | |
| 22 | Interest | 427 | 9,631,218 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 16,371,710 | 11.46 | |
| 24 | POWER COST (20 + 23) | | 51,059,928 | 35.75 | |

**RUS Form 12f** **5/31/2010**
**Operating Report**
**Internal Combustion Plant** **Reid**

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

| LINE NO. | UNIT NO. (a) | SIZE (kW) (b) | FUEL CONSUMPTION: OIL (1000 Gals.) (c) | GAS (1000 C.F.) (d) | OTHER (e) | TOTAL (f) | OPERATING HOURS: IN SERVICE (g) | ON STANDBY (h) | OUT OF SERVICE: Sche. (i) | Unsche. (j) | GROSS GENERATION (MWh) (k) | BTU PER kWh (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 70,000 | 13.058 | | | | 2.9 | 3,584.4 | 16.3 | 19.4 | 66.0 | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | TOTAL | 70,000 | 13.058 | | | | 2.9 | 3,584.4 | 16.3 | 19.4 | 66.0 | 27,303 |
| 7 | AVERAGE BTU | | 138,000 | | | | STATION SERVICE (MWh) | | | | 296.6 | |
| 8 | Total BTU (10 6th pwr) | | 1,802 | | | 1,802 | NET GENERATION (MWh) | | | | (230.6) | |
| 9 | Total Del. Cost ($) | | 46,507 | | | | STATION SERVICE % OF GROSS | | | | 449.39 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE | LINE NO. | ITEM | VALUE |
|---|---|---|---|---|---|
| 1. | No. Emp. Full Time (incl. Superintendent) | | 5. | Maint. Plant Payroll ($) | |
| 2. | No. Emp. Part Time | | 6. | Other Accounts Plant Payroll ($) | |
| 3. | Total Emp. - Hrs. Worked | | | | |
| 4 | Oper. Plant Payroll ($) | | 7. | TOTAL Plant Payroll ($) | |

**SECTION C. FACTORS & MAXIMUM DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 0.03 |
| 2 | Plant Factor (%) | 0.03 |
| 3 | Running Plant Capacity Factor (%) | 31.6 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 27,900 |
| 5 | Indicated Gross Max. Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 546 | | | |
| 2 | Fuel, Oil | 547.1 | 46,507 | | |
| 3 | Fuel, Gas | 547.2 | | | |
| 4 | Fuel, Other | 547.3 | | | |
| 5 | Energy for Compressed Air | 547.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 547 | 46,507 | | |
| 7 | Generation Expenses | 548 | 11,867 | | |
| 8 | Miscellaneous Other Power Generation Expenses | 549 | | | |
| 9 | Rents | 550 | | | |
| 10 | NON- FUEL SUB-TOTAL (1 + 7 thru 9) | | 11,867 | | |
| 11 | OPERATION EXPENSE (6 + 10) | | 58,374 | | |
| 12 | Maintenance, Supervision and Engineering | 551 | | | |
| 13 | Maintenance of Structures | 552 | | | |
| 14 | Maintenance of Generating and Electric Plant | 553 | 21,904 | | |
| 15 | Maintenance of Miscellaneous Other Power Generating Plant | 554 | | | |
| 16 | MAINTENANCE EXPENSE (12 thru 15) | | 21,904 | | |
| 17 | TOTAL PRODUCTION EXPENSE (11 + 16) | | 80,278 | | |
| 18 | Depreciation | 553, 512 | 79,155 | | |
| 19 | Interest | 554, 513 | 92,468 | | |
| 20 | TOTAL FIXED COST (18 + 19) | | 171,623 | | |
| 21 | POWER COST (17 + 20) | | 251,901 | | |

**RUS Form 12i** **5/31/2010**

**OPERATING REPORT - LINES AND STATIONS**

| SECTION A. EXPENSE AND COSTS | | | | |
|---|---|---|---|---|
| | ITEM | Account Number | LINES (a) | STATIONS (b) |
| | **TRANSMISSION OPERATION** | | | |
| 1 | Supervision and Engineering | 560 | 172,156 | 141,218 |
| 2 | Load Dispatching | 561 | 509,837 | |
| 3 | Station Expenses | 562 | | 420,560 |
| 4 | Overhead Line Expenses | 563 | 448,831 | |
| 5 | Underground Line Expenses | 564 | | |
| 6 | Miscellaneous Expenses | 566 | 88,588 | 86,201 |
| 7 | **SUBTOTAL (1 thru 6)** | | 1,219,412 | 647,979 |
| 8 | Transmission of Electricity by Others | 565 | 1,315,223 | |
| 9 | Rents | 567 | | 10,293 |
| 10 | **TOTAL TRANSMISSION OPERATION (7 THRU 9)** | | 2,534,635 | 658,272 |
| | **TRANSMISSION MAINTENANCE** | | | |
| 11 | Supervision and Engineering | 568 | 105,701 | 126,088 |
| 12 | Structures | 569 | | 2,591 |
| 13 | Station Equipment | 570 | | 739,253 |
| 14 | Overhead Lines | 571 | 546,290 | |
| 15 | Underground Lines | 572 | | |
| 16 | Miscellaneous Transmission Plant | 573 | 20,850 | 35,149 |
| 17 | **TOTAL TRANSMISSION MAINTENANCE (11 THRU 16)** | | 672,841 | 903,081 |
| 18 | **TOTAL TRANSMISSION EXPENSE (10 + 17)** | | 3,207,476 | 1,561,353 |
| 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)** | | 3,207,476 | 1,561,353 |
| | **FIXED COSTS** | | | |
| 23 | Depreciation - Transmission | 403.5 | 1,153,875 | 805,174 |
| 24 | Depreciation - Distribution | 403.6 | | |
| 25 | Interest - Transmission | 427 | 1,227,818 | 1,493,742 |
| 26 | Interest - Distribution | 427 | | |
| 27 | **TOTAL TRANSMISSION (18 + 23 + 25)** | | 5,589,169 | 3,860,269 |
| 28 | **TOTAL DISTRIBUTION (21 + 24 + 26)** | | - | - |
| 29 | **TOTAL LINES AND STATIONS (27 + 28)** | | 5,589,169 | 3,860,269 |

| SECTION B. FACILITIES IN SERVICE | | | | | SECTION C. LABOR AND MATERIAL SUMMARY | | |
|---|---|---|---|---|---|---|---|
| TRANSMISSION LINES | | | SUBSTATIONS | | 1. NUMBER OR EMPLOYEES | | 49 |
| | VOLTAGE (KV) | MILES | TYPE | CAPACITY (kVA) | ITEM | LINES | STATIONS |
| 1 | 69 KV | 826.63 | 13. Distr. Lines | | 2. Oper. Labor | 768,950 | 416,811 |
| 2 | 345 KV | 68.40 | | | | | |
| 3 | 138 KV | 14.40 | 14. Total (12 + 13) | 1,259.06 | 3. Maint Labor | 469,380 | 651,765 |
| 4 | 161 KV | 349.63 | | | | | |
| 5 | | | 15. Stepup at Generating Plants | 1,879,800 | 4. Oper. Material | 1,765,685 | 241,461 |
| 6 | | | | | | | |
| 7 | | | 16. Transmission | 3,540,000 | 5. Maint. Material | 203,461 | 251,316 |
| 8 | | | | | | | |
| 9 | | | 17. Distribution | | **SECTION D. OUTAGES** | | |
| 10 | | | | | 1. TOTAL | | 162,366.90 |
| 11 | | | 18. Total | | 2. Avg. No. Dist. Cons. Served | | 111,944.00 |
| 12 | TOTAL ( 1 thru 11) | 1,259.06 | (15 thru 17) | 5,419,800 | 3. Avg No. Hours Out Per Cons. | | 1.45 |

# RUS Form 12 – June 2010

*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.*

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE | BORROWER DESIGNATION KY0062 |
| **OPERATING REPORT - FINANCIAL** | PERIOD ENDED<br>June, 2010 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically<br>For detailed instructions, see RUS Bulletin 1717B-3 | BORROWER NAME<br><br>Big Rivers Electric Corporation |
| *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.* | |

**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.

Mark A. Bailey 7/27/10
DATE

RUS Form 12

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br><br>PERIOD ENDED June, 2010 |
|---|---|
| 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 | 102,719,656 | 255,653,175 | 245,112,192 | 42,857,281 |
| 2. Income From Leased Property (Net) | 14,475,908 | | | |
| 3. Other Operating Revenue and Income | 7,665,783 | 6,936,109 | 3,740,748 | 1,284,686 |
| 4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)* | 124,861,347 | 262,589,284 | 248,852,940 | 44,141,967 |
| 5. Operating Expense - Production - Excluding Fuel | | 25,800,688 | 28,525,905 | 4,612,682 |
| 6. Operating Expense - Production - Fuel | | 102,187,077 | 81,008,970 | 16,952,704 |
| 7. Operating Expense - Other Power Supply | 61,796,774 | 48,654,859 | 58,188,350 | 8,119,316 |
| 8. Operating Expense - Transmission | 3,735,435 | 3,847,746 | 3,899,821 | 654,839 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 320,086 | 272,457 | 362,416 | 47,956 |
| 12. Operating Expense - Sales | 35,990 | 26,182 | 144,396 | 18,761 |
| 13. Operating Expense - Administrative & General | 8,305,733 | 14,164,500 | 15,771,067 | 2,964,827 |
| 14. **TOTAL OPERATION EXPENSE** *(5 thru 13)* | 74,194,018 | 194,953,509 | 187,900,925 | 33,371,085 |
| 15. Maintenance Expense - Production | | 16,451,834 | 19,501,635 | 3,324,001 |
| 16. Maintenance Expense - Transmission | 1,943,237 | 2,033,081 | 2,231,652 | 457,160 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 53,990 | 103,792 | 28,136 | 13,445 |
| 19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)* | 1,997,227 | 18,588,707 | 21,761,423 | 3,794,606 |
| 20. Depreciation and Amortization Expense | 2,796,755 | 17,034,132 | 17,309,472 | 2,846,234 |
| 21. Taxes | 556,153 | 133,252 | 124,614 | 65,000 |
| 22. Interest on Long-Term Debt | 34,227,801 | 23,454,643 | 23,849,248 | 3,741,933 |
| 23. Interest Charged to Construction - Credit | (81,598) | (199,660) | (241,638) | (62,546) |
| 24. Other Interest Expense | 799 | 63,184 | | 20,410 |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | 2,064,474 | 33,753 | 55,108 | 14,599 |
| 27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)* | 115,755,629 | 254,061,520 | 250,759,152 | 43,791,321 |
| 28. **OPERATING MARGINS** *(4 less 27)* | 9,105,718 | 8,527,764 | (1,906,212) | 350,646 |
| 29. Interest Income | 70,707 | 171,983 | 219,656 | 30,486 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | | 14,213 | | 2,322 |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | 534,563 | 12,806 | | |
| 35. Extraordinary Items | | | | |
| 36. **NET PATRONAGE CAPITAL OR MARGINS** (28 thru 35) | 9,710,988 | 8,726,766 | (1,686,556) | 383,454 |

RUS Form 12a

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED June, 2010 |
|---|---|
| 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 | 1,936,973,293 | 32. Memberships | 75 |
| 2. Construction Work in Progress | 64,935,479 | 33. Patronage Capital | |
| 3. **TOTAL UTILITY PLANT** *(1 + 2)* | 2,001,908,772 | a Assigned and Assignable | |
| 4. Accum. Provision for Depreciation and Amort. | 918,812,757 | b Retired This year<br>c Retired Prior years | |
| 5. **NET UTILITY PLANT** *(3 - 4)* | 1,083,096,015 | d Net Patronage Capital | |
| 6. Non-Utility Property (Net) | | 34. Operating Margins - Prior Years | (251,616,737) |
| 7. Investments in Subsidiary Companies | | 35. Operating Margin - Current Year | 8,540,570 |
| 8. Invest. in Assoc. Org. - Patronage Capital | 3,588,289 | 36. Non-Operating Margins | 636,310,822 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 | 37. Other Margins and Equities | (5,116,423) |
| | | 38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)* | 388,118,307 |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | | 39. Long-Term Debt - RUS (Net) | 671,365,786 |
| 11. Investments in Economic Development Projects | 10,000 | 40. Long-Term Debt - FFB - RUS Guaranteed | |
| | | 41. Long-Term Debt - Other - RUS Guaranteed | |
| 12. Other Investements | 5,334 | 42. Long-Term Debt - Other (Net) | 142,100,000 |
| 13. Special Funds | 229,565,873 | 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)* | 233,854,489 | 44. Payments - Unapplied | |
| | | 45. **TOTAL LONG-TERM DEBT** *(39 thru 43 - 44)* | 813,465,786 |
| 15. Cash - General Funds | 5,592 | 46. Obligations Under Capital Leases - Noncurrent | |
| 16. Cash - Construction Funds - Trustee | | | |
| 17. Special Deposits | 571,872 | 47. Accumulated Operating Provisions and Asset Retirement Obligations | 17,161,230 |
| 18. Temporary Investments | 52,275,366 | | |
| 19. Notes Receivable (Net) | | 48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46 + 47)* | 17,161,230 |
| 20. Accounts Receivable - Sales of Energy (Net) | 39,502,777 | 49. Notes Payable | 10,000,000 |
| 21. Accounts Receivable - Other (Net) | 2,265,959 | 50. Accounts Payable | 28,008,640 |
| 22. Fuel Stock | 38,389,552 | 51. Current Maturities Long-Term Debt | 5,335,408 |
| 23. Materials and Supplies - Other | 20,801,038 | 52. Current Maturities Long-Term Debt - Rural Development | |
| 24. Prepayments | 3,092,592 | | |
| 25. Other Current and Accrued Assets | 1,636,290 | 53. Current Maturities Capital Leases | |
| 26. **TOTAL CURRENT AND ACCRUED ASSESTS** *(15 thru 25)* | 158,541,038 | 54. Taxes Accrued | 1,591,849 |
| | | 55. Interest Accrued | 8,458,991 |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 1,872,263 | 56. Other Current and Accrued Liabilities | 11,978,940 |
| 28. Regulatory Assets | | 57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)* | 65,373,828 |
| 29. Other Deferred Debits | 1,886,968 | | |
| 30. Accumulated Deferred Income Taxes | | 58. Deferred Credits | 195,131,622 |
| 31. **TOTAL ASSESTS AND OTHER DEBITS** *(5+14+26 thru 30)* | 1,479,250,773 | 59. Accumulated Deferred Income Taxes | |
| | | 60. **TOTAL LIABILITES AND OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)* | 1,479,250,773 |

| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>June, 2010 |
|---|---|

**SECTION C. Notes to Financial Statements**

## Footnote to RUS Form 12b SE

Kenergy "IF" Contract termination date is March 31, 2011

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

**06/30/10**
**Page1**

| 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 | 126 | 137 | 121 |
| 3 | Meade County Rural ECC | RQ | KY0018 | 93 | 98 | 88 |
| 4 | Kenergy Corporation | RQ | KY0065 | 366 | 369 | 365 |
| 5 | Kenergy Corporation | IF | KY0065 | | | |
| 6 | Kenergy Corporation | LF | KY0065 | | | |
| 7 | | | | | | |
| 8 | Associated Electric Coop | OS | MO0073 | | | |
| 9 | East Kentucky Power Coop | OS | KY0059 | | | |
| 10 | Oglethorpe Power | OS | GA0109 | | | |
| 11 | PowerSouth Energy Coop | OS | AL0042 | | | |
| 12 | | | | | | |
| 13 | Ameren UE | OS | | | | |
| 14 | Cargill-Alliant | OS | | | | |
| 15 | Constellation Power Source | OS | | | | |
| 16 | EDF Trading North America | OS | | | | |
| 17 | Midwest Independent Trans. | OS | | | | |
| 18 | PJM Interconnection | OS | | | | |
| 19 | Southern Company Services | OS | | | | |
| 20 | Tenaska Power Services | OS | | | | |
| 21 | Tennessee Valley Authority | OS | | | | |
| 22 | The Energy Authority | OS | | | | |

| | | | | | |
|---|---|---|---|---|---|
| *Total for Ultimate Consumer(s)* | | | 0 | 0 | 0 |
| Total for Distribution Borrowers | | | 585 | 604 | 574 |
| Total for G&T Borrowers | | | 0 | 0 | 0 |
| Total for Others | | | 0 | 0 | 0 |
| Grand Total | | | 585 | 604 | 574 |

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

**06/30/10**
**Page 2**

| Sale No. | Electricity Sold (g) | Revenue Demand (h) | Revenue Energy (I) | Revenue Other (j) | Revenue Total (h+I+j+k) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | 346,029 | 5,636,828 | 9,942,888 | | 15,579,716 |
| 3 | 253,308 | 4,096,010 | 7,318,012 | | 11,414,022 |
| 4 | 1,073,304 | 18,336,787 | 27,994,761 | | 46,331,548 |
| 5 | 10,600 | | 406,110 | | 406,110 |
| 6 | 3,148,946 | | 137,584,405 | | 137,584,405 |
| 7 | | | | | |
| 8 | 3,818 | | 137,429 | | 137,429 |
| 9 | 53,585 | | 2,295,152 | | 2,295,152 |
| 10 | 3,706 | | 160,097 | | 160,097 |
| 11 | 7,080 | | 262,640 | | 262,640 |
| 12 | | | | | |
| 13 | 17,777 | | 556,374 | | 556,374 |
| 14 | 123,300 | | 4,510,868 | | 4,510,868 |
| 15 | 147,401 | | 5,316,638 | | 5,316,638 |
| 16 | 149,378 | | 5,754,136 | | 5,754,136 |
| 17 | 467,908 | | 18,638,632 | | 18,638,632 |
| 18 | 44,435 | | 1,635,061 | | 1,635,061 |
| 19 | 1,890 | | 87,105 | | 87,105 |
| 20 | 7,620 | | 278,364 | | 278,364 |
| 21 | 110,557 | | 4,302,891 | | 4,302,891 |
| 22 | 9,033 | | 401,987 | | 401,987 |

| | | | | |
|---|---|---|---|---|
| - | - | - | - | - |
| 4,832,187 | 28,069,625 | 183,246,176 | - | 211,315,801 |
| 68,189 | - | 2,855,318 | - | 2,855,318 |
| 1,079,299 | - | 41,482,056 | - | 41,482,056 |
| 5,979,675 | 28,069,625 | 227,583,550 | - | 255,653,175 |

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**06/30/10**
**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 | Associated Electric Coop | OS | MO0073 | | | |
| 2 | East KY Power Coop | OS | KY0059 | | | |
| 3 | Southern Illinois Power Coop | OS | IL0050 | | | |
| 4 | | | | | | |
| 5 | Cargill-Alliant | OS | | | | |
| 6 | Constellation Energy Commodities | OS | | | | |
| 7 | EDF Trading North America | OS | | | | |
| 8 | Henderson Municipal Power & Light | RQ | | | | |
| 9 | LG&E/KU | RQ | | | | |
| 10 | Midwest Independent Trans. Sys. Op. | OS | | | | |
| 11 | PJM Interconnection | OS | | | | |
| 12 | RRI Energy Services | SF | | | | |
| 13 | Alcan Aluminum | OS | | | | |
| 14 | Southeastern Power Admin | LF | | | | |
| 15 | The Energy Authority | OS | | | | |

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

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**06/30/10**
**Page 2**

| Purch No. | Electricity Purchased (g) | Power Echanges Electricity Received (h) | Power Echanges Electricity Delivered (I) | Revenue Demand (j) | Revenue Energy (k) | Revenue Other (l) | Revenue Total (j+k+l) |
|---|---|---|---|---|---|---|---|
| 1 | 1,006 | | | | 41,758 | | 41,758 |
| 2 | 208 | | | | 16,016 | | 16,016 |
| 3 | 2,520 | | | | 98,280 | | 98,280 |
| 4 | | | | | | | |
| 5 | 2,748 | | | | 80,752 | | 80,752 |
| 6 | 570 | | | | 22,340 | | 22,340 |
| 7 | 540 | | | | 19,710 | | 19,710 |
| 8 | 756,455 | | | | 28,147,312 | | 28,147,312 |
| 9 | 235 | | | | 11,921 | | 11,921 |
| 10 | 93,084 | | | | 4,818,986 | | 4,818,986 |
| 11 | 18,745 | | | | 788,119 | | 788,119 |
| 12 | 9,044 | | | | 913,742 | | 913,742 |
| 13 | 570 | | | | 19,849 | | 19,849 |
| 14 | 223,650 | | | | 4,399,268 | | 4,399,268 |
| 15 | 231 | | | | 10,130 | | 10,130 |

| | | | | | | |
|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - |
| 3,734 | - | - | - | 156,054 | - | 156,054 |
| 1,105,872 | - | - | - | 39,232,129 | - | 39,232,129 |
| 1,109,606 | - | - | - | 39,388,183 | - | 39,388,183 |

**RUS Form 12c** **06/30/10**
**Operating Report**
**Sources and Distribution of Energy**

| 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 | 4 | 1,489,000 | 4,944,713 | 177,986,432 |
| 2 Nuclear | | | | |
| 3 Hydro | | | | |
| 4 Combined Cycle | | | | |
| 5 Internal Combustion | 1 | 70,000 | (283) | 507,022 |
| 6 Other | | | | |
| 7 TOTAL In Own Plant (Sum of lines 1 thru 6) | 5 | | 4,944,430 | 178,493,454 |
| PURCHASED POWER | | | | |
| 8 Total Purchased Power | | | 1,109,606 | 39,388,183 |
| INTERCHANGED POWER | | | | |
| 9 Received into System | | | 1,356,966 | |
| 10 Delivered Out of System | | | 1,354,631 | |
| 11 Net Interchange | | | 2,335 | |
| 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) | | | 6,056,371 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16 TOTAL Sales | | | 5,979,675 | |
| 17 Energy Furnished to Others Without Charge | | | | |
| 18 Energy Used by Borrower | | | | |
| 19 TOTAL Energy Accounted For (Sum of lines 16 thru 18) | | | 5,979,675 | |
| LOSSES | | | | |
| 20 Energy Losses - MWh (Line 15 minus 19) | | | 76,696 | |
| 21 Energy Losses - Percentage ((Line 20 divided by line 15)*100) | | | 1.27 | |

RUS Form 12d 6/30/2010
Operating Report
Steam Plant Coleman

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 6 | 463,797.8 | | 11,903.3 | | | 3,922.4 | 283.2 | - | 137.4 |
| 2 | 2 | 10 | 420,304.0 | | 14,397.1 | | | 3,686.0 | 310.9 | - | 346.1 |
| 3 | 3 | 6 | 505,410.4 | | 14,669.1 | | | 4,070.3 | 73.3 | - | 199.4 |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 22 | 1,389,512.2 | | 40,969.5 | | | 11,678.7 | 667.4 | - | 682.9 |
| 7 | AVERAGE BTU | | 11,161 | | 1,000 | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 15,508,346 | | 40,970 | | 15,549,315 | | | | |
| 9 | Total Del. Cost ($) | | 38,957,621 | | 245,154 | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mWH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 160,000 | 522,580.0 | |
| 2 | 2 | 160,000 | 465,434.0 | |
| 3 | 3 | 165,000 | 576,435.0 | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 485,000 | 1,564,449.0 | 9,939 |
| 7 | Station Service (MWh) | | 148,215.0 | |
| 8 | Net Generation (MWh) | | 1,416,234.0 | 10,979 |
| 9 | Station Service (%) | | 9.47 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 109 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 74.01 |
| 2 | Plant Factor (%) | 74.27 |
| 3 | Running Plant Capacity Factor (%) | 82.82 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 486,697 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 750,897 | | |
| 2 | Fuel, Coal | 501.1 | 37,888,453 | | 2.44 |
| 3 | Fuel, Oil | 501.2 | - | | |
| 4 | Fuel, Gas | 501.3 | 245,155 | | 5.98 |
| 5 | Fuel, Other | 501.4 | - | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 38,133,608 | 26.93 | 2.45 |
| 7 | Steam Expenses | 502 | 3,216,292 | | |
| 8 | Electric Expenses | 505 | 898,550 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 673,693 | | |
| 10 | Allowances | 509 | 36,480 | | |
| 11 | Rents | 507 | - | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 5,575,912 | 3.94 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 43,709,520 | 30.86 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 749,820 | | |
| 15 | Maintenance of Structures | 511 | 420,677 | | |
| 16 | Maintenance of Boiler Plant | 512 | 3,051,084 | | |
| 17 | Maintenance of Electric Plant | 513 | 326,514 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 136,159 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 4,684,054 | 3.31 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 48,393,574 | 34.17 | |
| 21 | Depreciation | 403.1 | 2,381,543 | | |
| 22 | Interest | 427 | 3,570,160 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 5,951,703 | 4.2 | |
| 24 | POWER COST (20 + 23) | | 54,345,277 | 38.37 | |

RUS Form 12d 6/30/2010
Operating Report
Steam Plant Reid

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 10 | 93,275.1 | 116.486 | | | | 1,966.1 | 2,299.7 | - | 77.2 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 10 | 93,275.1 | 116.486 | | | | 1,966.1 | 2,299.7 | - | 77.2 |
| 7 | AVERAGE BTU | | 12,449 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 1,161,182 | 16,075 | | | 1,177,257 | | | | |
| 9 | Total Del. Cost ($) | | 2,407,106 | 265,644 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 72,000 | 98,751.0 | |
| 2 | 2 | | | |
| 3 | 3 | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 72,000 | 98,751.0 | 11,921 |
| 7 | Station Service (MWh) | | 15,340.0 | |
| 8 | Net Generation (MWh) | | 83,411.0 | 14,114 |
| 9 | Station Service (%) | | 15.53 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 17 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 29.57 |
| 2 | Plant Factor (%) | 34.45 |
| 3 | Running Plant Capacity Factor (%) | 76.1 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 76,900 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 137,510 | | |
| 2 | Fuel, Coal | 501.1 | 2,506,457 | | 2.16 |
| 3 | Fuel, Oil | 501.2 | 265,643 | | 16.53 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 2,772,100 | 33.23 | 2.35 |
| 7 | Steam Expenses | 502 | 322,192 | | |
| 8 | Electric Expenses | 505 | 146,197 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 159,957 | | |
| 10 | Allowances | 509 | 48,720 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 814,576 | 9.77 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 3,586,676 | 43.00 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 138,133 | | |
| 15 | Maintenance of Structures | 511 | 52,112 | | |
| 16 | Maintenance of Boiler Plant | 512 | 484,643 | | |
| 17 | Maintenance of Electric Plant | 513 | 46,683 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 27,731 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 749,302 | 8.98 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 4,335,978 | 51.98 | |
| 21 | Depreciation | 403.1 | 200,541 | | |
| 22 | Interest | 427 | 372,687 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 573,228 | 6.87 | |
| 24 | POWER COST (20 + 23) | | 4,909,206 | 58.86 | |

**RUS Form 12d** 6/30/2010
**Operating Report**
**Steam Plant** Green

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 8 | 785,390.7 | 277.104 | | | | 4,036.5 | - | 181.8 | 124.7 |
| 2 | 2 | 1 | 848,804.0 | 57.412 | | | | 4,304.7 | - | - | 38.3 |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 9 | 1,634,194.7 | 334.516 | | | | 8,341.2 | - | 181.8 | 163.0 |
| 7 | AVERAGE BTU | | 11,727 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 19,164,201 | 46,163 | | | 19,210,364 | | | | |
| 9 | Total Del. Cost ($) | | 31,934,445 | 747,456 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 250,000 | 911,964.8 | |
| 2 | 2 | 242,000 | 983,846.0 | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 492,000 | 1,895,810.8 | 10,133 |
| 7 | Station Service (MWh) | | 173,039.6 | |
| 8 | Net Generation (MWh) | | 1,722,771.2 | 11,151 |
| 9 | Station Service (%) | | 9.13 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 112 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 87.41 |
| 2 | Plant Factor (%) | 90.15 |
| 3 | Running Plant Capacity Factor (%) | 93.87 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 499,400 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 931,231 | | |
| 2 | Fuel, Coal | 501.1 | 32,724,626 | | 1.71 |
| 3 | Fuel, Oil | 501.2 | 747,456 | | 16.19 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 33,472,082 | 19.43 | 1.74 |
| 7 | Steam Expenses | 502 | 6,974,610 | | |
| 8 | Electric Expenses | 505 | 924,529 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 944,461 | | |
| 10 | Allowances | 509 | 27,695 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 9,802,526 | 5.69 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 43,274,608 | 25.12 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 653,979 | | |
| 15 | Maintenance of Structures | 511 | 364,798 | | |
| 16 | Maintenance of Boiler Plant | 512 | 4,427,924 | | |
| 17 | Maintenance of Electric Plant | 513 | 529,599 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 96,242 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 6,072,542 | 3.52 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 49,347,150 | 28.64 | |
| 21 | Depreciation | 403.1 | 3,393,152 | | |
| 22 | Interest | 427 | 4,365,049 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 7,758,201 | 4.50 | |
| 24 | POWER COST (20 + 23) | | 57,105,351 | 33.15 | |

RUS Form 12d 6/30/2010
Operating Report
Steam Plant Wilson

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 6 | 1,584,029.1 | 286.600 | | | | 4,221.5 | - | - | 121.5 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 6 | 1,584,029.1 | 286.600 | | | | 4,221.5 | - | - | 121.5 |
| 7 | AVERAGE BTU | | 11,816 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 18,716,888 | 39,551 | | | 18,756,439 | | | | |
| 9 | Total Del. Cost ($) | | 26,253,966 | 682,275 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mWH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 440,000 | 1,847,606.0 | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 440,000 | 1,847,606.0 | 10,152 |
| 7 | Station Service (MWh) | | 125,309.2 | |
| 8 | Net Generation (MWh) | | 1,722,296.8 | 10,890 |
| 9 | Station Service (%) | | 6.78 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 107 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 93.20 |
| 2 | Plant Factor (%) | 96.70 |
| 3 | Running Plant Capacity Factor (%) | 99.50 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 456,376 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 367,312 | | |
| 2 | Fuel, Coal | 501.1 | 27,077,665 | | 1.45 |
| 3 | Fuel, Oil | 501.2 | 682,275 | | 17.25 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 27,759,940 | 16.12 | 1.48 |
| 7 | Steam Expenses | 502 | 6,651,360 | | |
| 8 | Electric Expenses | 505 | 786,271 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 1,691,704 | | |
| 10 | Allowances | 509 | 96,788 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 9,593,435 | 5.57 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 37,353,375 | 21.69 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 236,150 | | |
| 15 | Maintenance of Structures | 511 | 439,006 | | |
| 16 | Maintenance of Boiler Plant | 512 | 3,546,981 | | |
| 17 | Maintenance of Electric Plant | 513 | 384,034 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 101,359 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 4,707,530 | 2.73 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 42,060,905 | 24.42 | |
| 21 | Depreciation | 403.1 | 8,110,026 | | |
| 22 | Interest | 427 | 11,455,667 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 19,565,693 | 11.36 | |
| 24 | POWER COST (20 + 23) | | 61,626,598 | 35.78 | |

RUS Form 12f 6/30/2010
Operating Report
Internal Combustion Plant Reid

| SECTION A. INTERNAL COMBUSTION GENERATING UNITS | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | FUEL CONSUMPTION | | | | OPERATING HOURS | | | | | |
| LINE NO. | UNIT NO. | SIZE (kW) | OIL (1000 Gals.) | GAS (1000 C.F.) | OTHER | TOTAL | IN SERVICE | ON STANDBY | OUT OF SERVICE Sche. | OUT OF SERVICE Unsche. | GROSS GENERATION (MWh) | BTU PER kWh |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) |
| 1 | 1 | 70,000 | 13.823 | 573.0 | | | 3.9 | 4,087.0 | 16.3 | 235.8 | 97.5 | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | TOTAL | 70,000 | 13.823 | 573.0 | | | 3.9 | 4,087.0 | 16.3 | 235.8 | 97.5 | 25,446 |
| 7 | AVERAGE BTU | | 138,000 | 1,000 | | | STATION SERVICE (MWh) | | | | 380.3 | |
| 8 | Total BTU (10 6th pwr) | | 1,908 | 573 | | 2,481 | NET GENERATION (MWh) | | | | (282.8) | |
| 9 | Total Del. Cost ($) | | 49,347 | - | . | | STATION SERVICE % OF GROSS | | | | 390.05 | |

| SECTION B. LABOR REPORT | | | | | |
|---|---|---|---|---|---|
| LINE NO. | ITEM | VALUE | LINE NO. | ITEM | VALUE |
| 1. | No. Emp. Full Time (incl. Superintendent) | | 5. | Maint. Plant Payroll ($) | |
| 2. | No. Emp. Part Time | | 6. | Other Accounts Plant Payroll ($) | |
| 3. | Total Emp. - Hrs. Worked | | | | |
| 4 | Oper. Plant Payroll ($) | | 7. | TOTAL Plant Payroll ($) | |

| SECTION C. FACTORS & MAXIMUM DEMAND | | |
|---|---|---|
| LINE NO. | ITEM | VALUE |
| 1 | Load Factor (%) | 0.08 |
| 2 | Plant Factor (%) | 0.03 |
| 3 | Running Plant Capacity Factor (%) | 34.71 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 28,800 |
| 5 | Indicated Gross Max. Demand (kW) | |

| SECTION D. COST OF NET ENERGY GENERATED | | | | | |
|---|---|---|---|---|---|
| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
| 1 | Operation, Supervision and Engineering | 546 | | | |
| 2 | Fuel, Oil | 547.1 | 49,347 | | 26 |
| 3 | Fuel, Gas | 547.2 | | | 0 |
| 4 | Fuel, Other | 547.3 | | | |
| 5 | Energy for Compressed Air | 547.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 547 | 49,347 | | 19.89 |
| 7 | Generation Expenses | 548 | 14,240 | | |
| 8 | Miscellaneous Other Power Generation Expenses | 549 | | | |
| 9 | Rents | 550 | | | |
| 10 | **NON- FUEL SUB-TOTAL (1 + 7 thru 9)** | | 14,240 | | |
| 11 | **OPERATION EXPENSE (6 + 10)** | | 63,587 | | |
| 12 | Maintenance, Supervision and Engineering | 551 | | | |
| 13 | Maintenance of Structures | 552 | | | |
| 14 | Maintenance of Generating and Electric Plant | 553 | 238,405 | | |
| 15 | Maintenance of Miscellaneous Other Power Generating Plant | 554 | | | |
| 16 | **MAINTENANCE EXPENSE (12 thru 15)** | | 238,405 | | |
| 17 | **TOTAL PRODUCTION EXPENSE (11 + 16)** | | 301,992 | | |
| 18 | Depreciation | 553, 512 | 94,986 | | |
| 19 | Interest | 554, 513 | 110,044 | | |
| 20 | **TOTAL FIXED COST (18 + 19)** | | 205,030 | | |
| 21 | **POWER COST (17 + 20)** | | 507,022 | | |

**RUS Form 12I** **6/30/2010**

**OPERATING REPORT - LINES AND STATIONS**

| | SECTION A. EXPENSE AND COSTS | | | |
|---|---|---|---|---|
| | ITEM | Account Number | LINES (a) | STATIONS (b) |
| | **TRANSMISSION OPERATION** | | | |
| 1 | Supervision and Engineering | 560 | 211,941 | 173,708 |
| 2 | Load Dispatching | 561 | 614,465 | |
| 3 | Station Expenses | 562 | | 524,483 |
| 4 | Overhead Line Expenses | 563 | 538,035 | |
| 5 | Underground Line Expenses | 564 | | |
| 6 | Miscellaneous Expenses | 566 | 106,033 | 113,337 |
| 7 | **SUBTOTAL (1 thru 6)** | | 1,470,474 | 811,528 |
| 8 | Transmission of Electricity by Others | 565 | 1,553,393 | |
| 9 | Rents | 567 | | 12,351 |
| 10 | **TOTAL TRANSMISSION OPERATION (7 THRU 9)** | | 3,023,867 | 823,879 |
| | **TRANSMISSION MAINTENANCE** | | | |
| 11 | Supervision and Engineering | 568 | 128,810 | 154,089 |
| 12 | Structures | 569 | | 3,676 |
| 13 | Station Equipment | 570 | | 893,174 |
| 14 | Overhead Lines | 571 | 791,963 | |
| 15 | Underground Lines | 572 | | |
| 16 | Miscellaneous Transmission Plant | 573 | 24,135 | 37,234 |
| 17 | **TOTAL TRANSMISSION MAINTENANCE (11 THRU 16)** | | 944,908 | 1,088,173 |
| 18 | **TOTAL TRANSMISSION EXPENSE (10 + 17)** | | 3,968,775 | 1,912,052 |
| 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)** | | 3,968,775 | 1,912,052 |
| | **FIXED COSTS** | | | |
| 23 | Depreciation - Transmission | 403.5 | 1,372,666 | 1,027,724 |
| 24 | Depreciation - Distribution | 403.6 | | |
| 25 | Interest - Transmission | 427 | 1,455,877 | 1,774,908 |
| 26 | Interest - Distribution | 427 | | |
| 27 | **TOTAL TRANSMISSION (18 + 23 + 25)** | | 6,797,318 | 4,714,684 |
| 28 | **TOTAL DISTRIBUTION (21 + 24 + 26)** | | - | - |
| 29 | **TOTAL LINES AND STATIONS (27 + 28)** | | 6,797,318 | 4,714,684 |

| | SECTION B. FACILITIES IN SERVICE | | | | SECTION C. LABOR AND MATERIAL SUMMARY | | |
|---|---|---|---|---|---|---|---|
| | TRANSMISSION LINES | | SUBSTATIONS | | 1. NUMBER OR EMPLOYEES | | 49 |
| | VOLTAGE (KV) | MILES | TYPE | CAPACITY (kVA) | ITEM | LINES | STATIONS |
| 1 | 69 KV | 826.63 | 13. Distr. Lines | | 2. Oper. Labor | 939,147 | 516,900 |
| 2 | 345 KV | 68.40 | | | | | |
| 3 | 138 KV | 14.40 | 14. Total (12 + 13) | 1,259.06 | 3. Maint Labor | 588,104 | 796,815 |
| 4 | 161 KV | 349.63 | | | | | |
| 5 | | | 15. Stepup at | 1,879,800 | 4. Oper. Material | 2,084,720 | 306,979 |
| 6 | | | Generating Plants | | | | |
| 7 | | | 16. Transmission | 3,540,000 | 5. Maint. Material | 356,804 | 291,358 |
| 8 | | | | | | | |
| 9 | | | 17. Distribution | | SECTION D. OUTAGES | | |
| 10 | | | | | 1. TOTAL | | 167,326.50 |
| 11 | | | 18. Total | | 2. Avg. No. Dist. Cons. Served | | 111,944.00 |
| 12 | TOTAL ( 1 thru 11) | 1,259.06 | (15 thru 17) | 5,419,800 | 3. Avg No. Hours Out Per Cons. | | 1.50 |

RUS Form 12 – July 2010

*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.*

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE | BORROWER DESIGNATION KY0062 |
| **OPERATING REPORT - FINANCIAL** | PERIOD ENDED<br>July, 2010 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically<br>For detailed instructions, see RUS Bulletin 1717B-3. | BORROWER NAME<br><br>Big Rivers Electric Corporation |
| *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.* | |

**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.

Mark A. Bailey 8/31/10
DATE

RUS Form 12

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br><br>PERIOD ENDED July, 2010 |
|---|---|
| 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 | 129,527,715 | 300,716,427 | 289,594,292 | 45,063,253 |
| 2. Income From Leased Property (Net) | 15,739,142 | | | |
| 3. Other Operating Revenue and Income | 8,842,531 | 8,078,125 | 4,364,206 | 1,142,016 |
| 4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)* | 154,109,388 | 308,794,552 | 293,958,498 | 46,205,269 |
| 5. Operating Expense - Production - Excluding Fuel | 1,786,209 | 30,288,763 | 33,420,001 | 4,488,074 |
| 6. Operating Expense - Production - Fuel | 7,523,528 | 121,095,613 | 96,869,838 | 18,908,536 |
| 7. Operating Expense - Other Power Supply | 69,750,854 | 57,225,220 | 67,571,189 | 8,570,362 |
| 8. Operating Expense - Transmission | 4,368,876 | 4,450,174 | 4,570,592 | 602,429 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 379,636 | 314,447 | 418,292 | 41,990 |
| 12. Operating Expense - Sales | 77,339 | 39,812 | 160,462 | 13,630 |
| 13. Operating Expense - Administrative & General | 10,343,542 | 15,545,754 | 18,385,818 | 1,381,253 |
| 14. **TOTAL OPERATION EXPENSE** *(5 thru 13)* | 94,229,984 | 228,959,783 | 221,396,192 | 34,006,274 |
| 15. Maintenance Expense - Production | 1,048,394 | 19,775,758 | 22,584,682 | 3,323,925 |
| 16. Maintenance Expense - Transmission | 2,344,237 | 2,356,835 | 2,675,801 | 323,753 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 79,348 | 111,918 | 41,649 | 8,126 |
| 19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)* | 3,471,979 | 22,244,511 | 25,302,132 | 3,655,804 |
| 20. Depreciation and Amortization Expense | 4,301,516 | 19,851,434 | 20,205,581 | 2,817,303 |
| 21. Taxes | 603,631 | 133,252 | 145,383 | |
| 22. Interest on Long-Term Debt | 39,161,348 | 27,397,079 | 27,905,464 | 3,942,437 |
| 23. Interest Charged to Construction - Credit | (96,751) | (263,397) | (305,471) | (63,737) |
| 24. Other Interest Expense | 865 | 84,376 | | 21,192 |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | 2,125,412 | 44,582 | 63,389 | 10,828 |
| 27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)* | 143,797,984 | 298,451,620 | 294,712,670 | 44,390,101 |
| 28. **OPERATING MARGINS** *(4 less 27)* | 10,311,404 | 10,342,932 | (754,172) | 1,815,168 |
| 29. Interest Income | 84,870 | 203,825 | 256,199 | 31,843 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | 1,151 | 16,535 | | 2,322 |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | 534,562 | 12,806 | | |
| 35. Extraordinary Items | 544,943,789 | | | |
| 36. **NET PATRONAGE CAPITAL OR MARGINS** (28 thru 35) | 555,875,776 | 10,576,098 | (497,973) | 1,849,333 |

RUS Form 12a

000005

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED July, 2010 |
|---|---|
| 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 | 1,931,314,355 | 32. Memberships | 75 |
| 2. Construction Work in Progress | 62,035,017 | 33. Patronage Capital | |
| 3. **TOTAL UTILITY PLANT** *(1 + 2)* | 1,993,349,372 | a Assigned and Assignable | |
| 4. Accum. Provision for Depreciation and Amort. | 910,521,889 | b Retired This year<br>c Retired Prior years | |
| 5. **NET UTILITY PLANT** *(3 - 4)* | 1,082,827,483 | d Net Patronage Capital | |
| 6. Non-Utility Property (Net) | | 34. Operating Margins - Prior Years | (251,616,737) |
| 7. Investments in Subsidiary Companies | | 35. Operating Margin - Current Year | 10,355,737 |
| 8. Invest. in Assoc. Org. - Patronage Capital | 3,588,288 | 36. Non-Operating Margins | 636,344,987 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 | 37. Other Margins and Equities | (5,116,423) |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | | 38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)* | 389,967,639 |
| | | 39. Long-Term Debt - RUS (Net) | 667,332,288 |
| 11. Investments in Economic Development Projects | 10,000 | 40. Long-Term Debt - FFB - RUS Guaranteed | |
| | | 41. Long-Term Debt - Other - RUS Guaranteed | |
| 12. Other Investements | 5,334 | 42. Long-Term Debt - Other (Net) | 142,100,000 |
| 13. Special Funds | 227,747,665 | 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)* | 232,036,280 | 44. Payments - Unapplied | |
| | | 45. **TOTAL LONG-TERM DEBT** *(39 thru 43 - 44)* | 809,432,288 |
| 15. Cash - General Funds | 5,634 | 46. Obligations Under Capital Leases - Noncurrent | |
| 16. Cash - Construction Funds - Trustee | | | |
| 17. Special Deposits | 571,930 | 47. Accumulated Operating Provisions and Asset Retirement Obligations | 17,119,036 |
| 18. Temporary Investments | 45,715,105 | | |
| 19. Notes Receivable (Net) | | 48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46 + 47)* | 17,119,036 |
| 20. Accounts Receivable - Sales of Energy (Net) | 42,201,063 | 49. Notes Payable | 10,000,000 |
| 21. Accounts Receivable - Other (Net) | 2,789,891 | 50. Accounts Payable | 27,741,383 |
| 22. Fuel Stock | 34,926,526 | 51. Current Maturities Long-Term Debt | 7,572,842 |
| 23. Materials and Supplies - Other | 21,041,167 | 52. Current Maturities Long-Term Debt - Rural Development | |
| 24. Prepayments | 2,762,804 | | |
| 25. Other Current and Accrued Assets | 1,147,697 | 53. Current Maturities Capital Leases | |
| 26. **TOTAL CURRENT AND ACCRUED ASSESTS** *(15 thru 25)* | 151,161,817 | 54. Taxes Accrued | 1,883,420 |
| | | 55. Interest Accrued | 4,161,196 |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 1,933,813 | 56. Other Current and Accrued Liabilities | 8,463,514 |
| 28. Regulatory Assets | | 57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)* | 59,822,355 |
| 29. Other Deferred Debits | 1,894,340 | | |
| 30. Accumulated Deferred Income Taxes | | 58. Deferred Credits | 193,512,415 |
| 31. **TOTAL ASSESTS AND OTHER DEBITS** *(5+14+26 thru 30)* | 1,469,853,733 | 59. Accumulated Deferred Income Taxes | |
| | | 60. **TOTAL LIABILITES AND OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)* | 1,469,853,733 |

| USDA-RUS<br><br>**FINANCIAL AND STATISTICAL REPORT**<br><br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>July, 2010 |
|---|---|

**SECTION C. Notes to Financial Statements**

## Footnote to RUS Form 12b SE

Kenergy "IF" Contract termination date is March 31, 2011.

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

**07/31/10**
**Page1**

| 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 | 130 | 141 | 125 |
| 3 | Meade County Rural ECC | RQ | KY0018 | 94 | 99 | 89 |
| 4 | Kenergy Corporation | RQ | KY0065 | 374 | 377 | 374 |
| 5 | Kenergy Corporation | IF | KY0065 | | | |
| 6 | Kenergy Corporation | LF | KY0065 | | | |
| 7 | | | | | | |
| 8 | Associated Electric Coop | OS | MO0073 | | | |
| 9 | East Kentucky Power Coop | OS | KY0059 | | | |
| 10 | Oglethorpe Power | OS | GA0109 | | | |
| 11 | PowerSouth Energy Coop | OS | AL0042 | | | |
| 12 | | | | | | |
| 13 | Ameren UE | OS | | | | |
| 14 | Cargill-Alliant | OS | | | | |
| 15 | Constellation Power Source | OS | | | | |
| 16 | EDF Trading North America | OS | | | | |
| 17 | Midwest Independent Trans. | OS | | | | |
| 18 | PJM Interconnection | OS | | | | |
| 19 | Southern Company Services | OS | | | | |
| 20 | Tenaska Power Services | OS | | | | |
| 21 | Tennessee Valley Authority | OS | | | | |
| 22 | The Energy Authority | OS | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Total for Ultimate Consumer(s) | | | 0 | 0 | 0 |
| Total for Distribution Borrowers | | | 598 | 617 | 588 |
| Total for G&T Borrowers | | | 0 | 0 | 0 |
| Total for Others | | | 0 | 0 | 0 |
| Grand Total | | | 598 | 617 | 588 |

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

**07/31/10**
**Page 2**

| Sale No. | Electricity Sold (g) | Revenue Demand (h) | Revenue Energy (I) | Revenue Other (j) | Revenue Total (h+I+j+k) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | 421,479 | 6,775,653 | 12,107,877 | | 18,883,530 |
| 3 | 301,278 | 4,825,751 | 8,698,963 | | 13,524,714 |
| 4 | 1,280,030 | 21,732,894 | 33,425,479 | | 55,158,373 |
| 5 | 10,665 | | 395,771 | | 395,771 |
| 6 | 3,684,420 | | 160,497,399 | | 160,497,399 |
| 7 | | | | | |
| 8 | 3,818 | | 137,429 | | 137,429 |
| 9 | 53,585 | | 2,295,152 | | 2,295,152 |
| 10 | 4,681 | | 200,182 | | 200,182 |
| 11 | 7,580 | | 285,140 | | 285,140 |
| 12 | | | | | |
| 13 | 18,977 | | 612,773 | | 612,773 |
| 14 | 131,717 | | 4,954,094 | | 4,954,094 |
| 15 | 181,228 | | 6,491,870 | | 6,491,870 |
| 16 | 165,630 | | 6,465,613 | | 6,465,613 |
| 17 | 560,519 | | 23,201,691 | | 23,201,691 |
| 18 | 56,781 | | 2,165,181 | | 2,165,181 |
| 19 | 2,050 | | 93,105 | | 93,105 |
| 20 | 7,620 | | 278,364 | | 278,364 |
| 21 | 115,911 | | 4,522,950 | | 4,522,950 |
| 22 | 12,857 | | 553,096 | | 553,096 |

| | | | | |
|---|---|---|---|---|
| - | - | - | - | - |
| 5,697,872 | 33,334,298 | 215,125,489 | - | 248,459,787 |
| 69,664 | - | 2,917,903 | - | 2,917,903 |
| 1,253,290 | - | 49,338,737 | - | 49,338,737 |
| 7,020,826 | 33,334,298 | 267,382,129 | - | 300,716,427 |

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**07/31/10**
**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 | Associated Electric Coop | OS | MO0073 | | | |
| 2 | East KY Power Coop | OS | KY0059 | | | |
| 3 | Southern Illinois Power Coop | OS | IL0050 | | | |
| 4 | | | | | | |
| 5 | Cargill-Alliant | OS | | | | |
| 6 | Constellation Energy Commodities | OS | | | | |
| 7 | EDF Trading North America | OS | | | | |
| 8 | Henderson Municipal Power & Light | RQ | | | | |
| 9 | LG&E/KU | RQ | | | | |
| 10 | Midwest Independent Trans. Sys. Op. | OS | | | | |
| 11 | PJM Interconnection | OS | | | | |
| 12 | RRI Energy Services | SF | | | | |
| 13 | Alcan Aluminum | OS | | | | |
| 14 | Southeastern Power Admin | LF | | | | |
| 15 | The Energy Authority | OS | | | | |

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

**RUS Form 12b PP** **07/31/10**
**Operating Report** **Page 2**
**Purchased Power**

| Purch No. | Electricity Purchased (g) | Power Echanges Electricity Received (h) | Power Echanges Electricity Delivered (I) | Revenue Demand (j) | Revenue Energy (k) | Revenue Other (l) | Revenue Total (j+k+l) |
|---|---|---|---|---|---|---|---|
| 1 | 1,006 | | | | 41,758 | | 41,758 |
| 2 | 208 | | | | 16,016 | | 16,016 |
| 3 | 2,520 | | | | 98,280 | | 98,280 |
| 4 | | | | | | | |
| 5 | 5,283 | | | | 209,094 | | 209,094 |
| 6 | 1,490 | | | | 66,800 | | 66,800 |
| 7 | 540 | | | | 19,710 | | 19,710 |
| 8 | 884,385 | | | | 33,472,369 | | 33,472,369 |
| 9 | 235 | | | | 11,921 | | 11,921 |
| 10 | 105,319 | | | | 5,515,265 | | 5,515,265 |
| 11 | 23,750 | | | | 1,046,345 | | 1,046,345 |
| 12 | 9,044 | | | | 1,003,642 | | 1,003,642 |
| 13 | 570 | | | | 19,849 | | 19,849 |
| 14 | 235,239 | | | | 4,807,038 | | 4,807,038 |
| 15 | 309 | | | | 12,704 | | 12,704 |

| | | | | | | |
|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - |
| 3,734 | - | - | - | 156,054 | - | 156,054 |
| 1,266,164 | - | - | - | 46,184,737 | - | 46,184,737 |
| 1,269,898 | - | - | - | 46,340,791 | - | 46,340,791 |

## RUS Form 12c
## Operating Report
## Sources and Distribution of Energy

07/31/10

| 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 | 4 | 1,489,000 | 5,842,971 | 209,909,221 |
| 2 Nuclear | | | | |
| 3 Hydro | | | | |
| 4 Combined Cycle | | | | |
| 5 Internal Combustion | 1 | 70,000 | 2,917 | 984,740 |
| 6 Other | | | | |
| 7 TOTAL In Own Plant (Sum of lines 1 thru 6) | 5 | 1,559,000 | 5,845,888 | 210,893,961 |
| PURCHASED POWER | | | | |
| 8 Total Purchased Power | | | 1,269,898 | 46,340,791 |
| INTERCHANGED POWER | | | | |
| 9 Received into System | | | 1,611,292 | |
| 10 Delivered Out of System | | | 1,609,755 | |
| 11 Net Interchange | | | 1,537 | |
| 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) | | | 7,117,323 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16 TOTAL Sales | | | 7,020,826 | |
| 17 Energy Furnished to Others Without Charge | | | | |
| 18 Energy Used by Borrower | | | | |
| 19 TOTAL Energy Accounted For (Sum of lines 16 thru 18) | | | 7,020,826 | |
| LOSSES | | | | |
| 20 Energy Losses - MWh (Line 15 minus 19) | | | 96,497 | |
| 21 Energy Losses - Percentage ((Line 20 divided by line 15)*100) | | | 1.36 | |

**RUS Form 12d** 7/31/2010
**Operating Report**
**Steam Plant** Coleman

| SECTION A. BOILERS/TURBINES | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LINE NO. | UNIT NO. | TIMES STARTED | FUEL CONSUMPTION | | | | | OPERATING HOURS | | | | |
| | | | COAL (1000 Lbs.) | OIL (1000 Gals.) | GAS (1000 C.F.) | OTHER | TOTAL | IN SERVICE | ON STANDBY | OUT OF SERVICE | |
| | | | | | | | | | | Scheduled | Unsched. |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) |
| 1 | 1 | 8 | 536,921.6 | | 15,315.0 | | | 4,525.2 | 283.2 | - | 278.6 |
| 2 | 2 | 10 | 506,697.8 | | 15,797.3 | | | 4,430.0 | 310.9 | - | 346.1 |
| 3 | 3 | 6 | 601,796.1 | | 15,744.7 | | | 4,814.3 | 73.3 | - | 199.4 |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 24 | 1,645,415.5 | | 46,857.0 | | | 13,769.5 | 667.4 | - | 824.1 |
| 7 | AVERAGE BTU | | 11,168 | | 1,000 | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 18,376,000 | | 46,857 | | 18,422,857 | | | | |
| 9 | Total Del. Cost ($) | | 43,742,628 | | 275,612 | | | | | | |

| SECTION A. BOILERS/TURBINES (CONT.) | | | | | |
|---|---|---|---|---|---|
| LINE NO. | UNIT NO. | SIZE (KW) | GROSS GEN. (mWH) | BTU PER kWh |
| | (l) | (m) | (n) | (o) |
| 1 | 1 | 160,000 | 604,875.0 | |
| 2 | 2 | 160,000 | 559,711.0 | |
| 3 | 3 | 165,000 | 685,471.0 | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 485,000 | 1,850,057.0 | 9,958 |
| 7 | Station Service (MWh) | | 175,415.0 | |
| 8 | Net Generation (MWh) | | 1,674,642.0 | 11,001 |
| 9 | Station Service (%) | | 9.48 | |

| SECTION B. LABOR REPORT | | |
|---|---|---|
| LINE NO. | ITEM | VALUE |
| 1 | No. Employees Full-Time (Inc. Superintendent) | 109 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7 | Total Plant Payroll ($) | |

| SECTION C. FACTORS & MAX. DEMAND | | |
|---|---|---|
| LINE NO. | ITEM | VALUE |
| 1 | Load Factor (%) | 74.72 |
| 2 | Plant Factor (%) | 74.99 |
| 3 | Running Plant Capacity Factor (%) | 83.07 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 486,697 |
| 5 | Indicated Gross Maximum Demand (kW) | |

| SECTION D. COST OF NET ENERGY GENERATED | | | | | |
|---|---|---|---|---|---|
| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
| 1 | Operation, Supervision and Engineering | 500 | 869,869 | | |
| 2 | Fuel, Coal | 501.1 | 44,804,467 | | 2.44 |
| 3 | Fuel, Oil | 501.2 | - | | |
| 4 | Fuel, Gas | 501.3 | 275,611 | | 5.88 |
| 5 | Fuel, Other | 501.4 | - | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 45,080,078 | 26.92 | 2.45 |
| 7 | Steam Expenses | 502 | 3,831,909 | | |
| 8 | Electric Expenses | 505 | 1,059,404 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 812,534 | | |
| 10 | Allowances | 509 | 54,356 | | |
| 11 | Rents | 507 | - | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 6,628,072 | 3.96 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 51,708,150 | 30.88 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 865,282 | | |
| 15 | Maintenance of Structures | 511 | 493,318 | | |
| 16 | Maintenance of Boiler Plant | 512 | 3,635,138 | | |
| 17 | Maintenance of Electric Plant | 513 | 392,987 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 155,573 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 5,542,298 | 3.31 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 57,250,448 | 34.19 | |
| 21 | Depreciation | 403.1 | 2,772,076 | | |
| 22 | Interest | 427 | 4,174,810 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 6,946,886 | 4.15 | |
| 24 | POWER COST (20 + 23) | | 64,197,334 | 38.33 | |

**RUS Form 12d** **7/31/2010**
**Operating Report**
**Steam Plant** **Reid**

**SECTION A. BOILERS/TURBINES**

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 12 | 121,063.2 | 177.481 | | | | 2,597.2 | 2,380.0 | - | 109.8 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 12 | 121,063.2 | 177.481 | | | | 2,597.2 | 2,380.0 | - | 109.8 |
| 7 | AVERAGE BTU | | 12,460 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 1,508,447 | 24,492 | | | 1,532,939 | | | | |
| 9 | Total Del. Cost ($) | | 3,115,116 | 408,047 | | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 72,000 | 128,296.0 | |
| 2 | 2 | | | |
| 3 | 3 | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 72,000 | 128,296.0 | 11,948 |
| 7 | Station Service (MWh) | | 18,568.0 | |
| 8 | Net Generation (MWh) | | 109,728.0 | 13,970 |
| 9 | Station Service (%) | | 14.47 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 17 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 32.80 |
| 2 | Plant Factor (%) | 38.21 |
| 3 | Running Plant Capacity Factor (%) | 74.85 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 76,900 |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 162,264 | | |
| 2 | Fuel, Coal | 501.1 | 3,227,859 | | 2.14 |
| 3 | Fuel, Oil | 501.2 | 408,047 | | 16.66 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 3,635,906 | 33.14 | 2.37 |
| 7 | Steam Expenses | 502 | 357,154 | | |
| 8 | Electric Expenses | 505 | 171,083 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 187,989 | | |
| 10 | Allowances | 509 | 67,481 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 945,971 | 8.62 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 4,581,877 | 41.76 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 160,720 | | |
| 15 | Maintenance of Structures | 511 | 58,069 | | |
| 16 | Maintenance of Boiler Plant | 512 | 542,041 | | |
| 17 | Maintenance of Electric Plant | 513 | 55,638 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 34,994 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 851,462 | 7.76 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 5,433,339 | 49.52 | |
| 21 | Depreciation | 403.1 | 233,995 | | |
| 22 | Interest | 427 | 435,232 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 669,227 | 6.10 | |
| 24 | POWER COST (20 + 23) | | 6,102,566 | 55.62 | |

**RUS Form 12d** **7/31/2010**
**Operating Report**
**Steam Plant** **Green**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 7 | 934,684.9 | 283.907 | | | | 4,780.5 | - | 181.8 | 124.7 |
| 2 | 2 | 1 | 993,804.6 | 60.230 | | | | 5,048.7 | - | - | 38.3 |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 8 | 1,928,489.5 | 344.137 | | | | 9,829.2 | - | 181.8 | 163.0 |
| 7 | AVERAGE BTU | | 11,746 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 22,652,038 | 47,491 | | | 22,699,529 | | | | |
| 9 | Total Del. Cost ($) | | 38,033,502 | 769,929 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 250,000 | 1,086,895.6 | |
| 2 | 2 | 242,000 | 1,151,682.0 | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 492,000 | 2,238,577.6 | 10,140 |
| 7 | Station Service (MWh) | | 203,512.2 | |
| 8 | Net Generation (MWh) | | 2,035,065.4 | 11,154 |
| 9 | Station Service (%) | | 9.09 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 112 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 88.12 |
| 2 | Plant Factor (%) | 90.88 |
| 3 | Running Plant Capacity Factor (%) | 94.06 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 499,400 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 1,085,976 | | |
| 2 | Fuel, Coal | 501.1 | 38,964,421 | | 1.72 |
| 3 | Fuel, Oil | 501.2 | 769,929 | | 16.21 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 39,734,350 | 19.52 | 1.75 |
| 7 | Steam Expenses | 502 | 8,188,846 | | |
| 8 | Electric Expenses | 505 | 1,068,760 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 1,121,139 | | |
| 10 | Allowances | 509 | 31,964 | | |
| 11 | Rents | 507 | | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 11,496,685 | 5.65 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 51,231,035 | 25.17 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 757,033 | | |
| 15 | Maintenance of Structures | 511 | 514,380 | | |
| 16 | Maintenance of Boiler Plant | 512 | 5,116,027 | | |
| 17 | Maintenance of Electric Plant | 513 | 663,287 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 116,010 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 7,166,737 | 3.52 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 58,397,772 | 28.70 | |
| 21 | Depreciation | 403.1 | 3,958,701 | | |
| 22 | Interest | 427 | 5,092,996 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 9,051,697 | 4.45 | |
| 24 | **POWER COST (20 + 23)** | | 67,449,469 | 33.14 | |

**RUS Form 12d** 7/31/2010
**Operating Report**
**Steam Plant** Wilson

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 7 | 1,850,938.1 | 318.800 | | | | 4,955.9 | - | - | 131.1 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 7 | 1,850,938.1 | 318.800 | | | | 4,955.9 | - | - | 131.1 |
| 7 | AVERAGE BTU | | 11,899 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 22,024,312 | 43,994 | | | 22,068,306 | | | | |
| 9 | Total Del. Cost ($) | | 30,609,529 | 757,611 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 440,000 | 2,170,355.6 | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 440,000 | 2,170,355.6 | 10,168 |
| 7 | Station Service (MWh) | | 146,819.4 | |
| 8 | Net Generation (MWh) | | 2,023,536.2 | 10,906 |
| 9 | Station Service (%) | | 6.76 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 107 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 93.50 |
| 2 | Plant Factor (%) | 97.00 |
| 3 | Running Plant Capacity Factor (%) | 99.50 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 456,376 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 428,245 | | |
| 2 | Fuel, Coal | 501.1 | 31,573,049 | | 1.43 |
| 3 | Fuel, Oil | 501.2 | 757,611 | | 17.22 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 32,330,660 | 15.98 | 1.47 |
| 7 | Steam Expenses | 502 | 7,808,766 | | |
| 8 | Electric Expenses | 505 | 912,563 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 1,933,797 | | |
| 10 | Allowances | 509 | 118,051 | | |
| 11 | Rents | 507 | | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 11,201,422 | 5.54 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 43,532,082 | 21.51 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 276,325 | | |
| 15 | Maintenance of Structures | 511 | 668,935 | | |
| 16 | Maintenance of Boiler Plant | 512 | 4,272,012 | | |
| 17 | Maintenance of Electric Plant | 513 | 477,116 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 106,714 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 5,801,102 | 2.87 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 49,333,184 | 24.38 | |
| 21 | Depreciation | 403.1 | 9,447,074 | | |
| 22 | Interest | 427 | 13,379,594 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 22,826,668 | 11.28 | |
| 24 | **POWER COST (20 + 23)** | | 72,159,852 | 35.66 | |

RUS Form 12f 7/31/2010
Operating Report
Internal Combustion Plant Reid

## SECTION A. INTERNAL COMBUSTION GENERATING UNITS

| LINE NO. | UNIT NO. (a) | SIZE (kW) (b) | FUEL CONSUMPTION: OIL (1000 Gals.) (c) | GAS (1000 C.F.) (d) | OTHER (e) | TOTAL (f) | OPERATING HOURS: IN SERVICE (g) | ON STANDBY (h) | OUT OF SERVICE Sche. (i) | OUT OF SERVICE Unsche. (j) | GROSS GENERATION (MWh) (k) | BTU PER kWh (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 70,000 | 13.823 | 46,851.0 | | | 74.1 | 4,602.6 | 16.3 | 394.0 | 3,399.6 | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | TOTAL | 70,000 | 13.823 | 46,851.0 | | | 74.1 | 4,602.6 | 16.3 | 394.0 | 3,399.6 | 14,343 |
| 7 | AVERAGE BTU | | 138,000 | 1,000 | | | STATION SERVICE (MWh) | | | | 482.7 | |
| 8 | Total BTU (10 6th pwr) | | 1,908 | 46,851 | | 48,759 | NET GENERATION (MWh) | | | | 2,916.9 | 16,716 |
| 9 | Total Del. Cost ($) | | 49,347 | 265,271 | | | STATION SERVICE % OF GROSS | | | | 14.20 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE | LINE NO. | ITEM | VALUE |
|---|---|---|---|---|---|
| 1. | No. Emp. Full Time (incl. Superintendent) | | 5. | Maint. Plant Payroll ($) | |
| 2. | No. Emp. Part Time | | 6. | Other Accounts Plant Payroll ($) | |
| 3. | Total Emp. - Hrs. Worked | | | | |
| 4 | Oper. Plant Payroll ($) | | 7. | TOTAL Plant Payroll ($) | |

## SECTION C. FACTORS & MAXIMUM DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 0.95 |
| 2 | Plant Factor (%) | 0.93 |
| 3 | Running Plant Capacity Factor (%) | 63.72 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 70,000 |
| 5 | Indicated Gross Max. Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 546 | | | |
| 2 | Fuel, Oil | 547.1 | 49,347 | | 25.86 |
| 3 | Fuel, Gas | 547.2 | 265,271 | | 5.66 |
| 4 | Fuel, Other | 547.3 | | | |
| 5 | Energy for Compressed Air | 547.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 547 | 314,618 | 107.86 | 6.45 |
| 7 | Generation Expenses | 548 | 16,613 | | |
| 8 | Miscellaneous Other Power Generation Expenses | 549 | | | |
| 9 | Rents | 550 | | | |
| 10 | NON- FUEL SUB-TOTAL (1 + 7 thru 9) | | 16,613 | 5.70 | |
| 11 | OPERATION EXPENSE (6 + 10) | | 331,231 | 113.56 | |
| 12 | Maintenance, Supervision and Engineering | 551 | | | |
| 13 | Maintenance of Structures | 552 | | | |
| 14 | Maintenance of Generating and Electric Plant | 553 | 414,159 | | |
| 15 | Maintenance of Miscellaneous Other Power Generating Plant | 554 | | | |
| 16 | MAINTENANCE EXPENSE (12 thru 15) | | 414,159 | 141.99 | |
| 17 | TOTAL PRODUCTION EXPENSE (11 + 16) | | 745,390 | 255.54 | |
| 18 | Depreciation | 553, 512 | 110,817 | | |
| 19 | Interest | 554, 513 | 128,533 | | |
| 20 | TOTAL FIXED COST (18 + 19) | | 239,350 | 82.06 | |
| 21 | POWER COST (17 + 20) | | 984,740 | 337.60 | |

**RUS Form 12i** **7/31/2010**

**OPERATING REPORT - LINES AND STATIONS**

| | **SECTION A. EXPENSE AND COSTS** | | | |
|---|---|---|---|---|
| | ITEM | Account Number | LINES (a) | STATIONS (b) |
| | **TRANSMISSION OPERATION** | | | |
| 1 | Supervision and Engineering | 560 | 244,615 | 198,864 |
| 2 | Load Dispatching | 561 | 708,763 | |
| 3 | Station Expenses | 562 | | 610,527 |
| 4 | Overhead Line Expenses | 563 | 627,222 | |
| 5 | Underground Line Expenses | 564 | | |
| 6 | Miscellaneous Expenses | 566 | 116,420 | 122,894 |
| 7 | **SUBTOTAL (1 thru 6)** | | 1,697,020 | 932,285 |
| 8 | Transmission of Electricity by Others | 565 | 1,806,460 | |
| 9 | Rents | 567 | | 14,409 |
| 10 | **TOTAL TRANSMISSION OPERATION (7 THRU 9)** | | 3,503,480 | 946,694 |
| | **TRANSMISSION MAINTENANCE** | | | |
| 11 | Supervision and Engineering | 568 | 147,905 | 177,318 |
| 12 | Structures | 569 | | 6,447 |
| 13 | Station Equipment | 570 | | 1,031,008 |
| 14 | Overhead Lines | 571 | 928,867 | |
| 15 | Underground Lines | 572 | | |
| 16 | Miscellaneous Transmission Plant | 573 | 26,707 | 38,583 |
| 17 | **TOTAL TRANSMISSION MAINTENANCE (11 THRU 16)** | | 1,103,479 | 1,253,356 |
| 18 | **TOTAL TRANSMISSION EXPENSE (10 + 17)** | | 4,606,959 | 2,200,050 |
| 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)** | | 4,606,959 | 2,200,050 |
| | **FIXED COSTS** | | | |
| 23 | Depreciation - Transmission | 403.5 | 1,591,458 | 1,250,396 |
| 24 | Depreciation - Distribution | 403.6 | | |
| 25 | Interest - Transmission | 427 | 1,699,226 | 2,070,258 |
| 26 | Interest - Distribution | 427 | | |
| 27 | **TOTAL TRANSMISSION (18 + 23 + 25)** | | 7,897,643 | 5,520,704 |
| 28 | **TOTAL DISTRIBUTION (21 + 24 + 26)** | | - | - |
| 29 | **TOTAL LINES AND STATIONS (27 + 28)** | | 7,897,643 | 5,520,704 |

**SECTION B. FACILITIES IN SERVICE**

| | **TRANSMISSION LINES** | |
|---|---|---|
| | VOLTAGE (KV) | MILES |
| 1 | 69 KV | 826.63 |
| 2 | 345 KV | 68.40 |
| 3 | 138 KV | 14.40 |
| 4 | 161 KV | 349.63 |
| 5 | | |
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | TOTAL ( 1 thru 11) | 1,259.06 |

| **SUBSTATIONS** | |
|---|---|
| TYPE | CAPACITY (kVA) |
| 13. Distr. Lines | |
| 14. Total (12 + 13) | 1,259.06 |
| 15. Stepup at Generating Plants | 1,879,800 |
| 16. Transmission | 3,540,000 |
| 17. Distribution | |
| 18. Total (15 thru 17) | 5,419,800 |

**SECTION C. LABOR AND MATERIAL SUMMARY**

| 1. NUMBER OR EMPLOYEES | | 49 |
|---|---|---|
| ITEM | LINES | STATIONS |
| 2. Oper. Labor | 1,076,943 | 582,617 |
| 3. Maint Labor | 686,129 | 929,261 |
| 4. Oper. Material | 2,426,537 | 364,077 |
| 5. Maint. Material | 417,350 | 324,095 |

**SECTION D. OUTAGES**

| | |
|---|---|
| 1. TOTAL | 176,069.00 |
| 2. Avg. No. Dist. Cons. Served | 111,944.00 |
| 3. Avg No. Hours Out Per Cons. | 1.57 |

RUS Form 12 – August 2010

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE | BORROWER DESIGNATION KY0062 |
| **OPERATING REPORT - FINANCIAL** | PERIOD ENDED<br>August, 2010 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3. | BORROWER NAME<br>Big Rivers Electric Corporation |
| *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.* | |

**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.

Mark A. Bailey 9/27/10
DATE

RUS Form 12

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED August, 2010 |
|---|---|
| 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 | 168,223,606 | 347,349,045 | 334,322,273 | 46,632,618 |
| 2. Income From Leased Property (Net) | 15,739,141 | | | |
| 3. Other Operating Revenue and Income | 9,985,632 | 9,223,461 | 4,987,664 | 1,145,336 |
| 4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)* | 193,948,379 | 356,572,506 | 339,309,937 | 47,777,954 |
| 5. Operating Expense - Production - Excluding Fuel | 5,585,387 | 35,092,582 | 38,272,190 | 4,803,819 |
| 6. Operating Expense - Production - Fuel | 23,226,144 | 140,848,544 | 112,747,443 | 19,752,931 |
| 7. Operating Expense - Other Power Supply | 76,756,225 | 64,764,176 | 77,128,081 | 7,538,956 |
| 8. Operating Expense - Transmission | 4,952,615 | 5,089,610 | 5,187,516 | 639,436 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 426,628 | 350,689 | 480,944 | 36,242 |
| 12. Operating Expense - Sales | 82,981 | 64,300 | 176,528 | 24,487 |
| 13. Operating Expense - Administrative & General | 12,201,176 | 17,504,475 | 20,687,150 | 1,958,721 |
| 14. **TOTAL OPERATION EXPENSE** *(5 thru 13)* | 123,231,156 | 263,714,376 | 254,679,852 | 34,754,592 |
| 15. Maintenance Expense - Production | 3,973,313 | 23,068,782 | 25,537,178 | 3,293,025 |
| 16. Maintenance Expense - Transmission | 2,891,155 | 2,822,781 | 3,096,853 | 465,946 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 84,186 | 134,317 | 44,569 | 22,399 |
| 19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)* | 6,948,654 | 26,025,880 | 28,678,600 | 3,781,370 |
| 20. Depreciation and Amortization Expense | 7,105,861 | 22,679,476 | 23,107,475 | 2,828,042 |
| 21. Taxes | 2,123,828 | 132,823 | 166,152 | (429) |
| 22. Interest on Long-Term Debt | 43,427,950 | 31,355,226 | 31,962,996 | 3,958,146 |
| 23. Interest Charged to Construction - Credit | (101,837) | (333,557) | (373,273) | (70,160) |
| 24. Other Interest Expense | 865 | 105,539 | | 21,163 |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | 2,133,266 | 60,825 | 71,670 | 16,243 |
| 27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)* | 184,869,743 | 343,740,588 | 338,293,472 | 45,288,967 |
| 28. **OPERATING MARGINS** *(4 less 27)* | 9,078,636 | 12,831,918 | 1,016,465 | 2,488,987 |
| 29. Interest Income | 115,551 | 237,122 | 293,336 | 33,297 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | 3,529 | 18,858 | | 2,322 |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | 534,562 | 19,868 | | 7,062 |
| 35. Extraordinary Items | 543,998,013 | | | |
| 36. **NET PATRONAGE CAPITAL OR MARGINS** (28 thru 35) | 553,730,291 | 13,107,766 | 1,309,801 | 2,531,668 |

RUS Form 12a

000005

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br><br>PERIOD ENDED August, 2010 |
|---|---|
| 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 | 1,930,771,565 | 32. Memberships | 75 |
| 2. Construction Work in Progress | 63,041,873 | 33. Patronage Capital | |
| 3. **TOTAL UTILITY PLANT** *(1 + 2)* | 1,993,813,438 | a Assigned and Assignable | |
| 4. Accum. Provision for Depreciation and Amort. | 911,538,812 | b Retired This year | |
| | | c Retired Prior years | |
| 5. **NET UTILITY PLANT** *(3 - 4)* | 1,082,274,626 | d Net Patronage Capital | |
| 6. Non-Utility Property (Net) | | 34. Operating Margins - Prior Years | (251,616,737) |
| 7. Investments in Subsidiary Companies | | 35. Operating Margin - Current Year | 12,851,786 |
| 8. Invest. in Assoc. Org. - Patronage Capital | 3,593,938 | 36. Non-Operating Margins | 636,380,606 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 | 37. Other Margins and Equities | (5,116,423) |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | | 38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)* | 392,499,307 |
| | | 39. Long-Term Debt - RUS (Net) | 667,332,288 |
| 11. Investments in Economic Development Projects | 10,000 | 40. Long-Term Debt - FFB - RUS Guaranteed | |
| | | 41. Long-Term Debt - Other - RUS Guaranteed | |
| 12. Other Investements | 5,334 | 42. Long-Term Debt - Other (Net) | 142,100,000 |
| 13. Special Funds | 226,368,658 | 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)* | 230,662,923 | 44. Payments - Unapplied | |
| | | 45. **TOTAL LONG-TERM DEBT** *(39 thru 43 - 44)* | 809,432,288 |
| 15. Cash - General Funds | 5,787 | 46. Obligations Under Capital Leases - Noncurrent | |
| 16. Cash - Construction Funds - Trustee | | | |
| 17. Special Deposits | 571,988 | 47. Accumulated Operating Provisions and Asset Retirement Obligations | 17,107,426 |
| 18. Temporary Investments | 53,490,996 | | |
| 19. Notes Receivable (Net) | | 48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46 + 47)* | 17,107,426 |
| 20. Accounts Receivable - Sales of Energy (Net) | 43,932,637 | 49. Notes Payable | 10,000,000 |
| 21. Accounts Receivable - Other (Net) | 2,049,434 | 50. Accounts Payable | 28,584,195 |
| 22. Fuel Stock | 32,908,181 | 51. Current Maturities Long-Term Debt | 7,572,842 |
| 23. Materials and Supplies - Other | 20,896,925 | 52. Current Maturities Long-Term Debt - Rural Development | |
| 24. Prepayments | 2,506,845 | | |
| 25. Other Current and Accrued Assets | 639,476 | 53. Current Maturities Capital Leases | |
| 26. **TOTAL CURRENT AND ACCRUED ASSESTS** *(15 thru 25)* | 157,002,269 | 54. Taxes Accrued | 313,225 |
| | | 55. Interest Accrued | 8,122,690 |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 2,213,441 | 56. Other Current and Accrued Liabilities | 8,698,836 |
| 28. Regulatory Assets | 1,830,324 | 57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)* | 63,291,788 |
| 29. Other Deferred Debits | | | |
| 30. Accumulated Deferred Income Taxes | | 58. Deferred Credits | 191,652,774 |
| 31. **TOTAL ASSESTS AND OTHER DEBITS** *(5+14+26 thru 30)* | 1,473,983,583 | 59. Accumulated Deferred Income Taxes | |
| | | 60. **TOTAL LIABILITES AND OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)* | 1,473,983,583 |

| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>August, 2010 |
|---|---|

**SECTION C. Notes to Financial Statements**

## Footnote to RUS Form 12b SE

Kenergy "IF" Contract termination date is March 31, 2011.

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

**08/31/10**
**Page1**

| 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 | 130 | 145 | 130 |
| 3 | Meade County Rural ECC | RQ | KY0018 | 95 | 100 | 90 |
| 4 | Kenergy Corporation | RQ | KY0065 | 385 | 384 | 381 |
| 5 | Kenergy Corporation | IF | KY0065 | | | |
| 6 | Kenergy Corporation | LF | KY0065 | | | |
| 7 | | | | | | |
| 8 | Associated Electric Coop | OS | MO0073 | | | |
| 9 | East Kentucky Power Coop | OS | KY0059 | | | |
| 10 | Oglethorpe Power | OS | GA0109 | | | |
| 11 | PowerSouth Energy Coop | OS | AL0042 | | | |
| 12 | | | | | | |
| 13 | Ameren UE | OS | | | | |
| 14 | Cargill-Alliant | OS | | | | |
| 15 | Constellation Power Source | OS | | | | |
| 16 | EDF Trading North America | OS | | | | |
| 17 | Henderson Municipal Power & Light | OS | | | | |
| 18 | Midwest Independent Trans. | OS | | | | |
| 19 | PJM Interconnection | OS | | | | |
| 20 | Southern Company Services | OS | | | | |
| 21 | Tenaska Power Services | OS | | | | |
| 22 | Tennessee Valley Authority | OS | | | | |
| 23 | The Energy Authority | OS | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Total for Ultimate Consumer(s) | | | 0 | 0 | 0 |
| Total for Distribution Borrowers | | | 610 | 629 | 601 |
| Total for G&T Borrowers | | | 0 | 0 | 0 |
| Total for Others | | | 0 | 0 | 0 |
| Grand Total | | | 610 | 629 | 601 |

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

**08/31/10**
**Page 2**

| Sale No. | Electricity Sold (g) | Revenue Demand (h) | Revenue Energy (I) | Revenue Other (j) | Revenue Total (h+I+j+k) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | 497,472 | 8,038,705 | 14,334,394 | | 22,373,099 |
| 3 | 348,787 | 5,597,080 | 10,097,367 | | 15,694,447 |
| 4 | 1,489,804 | 25,232,802 | 39,062,040 | | 64,294,842 |
| 5 | 12,512 | | 487,297 | | 487,297 |
| 6 | 4,217,412 | | 183,703,938 | | 183,703,938 |
| 7 | | | | | |
| 8 | 3,818 | | 137,429 | | 137,429 |
| 9 | 53,585 | | 2,295,152 | | 2,295,152 |
| 10 | 5,676 | | 234,832 | | 234,832 |
| 11 | 10,780 | | 397,940 | | 397,940 |
| 12 | | | | | |
| 13 | 20,625 | | 681,270 | | 681,270 |
| 14 | 174,168 | | 6,677,956 | | 6,677,956 |
| 15 | 212,320 | | 7,634,390 | | 7,634,390 |
| 16 | 181,244 | | 7,150,621 | | 7,150,621 |
| 17 | 4,297 | | 285,080 | | 285,080 |
| 18 | 626,615 | | 26,235,894 | | 26,235,894 |
| 19 | 71,686 | | 2,850,698 | | 2,850,698 |
| 20 | 7,553 | | 300,548 | | 300,548 |
| 21 | 8,331 | | 304,982 | | 304,982 |
| 22 | 125,053 | | 4,832,393 | | 4,832,393 |
| 23 | 18,052 | | 776,237 | | 776,237 |

| | | | | |
|---|---|---|---|---|
| - | - | - | - | - |
| 6,565,987 | 38,868,587 | 247,685,036 | - | 286,553,623 |
| 73,859 | - | 3,065,353 | - | 3,065,353 |
| 1,449,944 | - | 57,730,069 | - | 57,730,069 |
| 8,089,790 | 38,868,587 | 308,480,458 | - | 347,349,045 |

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**08/31/10**
**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 | Associated Electric Coop | OS | MO0073 | | | |
| 2 | East KY Power Coop | OS | KY0059 | | | |
| 3 | Southern Illinois Power Coop | OS | IL0050 | | | |
| 4 | | | | | | |
| 5 | Cargill-Alliant | OS | | | | |
| 6 | Constellation Energy Commodities | OS | | | | |
| 7 | EDF Trading North America | OS | | | | |
| 8 | Henderson Municipal Power & Light | RQ | | | | |
| 9 | LG&E/KU | RQ | | | | |
| 10 | Midwest Independent Trans. Sys. Op. | OS | | | | |
| 11 | PJM Interconnection | OS | | | | |
| 12 | RRI Energy Services | SF | | | | |
| 13 | Alcan Aluminum | OS | | | | |
| 14 | Southeastern Power Admin | LF | | | | |
| 15 | The Energy Authority | OS | | | | |

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

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**08/31/10**
**Page 2**

| Purch No. | Electricity Purchased (g) | Power Echanges Electricity Received (h) | Power Echanges Electricity Delivered (I) | Revenue Demand (j) | Revenue Energy (k) | Revenue Other (l) | Revenue Total (j+k+l) |
|---|---|---|---|---|---|---|---|
| 1 | 1,006 | | | | 41,758 | | 41,758 |
| 2 | 208 | | | | 16,016 | | 16,016 |
| 3 | 2,520 | | | | 98,280 | | 98,280 |
| 4 | | | | | | | |
| 5 | 5,283 | | | | 209,094 | | 209,094 |
| 6 | 1,490 | | | | 66,800 | | 66,800 |
| 7 | 540 | | | | 19,710 | | 19,710 |
| 8 | 1,030,739 | | | | 38,561,290 | | 38,561,290 |
| 9 | 235 | | | | 11,921 | | 11,921 |
| 10 | 108,380 | | | | 5,779,286 | | 5,779,286 |
| 11 | 23,750 | | | | 1,046,345 | | 1,046,345 |
| 12 | 10,114 | | | | 1,150,733 | | 1,150,733 |
| 13 | 570 | | | | 19,849 | | 19,849 |
| 14 | 250,670 | | | | 5,263,485 | | 5,263,485 |
| 15 | 309 | | | | 12,704 | | 12,704 |

| | | | | | | |
|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - |
| 3,734 | - | - | - | 156,054 | - | 156,054 |
| 1,432,080 | - | - | - | 52,141,217 | - | 52,141,217 |
| 1,435,814 | - | - | - | 52,297,271 | - | 52,297,271 |

RUS Form 12c
Operating Report
Sources and Distribution of Energy

08/31/10

| 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 | 4 | 1,489,000 | 6,755,931 | 243,191,772 |
| 2 Nuclear | | | | |
| 3 Hydro | | | | |
| 4 Combined Cycle | | | | |
| 5 Internal Combustion | 1 | 70,000 | 5,313 | 1,253,397 |
| 6 Other | | | | |
| 7 TOTAL In Own Plant (Sum of lines 1 thru 6) | 5 | 1,559,000 | 6,761,244 | 244,445,169 |
| PURCHASED POWER | | | | |
| 8 Total Purchased Power | | | 1,435,814 | 52,297,271 |
| INTERCHANGED POWER | | | | |
| 9 Received into System | | | 1,878,653 | |
| 10 Delivered Out of System | | | 1,878,320 | |
| 11 Net Interchange | | | 333 | |
| 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) | | | 8,197,391 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16 TOTAL Sales | | | 8,089,790 | |
| 17 Energy Furnished to Others Without Charge | | | | |
| 18 Energy Used by Borrower | | | | |
| 19 TOTAL Energy Accounted For (Sum of lines 16 thru 18) | | | 8,089,790 | |
| LOSSES | | | | |
| 20 Energy Losses - MWh (Line 15 minus 19) | | | 107,601 | |
| 21 Energy Losses - Percentage ((Line 20 divided by line 15)*100) | | | 1.31 | |

**RUS Form 12d** 8/31/2010
**Operating Report**
**Steam Plant** Coleman

| SECTION A. BOILERS/TURBINES | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LINE NO. | UNIT NO. | TIMES STARTED | FUEL CONSUMPTION | | | | | OPERATING HOURS | | | | |
| | | | COAL (1000 Lbs.) | OIL (1000 Gals.) | GAS (1000 C.F.) | OTHER | TOTAL | IN SERVICE | ON STANDBY | OUT OF SERVICE Scheduled | OUT OF SERVICE Unsched. |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) |
| 1 | 1 | 8 | 626,838.7 | | 16,227.6 | | | 5,269.2 | 283.2 | - | 278.6 |
| 2 | 2 | 11 | 591,416.3 | | 17,753.8 | | | 5,171.9 | 310.9 | - | 348.2 |
| 3 | 3 | 6 | 693,114.3 | | 17,545.4 | | | 5,558.3 | 73.3 | - | 199.4 |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 25 | 1,911,369.3 | | 51,526.8 | | | 15,999.4 | 667.4 | - | 826.2 |
| 7 | AVERAGE BTU | | 11,192 | | 1,000 | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 21,392,045 | | 51,527 | | 21,443,572 | | | | |
| 9 | Total Del. Cost ($) | | 50,797,989 | | 305,175 | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. | SIZE (KW) | GROSS GEN. (mWH) | BTU PER kWh |
|---|---|---|---|---|
| | (l) | (m) | (n) | (o) |
| 1 | 1 | 160,000 | 707,334.0 | |
| 2 | 2 | 160,000 | 652,116.0 | |
| 3 | 3 | 165,000 | 789,440.0 | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 485,000 | 2,148,890.0 | 9,979 |
| 7 | Station Service (MWh) | | 204,158.0 | |
| 8 | Net Generation (MWh) | | 1,944,732.0 | 11,026 |
| 9 | Station Service (%) | | 9.50 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No Employees Full-Time (Inc. Superintendent) | 109 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 75.53 |
| 2 | Plant Factor (%) | 75.99 |
| 3 | Running Plant Capacity Factor (%) | 83.04 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 487,939 |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 993,330 | | |
| 2 | Fuel, Coal | 501.1 | 52,085,515 | | 2.43 |
| 3 | Fuel, Oil | 501.2 | - | | |
| 4 | Fuel, Gas | 501.3 | 305,175 | | 5.92 |
| 5 | Fuel, Other | 501.4 | - | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 52,390,690 | 26.94 | 2.44 |
| 7 | Steam Expenses | 502 | 4,417,939 | | |
| 8 | Electric Expenses | 505 | 1,220,723 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 1,123,529 | | |
| 10 | Allowances | 509 | 61,219 | | |
| 11 | Rents | 507 | - | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 7,816,740 | 4.02 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 60,207,430 | 30.96 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 986,106 | | |
| 15 | Maintenance of Structures | 511 | 576,820 | | |
| 16 | Maintenance of Boiler Plant | 512 | 4,173,120 | | |
| 17 | Maintenance of Electric Plant | 513 | 415,301 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 174,590 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 6,325,937 | 3.25 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 66,533,367 | 34.21 | |
| 21 | Depreciation | 403.1 | 3,163,626 | | |
| 22 | Interest | 427 | 4,782,094 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 7,945,720 | 4.09 | |
| 24 | POWER COST (20 + 23) | | 74,479,087 | 38.30 | |

RUS Form 12d 8/31/2010
Operating Report
Steam Plant Reid

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 14 | 147,327.4 | 194.374 | | | | 3,118.6 | 2,520.1 | - | 192.3 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | 3,118.6 | 2,520.1 | - | 192.3 |
| 6 | TOTAL | 14 | 147,327.4 | 194.374 | | | | | | | |
| 7 | AVERAGE BTU | | 12,490 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 1,840,119 | 26,824 | | | 1,866,943 | | | | |
| 9 | Total Del. Cost ($) | | 3,783,313 | 447,798 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 72,000 | 156,160.0 | |
| 2 | 2 | | | |
| 3 | 3 | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 72,000 | 156,160.0 | 11,955 |
| 7 | Station Service (MWh) | | 21,956.0 | |
| 8 | Net Generation (MWh) | | 134,204.0 | 13,911 |
| 9 | Station Service (%) | | 14.06 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 17 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 34.83 |
| 2 | Plant Factor (%) | 40.58 |
| 3 | Running Plant Capacity Factor (%) | 75.87 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 76,900 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 190,231 | | |
| 2 | Fuel, Coal | 501.1 | 3,910,411 | | 2.13 |
| 3 | Fuel, Oil | 501.2 | 447,798 | | 16.69 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 4,358,209 | 32.47 | 2.33 |
| 7 | Steam Expenses | 502 | 425,272 | | |
| 8 | Electric Expenses | 505 | 195,757 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 216,054 | | |
| 10 | Allowances | 509 | 85,582 | | |
| 11 | Rents | 507 | | | |
| 12 | NON-FUEL SUB-TOTAL (1 + 7 thru 11) | | 1,112,896 | 8.29 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 5,471,105 | 40.77 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 185,085 | | |
| 15 | Maintenance of Structures | 511 | 67,686 | | |
| 16 | Maintenance of Boiler Plant | 512 | 725,466 | | |
| 17 | Maintenance of Electric Plant | 513 | 75,672 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 42,322 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 1,096,231 | 8.17 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 6,567,336 | 48.94 | |
| 21 | Depreciation | 403.1 | 270,908 | | |
| 22 | Interest | 427 | 498,221 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 769,129 | 5.73 | |
| 24 | POWER COST (20 + 23) | | 7,336,465 | 54.67 | |

RUS Form 12d
Operating Report
Steam Plant

8/31/2010

Green

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 7 | 1,085,446.9 | 292.633 | | | | 5,524.5 | - | 181.8 | 124.7 |
| 2 | 2 | 1 | 1,135,847.3 | 62.702 | | | | 5,792.7 | - | - | 38.3 |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 8 | 2,221,294.2 | 355.335 | | | | 11,317.2 | - | 181.8 | 163.0 |
| 7 | AVERAGE BTU | | 11,770 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 26,144,633 | 49,036 | | | 26,193,669 | | | | |
| 9 | Total Del. Cost ($) | | 44,558,907 | 796,377 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 250,000 | 1,262,930.0 | |
| 2 | 2 | 242,000 | 1,317,810.0 | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 492,000 | 2,580,740.0 | 10,150 |
| 7 | Station Service (MWh) | | 234,003.3 | |
| 8 | Net Generation (MWh) | | 2,346,736.7 | 11,162 |
| 9 | Station Service (%) | | 9.07 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 112 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 88.62 |
| 2 | Plant Factor (%) | 91.40 |
| 3 | Running Plant Capacity Factor (%) | 94.18 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 499,400 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 1,242,724 | | |
| 2 | Fuel, Coal | 501.1 | 45,626,418 | | 1.75 |
| 3 | Fuel, Oil | 501.2 | 796,376 | | 16.24 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 46,422,794 | 19.78 | 1.77 |
| 7 | Steam Expenses | 502 | 9,406,387 | | |
| 8 | Electric Expenses | 505 | 1,226,705 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 1,301,853 | | |
| 10 | Allowances | 509 | 35,967 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 13,213,636 | 5.63 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 59,636,430 | 25.41 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 878,938 | | |
| 15 | Maintenance of Structures | 511 | 677,133 | | |
| 16 | Maintenance of Boiler Plant | 512 | 5,705,308 | | |
| 17 | Maintenance of Electric Plant | 513 | 776,983 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 148,357 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 8,186,719 | 3.49 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 67,823,149 | 28.90 | |
| 21 | Depreciation | 403.1 | 4,525,580 | | |
| 22 | Interest | 427 | 5,825,724 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 10,351,304 | 4.41 | |
| 24 | POWER COST (20 + 23) | | 78,174,453 | 33.31 | |

**RUS Form 12d** 8/31/2010
**Operating Report**
**Steam Plant** Wilson

**SECTION A. BOILERS/TURBINES**

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 7 | 2,130,068.4 | 331.200 | | | | 5,699.9 | - | - | 131.1 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 7 | 2,130,068.4 | 331.200 | | | | 5,699.9 | - | - | 131.1 |
| 7 | AVERAGE BTU | | 11,906 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 25,360,594 | 45,706 | | | 25,406,300 | | | | |
| 9 | Total Del. Cost ($) | | 35,292,657 | 786,305 | | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 440,000 | 2,498,392.4 | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 440,000 | 2,498,392.4 | 10,169 |
| 7 | Station Service (MWh) | | 168,134.5 | |
| 8 | Net Generation (MWh) | | 2,330,257.9 | 10,903 |
| 9 | Station Service (%) | | 6.73 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 107 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 93.90 |
| 2 | Plant Factor (%) | 97.40 |
| 3 | Running Plant Capacity Factor (%) | 99.60 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 456,376 |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 490,015 | | |
| 2 | Fuel, Coal | 501.1 | 36,411,177 | | 1.44 |
| 3 | Fuel, Oil | 501.2 | 786,305 | | 17.20 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 37,197,482 | 15.96 | 1.46 |
| 7 | Steam Expenses | 502 | 9,032,172 | | |
| 8 | Electric Expenses | 505 | 1,048,539 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 2,220,941 | | |
| 10 | Allowances | 509 | 138,657 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 12,930,324 | 5.55 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 50,127,806 | 21.51 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 318,661 | | |
| 15 | Maintenance of Structures | 511 | 785,740 | | |
| 16 | Maintenance of Boiler Plant | 512 | 4,995,653 | | |
| 17 | Maintenance of Electric Plant | 513 | 743,074 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 137,367 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 6,980,495 | 3.00 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 57,108,301 | 24.51 | |
| 21 | Depreciation | 403.1 | 10,789,759 | | |
| 22 | Interest | 427 | 15,303,707 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 26,093,466 | 11.20 | |
| 24 | POWER COST (20 + 23) | | 83,201,767 | 35.70 | |

**RUS Form 12f** 8/31/2010
**Operating Report**
**Internal Combustion Plant** Reid

## SECTION A. INTERNAL COMBUSTION GENERATING UNITS

| LINE NO. | UNIT NO. (a) | SIZE (kW) (b) | FUEL CONSUMPTION OIL (1000 Gals.) (c) | GAS (1000 C.F.) (d) | OTHER (e) | TOTAL (f) | OPERATING HOURS IN SERVICE (g) | ON STANDBY (h) | OUT OF SERVICE Sche. (i) | OUT OF SERVICE Unsche. (j) | GROSS GENERATION (MWh) (k) | BTU PER kWh (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 70,000 | 13.823 | 82,239.0 | | | 125.5 | 5,237.7 | 16.3 | 451.5 | 5,903.7 | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | TOTAL | 70,000 | 13.823 | 82,239.0 | | | 125.5 | 5,237.7 | 16.3 | 451.5 | 5,903.7 | 14,253 |
| 7 | AVERAGE BTU | | 138,000 | 1,000 | | | STATION SERVICE (MWh) | | | | 590.4 | |
| 8 | Total BTU (10 6th pwr) | | 1,908 | 82,239 | | 84,147 | NET GENERATION (MWh) | | | | 5,313.3 | 15,837 |
| 9 | Total Del. Cost ($) | | 49,347 | 430,796 | | | STATION SERVICE % OF GROSS | | | | 10.00 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE | LINE NO. | ITEM | VALUE |
|---|---|---|---|---|---|
| 1. | No. Emp. Full Time (incl. Superintendent) | | 5. | Maint. Plant Payroll ($) | |
| 2. | No. Emp. Part Time | | 6. | Other Accounts Plant Payroll ($) | |
| 3. | Total Emp. - Hrs. Worked | | | | |
| 4 | Oper. Plant Payroll ($) | | 7. | TOTAL Plant Payroll ($) | |

## SECTION C. FACTORS & MAXIMUM DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 1.45 |
| 2 | Plant Factor (%) | 1.41 |
| 3 | Running Plant Capacity Factor (%) | 65.35 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 70,000 |
| 5 | Indicated Gross Max. Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 546 | | | |
| 2 | Fuel, Oil | 547.1 | 49,346 | | 25.86 |
| 3 | Fuel, Gas | 547.2 | 430,022 | | 5.23 |
| 4 | Fuel, Other | 547.3 | | | |
| 5 | Energy for Compressed Air | 547.4 | | | |
| 6 | *FUEL SUB-TOTAL (2 thru 5)* | 547 | 479,368 | 90.22 | 5.70 |
| 7 | Generation Expenses | 548 | 18,986 | | |
| 8 | Miscellaneous Other Power Generation Expenses | 549 | | | |
| 9 | Rents | 550 | | | |
| 10 | NON- FUEL SUB-TOTAL (1 + 7 thru 9) | | 18,986 | 3.57 | |
| 11 | OPERATION EXPENSE (6 + 10) | | 498,354 | 93.79 | |
| 12 | Maintenance, Supervision and Engineering | 551 | | | |
| 13 | Maintenance of Structures | 552 | | | |
| 14 | Maintenance of Generating and Electric Plant | 553 | 479,400 | | |
| 15 | Maintenance of Miscellaneous Other Power Generating Plant | 554 | | | |
| 16 | MAINTENANCE EXPENSE (12 thru 15) | | 479,400 | 90.23 | |
| 17 | TOTAL PRODUCTION EXPENSE (11 + 16) | | 977,754 | 184.02 | |
| 18 | Depreciation | 553, 512 | 128,511 | | |
| 19 | Interest | 554, 513 | 147,132 | | |
| 20 | TOTAL FIXED COST (18 + 19) | | 275,643 | 51.88 | |
| 21 | POWER COST (17 + 20) | | 1,253,397 | 235.90 | |

RUS Form 12i 8/31/2010

OPERATING REPORT - LINES AND STATIONS

**SECTION A. EXPENSE AND COSTS**

| | ITEM | Account Number | LINES (a) | STATIONS (b) |
|---|---|---|---|---|
| | **TRANSMISSION OPERATION** | | | |
| 1 | Supervision and Engineering | 560 | 273,344 | 223,106 |
| 2 | Load Dispatching | 561 | 795,699 | |
| 3 | Station Expenses | 562 | | 726,821 |
| 4 | Overhead Line Expenses | 563 | 713,958 | |
| 5 | Underground Line Expenses | 564 | | |
| 6 | Miscellaneous Expenses | 566 | 129,824 | 144,781 |
| 7 | **SUBTOTAL (1 thru 6)** | | 1,912,825 | 1,094,708 |
| 8 | Transmission of Electricity by Others | 565 | 2,065,610 | |
| 9 | Rents | 567 | | 16,467 |
| 10 | **TOTAL TRANSMISSION OPERATION (7 THRU 9)** | | 3,978,435 | 1,111,175 |
| | **TRANSMISSION MAINTENANCE** | | | |
| 11 | Supervision and Engineering | 568 | 166,312 | 199,469 |
| 12 | Structures | 569 | | 7,451 |
| 13 | Station Equipment | 570 | | 1,165,865 |
| 14 | Overhead Lines | 571 | 1,211,765 | |
| 15 | Underground Lines | 572 | | |
| 16 | Miscellaneous Transmission Plant | 573 | 30,165 | 41,754 |
| 17 | **TOTAL TRANSMISSION MAINTENANCE (11 THRU 16)** | | 1,408,242 | 1,414,539 |
| 18 | **TOTAL TRANSMISSION EXPENSE (10 + 17)** | | 5,386,677 | 2,525,714 |
| 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)** | | 5,386,677 | 2,525,714 |
| | **FIXED COSTS** | | | |
| 23 | Depreciation - Transmission | 403.5 | 1,803,135 | 1,477,713 |
| 24 | Depreciation - Distribution | 403.6 | | |
| 25 | Interest - Transmission | 427 | 1,945,705 | 2,366,697 |
| 26 | Interest - Distribution | 427 | | |
| 27 | **TOTAL TRANSMISSION (18 + 23 + 25)** | | 9,135,517 | 6,370,124 |
| 28 | **TOTAL DISTRIBUTION (21 + 24 + 26)** | | - | - |
| 29 | **TOTAL LINES AND STATIONS (27 + 28)** | | 9,135,517 | 6,370,124 |

**SECTION B. FACILITIES IN SERVICE**

| | TRANSMISSION LINES | | SUBSTATIONS | |
|---|---|---|---|---|
| | VOLTAGE (KV) | MILES | TYPE | CAPACITY (kVA) |
| 1 | 69 KV | 826.63 | 13. Distr. Lines | |
| 2 | 345 KV | 68.40 | | |
| 3 | 138 KV | 14.40 | 14. Total (12 + 13) | 1,259.06 |
| 4 | 161 KV | 349.63 | | |
| 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) | 1,259.06 | (15 thru 17) | 5,419,800 |

**SECTION C. LABOR AND MATERIAL SUMMARY**

| 1. NUMBER OR EMPLOYEES | | 49 |
|---|---|---|
| ITEM | LINES | STATIONS |
| 2. Oper. Labor | 1,211,350 | 661,542 |
| 3. Maint Labor | 778,159 | 1,046,280 |
| 4. Oper. Material | 2,767,085 | 449,633 |
| 5. Maint. Material | 630,083 | 368,259 |

**SECTION D. OUTAGES**

| | |
|---|---|
| 1. TOTAL | 180,065.20 |
| 2. Avg. No. Dist. Cons. Served | 111,944.00 |
| 3. Avg No. Hours Out Per Cons. | 1.61 |

# RUS Form 12 – September 2010

*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.*

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE | BORROWER DESIGNATION KY0062 |
| **OPERATING REPORT - FINANCIAL** | PERIOD ENDED<br>September, 2010 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3. | BORROWER NAME<br>Big Rivers Electric Corporation |
| *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.* | |

**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.

Mark A. Bailey 11/1/10
DATE

RUS Form 12

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br><br>PERIOD ENDED September, 2010 |
|---|---|
| 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 LAST YEAR (a) | YEAR-TO-DATE THIS YEAR (b) | YEAR-TO-DATE BUDGET (c) | THIS MONTH (d) |
|---|---|---|---|---|
| 1. Electric Energy Revenues | 205,411,862 | 386,667,789 | 373,591,538 | 39,318,744 |
| 2. Income From Leased Property (Net) | 15,739,141 | | | |
| 3. Other Operating Revenue and Income | 11,147,188 | 10,365,695 | 5,611,122 | 1,142,234 |
| 4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)* | 232,298,191 | 397,033,484 | 379,202,660 | 40,460,978 |
| 5. Operating Expense - Production - Excluding Fuel | 9,666,403 | 39,792,311 | 43,041,748 | 4,699,729 |
| 6. Operating Expense - Production - Fuel | 38,993,348 | 157,895,023 | 125,759,911 | 17,046,479 |
| 7. Operating Expense - Other Power Supply | 82,914,127 | 73,076,140 | 86,635,275 | 8,311,964 |
| 8. Operating Expense - Transmission | 5,344,821 | 5,740,776 | 6,022,427 | 651,166 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 480,582 | 374,545 | 550,649 | 23,856 |
| 12. Operating Expense - Sales | 208,250 | 164,469 | 399,594 | 100,169 |
| 13. Operating Expense - Administrative & General | 14,851,968 | 19,483,041 | 23,215,792 | 1,978,566 |
| 14. **TOTAL OPERATION EXPENSE** *(5 thru 13)* | 152,459,499 | 296,526,305 | 285,625,396 | 32,811,929 |
| 15. Maintenance Expense - Production | 7,388,604 | 27,402,955 | 28,609,300 | 4,334,173 |
| 16. Maintenance Expense - Transmission | 3,236,606 | 3,608,333 | 3,556,690 | 785,552 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 94,838 | 143,345 | 48,081 | 9,028 |
| 19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)* | 10,720,048 | 31,154,633 | 32,214,071 | 5,128,753 |
| 20. Depreciation and Amortization Expense | 9,910,242 | 25,645,976 | 26,022,185 | 2,966,500 |
| 21. Taxes | 2,123,828 | 197,823 | 186,921 | 65,000 |
| 22. Interest on Long-Term Debt | 47,209,420 | 35,185,894 | 35,889,639 | 3,830,668 |
| 23. Interest Charged to Construction - Credit | (105,473) | (410,591) | (428,594) | (77,034) |
| 24. Other Interest Expense | 865 | 126,023 | | 20,483 |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | 2,139,561 | [illegible]73,235 | 79,773 | 12,411 |
| 27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)* | 224,457,990 | 388,499,298 | 379,589,391 | 44,758,710 |
| 28. **OPERATING MARGINS** *(4 less 27)* | 7,840,201 | 8,534,186 | (386,731) | (4,297,732) |
| 29. Interest Income | 170,078 | 269,916 | 331,288 | 32,794 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | 5,907 | 1,692,826 | | 1,673,969 |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | 534,562 | 20,111 | | 242 |
| 35. Extraordinary Items | 543,821,606 | | | |
| 36. **NET PATRONAGE CAPITAL OR MARGINS** (28 thru 35) | 552,372,354 | 10,517,039 | (55,443) | (2,590,727) |

RUS Form 12a

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br><br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br><br>PERIOD ENDED September, 2010 |
|---|---|
| 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 | 1,942,858,228 | 32. Memberships | 75 |
| 2. Construction Work in Progress | 42,359,168 | 33. Patronage Capital | |
| 3. **TOTAL UTILITY PLANT** *(1 + 2)* | 1,985,217,396 | a Assigned and Assignable | |
| 4. Accum. Provision for Depreciation and Amort. | 901,963,398 | b Retired This year | |
| | | c Retired Prior years | |
| 5. **NET UTILITY PLANT** *(3 - 4)* | 1,083,253,998 | d Net Patronage Capital | |
| 6. Non-Utility Property (Net) | | 34. Operating Margins - Prior Years | (251,616,737) |
| 7. Investments in Subsidiary Companies | | 35. Operating Margin - Current Year | 8,554,296 |
| 8. Invest. in Assoc. Org. - Patronage Capital | 3,594,132 | 36. Non-Operating Margins | 638,087,369 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 | 37. Other Margins and Equities | (5,116,423) |
| | | 38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)* | 389,908,580 |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | | 39. Long-Term Debt - RUS (Net) | 668,981,559 |
| 11. Investments in Economic Development Projects | 10,000 | 40. Long-Term Debt - FFB - RUS Guaranteed | |
| | | 41. Long-Term Debt - Other - RUS Guaranteed | |
| 12. Other Investements | 5,334 | 42. Long-Term Debt - Other (Net) | 142,100,000 |
| 13. Special Funds | 223,926,183 | 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)* | 228,220,642 | 44. Payments - Unapplied | |
| | | 45. **TOTAL LONG-TERM DEBT** *(39 thru 43 - 44)* | 811,081,559 |
| 15. Cash - General Funds | 5,436 | 46. Obligations Under Capital Leases - Noncurrent | |
| 16. Cash - Construction Funds - Trustee | | | |
| 17. Special Deposits | 572,044 | 47. Accumulated Operating Provisions and Asset Retirement Obligations | 18,878,239 |
| 18. Temporary Investments | 62,405,129 | | |
| 19. Notes Receivable (Net) | | 48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46 + 47)* | 18,878,239 |
| 20. Accounts Receivable - Sales of Energy (Net) | 38,360,706 | 49. Notes Payable | 10,000,000 |
| 21. Accounts Receivable - Other (Net) | 1,493,382 | 50. Accounts Payable | 27,871,615 |
| 22. Fuel Stock | 32,329,298 | 51. Current Maturities Long-Term Debt | 7,572,842 |
| 23. Materials and Supplies - Other | 23,786,492 | 52. Current Maturities Long-Term Debt - Rural Development | |
| 24. Prepayments | 2,218,526 | | |
| 25. Other Current and Accrued Assets | 963,417 | 53. Current Maturities Capital Leases | |
| 26. **TOTAL CURRENT AND ACCRUED ASSESTS** *(15 thru 25)* | 162,134,430 | 54. Taxes Accrued | 620,646 |
| | | 55. Interest Accrued | 10,229,849 |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 2,212,212 | 56. Other Current and Accrued Liabilities | 9,988,127 |
| 28. Regulatory Assets | | 57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)* | 66,283,079 |
| 29. Other Deferred Debits | 1,291,878 | | |
| 30. Accumulated Deferred Income Taxes | | 58. Deferred Credits | 190,961,703 |
| 31. **TOTAL ASSESTS AND OTHER DEBITS** *(5+14+26 thru 30)* | 1,477,113,160 | 59. Accumulated Deferred Income Taxes | |
| | | 60. **TOTAL LIABILITES AND OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)* | 1,477,113,160 |

**000006**

RUS Form 12a

| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>September, 2010 |
|---|---|

**SECTION C. Notes to Financial Statements**

## Footnote to RUS Form 12b SE

Kenergy "IF" Contract termination date is March 31, 2011

000007

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

**09/30/10**
**Page1**

| 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 | 135 | 145 | 130 |
| 3 | Meade County Rural ECC | RQ | KY0018 | 94 | 99 | 90 |
| 4 | Kenergy Corporation | RQ | KY0065 | 389 | 389 | 384 |
| 5 | Kenergy Corporation | IF | KY0065 | | | |
| 6 | Kenergy Corporation | LF | KY0065 | | | |
| 7 | | | | | | |
| 8 | Associated Electric Coop | OS | MO0073 | | | |
| 9 | East Kentucky Power Coop | OS | KY0059 | | | |
| 10 | Oglethorpe Power | OS | GA0109 | | | |
| 11 | PowerSouth Energy Coop | OS | AL0042 | | | |
| 12 | | | | | | |
| 13 | Ameren UE | OS | | | | |
| 14 | Cargill-Alliant | OS | | | | |
| 15 | Constellation Energy Commodities | OS | | | | |
| 16 | EDF Trading North America | OS | | | | |
| 17 | Henderson Municipal Power & Light | OS | | | | |
| 18 | Midwest Independent Trans. | OS | | | | |
| 19 | PJM Interconnection | OS | | | | |
| 20 | Southern Company Services | OS | | | | |
| 21 | Tenaska Power Services | OS | | | | |
| 22 | Tennessee Valley Authority | OS | | | | |
| 23 | The Energy Authority | OS | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Total for Ultimate Consumer(s) | | | 0 | 0 | 0 |
| Total for Distribution Borrowers | | | 618 | 633 | 604 |
| Total for G&T Borrowers | | | 0 | 0 | 0 |
| Total for Others | | | 0 | 0 | 0 |
| Grand Total | | | 618 | 633 | 604 |

**RUS Form 12b SE** **09/30/10**
**Operating Report** **Page 2**
**Sales of Electricity**

| Sale No. | Electricity Sold (g) | Revenue Demand (h) | Revenue Energy (I) | Revenue Other (j) | Revenue Total (h+I+j+k) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | 552,288 | 9,048,170 | 15,956,875 | | 25,005,045 |
| 3 | 384,113 | 6,238,727 | 11,149,218 | | 17,387,945 |
| 4 | 1,663,431 | 28,430,092 | 43,712,407 | | 72,142,499 |
| 5 | 12,536 | | 474,665 | | 474,665 |
| 6 | 4,737,991 | | 205,683,519 | | 205,683,519 |
| 7 | | | | | |
| 8 | 3,818 | | 137,429 | | 137,429 |
| 9 | 62,910 | | 2,673,099 | | 2,673,099 |
| 10 | 5,951 | | 245,682 | | 245,682 |
| 11 | 14,380 | | 493,940 | | 493,940 |
| 12 | | | | | |
| 13 | 22,854 | | 755,235 | | 755,235 |
| 14 | 196,125 | | 7,359,029 | | 7,359,029 |
| 15 | 217,412 | | 7,803,475 | | 7,803,475 |
| 16 | 203,196 | | 7,880,661 | | 7,880,661 |
| 17 | 4,297 | | 285,080 | | 285,080 |
| 18 | 696,096 | | 28,787,536 | | 28,787,536 |
| 19 | 77,990 | | 3,045,382 | | 3,045,382 |
| 20 | 10,308 | | 409,203 | | 409,203 |
| 21 | 8,994 | | 328,365 | | 328,365 |
| 22 | 127,103 | | 4,909,708 | | 4,909,708 |
| 23 | 20,264 | | 860,292 | | 860,292 |

| | | | | |
|---|---|---|---|---|
| - | - | - | - | - |
| 7,350,359 | 43,716,989 | 276,976,684 | - | 320,693,673 |
| 87,059 | - | 3,550,150 | - | 3,550,150 |
| 1,584,639 | - | 62,423,966 | - | 62,423,966 |
| 9,022,057 | 43,716,989 | 342,950,800 | - | 386,667,789 |

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**09/30/10**
**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 | Associated Electric Coop | OS | MO0073 | | | |
| 2 | East KY Power Coop | OS | KY0059 | | | |
| 3 | Southern Illinois Power Coop | OS | IL0050 | | | |
| 4 | | | | | | |
| 5 | Cargill-Alliant | OS | | | | |
| 6 | Constellation Energy Commodities | OS | | | | |
| 7 | EDF Trading North America | OS | | | | |
| 8 | Henderson Municipal Power & Light | RQ | | | | |
| 9 | LG&E/KU | RQ | | | | |
| 10 | Midwest Independent Trans. Sys. Op. | OS | | | | |
| 11 | PJM Interconnection | OS | | | | |
| 12 | RRI Energy Services | SF | | | | |
| 13 | Alcan Aluminum | OS | | | | |
| 14 | Southeastern Power Admin | LF | | | | |
| 15 | The Energy Authority | OS | | | | |

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

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**09/30/10**
**Page 2**

| Purch No. | Electricity Purchased (g) | Power Echanges Electricity Received (h) | Power Echanges Electricity Delivered (i) | Revenue Demand (j) | Revenue Energy (k) | Revenue Other (l) | Revenue Total (j+k+l) |
|---|---|---|---|---|---|---|---|
| 1 | 1,006 | | | | 41,758 | | 41,758 |
| 2 | 208 | | | | 16,016 | | 16,016 |
| 3 | 3,320 | | | | 127,880 | | 127,880 |
| 4 | | | | | | | |
| 5 | 5,283 | | | | 209,094 | | 209,094 |
| 6 | 1,490 | | | | 66,800 | | 66,800 |
| 7 | 540 | | | | 19,710 | | 19,710 |
| 8 | 1,168,381 | | | | 43,533,912 | | 43,533,912 |
| 9 | 235 | | | | 11,921 | | 11,921 |
| 10 | 116,361 | | | | 6,157,903 | | 6,157,903 |
| 11 | 24,526 | | | | 1,082,984 | | 1,082,984 |
| 12 | 10,114 | | | | 1,240,633 | | 1,240,633 |
| 13 | 570 | | | | 19,849 | | 19,849 |
| 14 | 263,961 | | | | 5,692,820 | | 5,692,820 |
| 15 | 309 | | | | 12,704 | | 12,704 |

| | | | | | | |
|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - |
| 4,534 | - | - | - | 185,654 | - | 185,654 |
| 1,591,770 | - | - | - | 58,048,330 | - | 58,048,330 |
| 1,596,304 | - | - | - | 58,233,984 | - | 58,233,984 |

**RUS Form 12c** **09/30/10**
**Operating Report**
**Sources and Distribution of Energy**

| 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 | 4 | 1,489,000 | 7,540,661 | 274,816,849 |
| 2 Nuclear | | | | |
| 3 Hydro | | | | |
| 4 Combined Cycle | | | | |
| 5 Internal Combustion | 1 | 70,000 | 5,501 | 1,427,794 |
| 6 Other | | | | |
| 7 TOTAL In Own Plant (Sum of lines 1 thru 6) | 5 | 1,559,000 | 7,546,162 | 276,244,643 |
| PURCHASED POWER | | | | |
| 8 Total Purchased Power | | | 1,596,304 | 58,233,984 |
| INTERCHANGED POWER | | | | |
| 9 Received into System | | | 2,089,475 | |
| 10 Delivered Out of System | | | 2,090,364 | |
| 11 Net Interchange | | | (889) | |
| 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) | | | 9,141,577 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16 TOTAL Sales | | | 9,022,057 | |
| 17 Energy Furnished to Others Without Charge | | | | |
| 18 Energy Used by Borrower | | | | |
| 19 TOTAL Energy Accounted For (Sum of lines 16 thru 18) | | | 9,022,057 | |
| LOSSES | | | | |
| 20 Energy Losses - MWh (Line 15 minus 19) | | | 119,520 | |
| 21 Energy Losses - Percentage ((Line 20 divided by line 15)*100) | | | 1.31 | |

RUS Form 12d 9/30/2010
Operating Report
Steam Plant Coleman

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 9 | 697,575.0 | | 18,803.4 | | | 5,906.5 | 306.9 | - | 337.6 |
| 2 | 2 | 11 | 666,291.9 | | 19,572.5 | | | 5,891.9 | 310.9 | - | 348.2 |
| 3 | 3 | 7 | 776,530.4 | | 20,128.7 | | | 6,247.8 | 73.3 | - | 229.9 |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 27 | 2,140,397.3 | | 58,504.6 | | | 18,046.2 | 691.1 | - | 915.7 |
| 7 | AVERAGE BTU | | 11,204 | | 1,000 | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 23,981,011 | | 58,505 | | 24,039,516 | | | | |
| 9 | Total Del. Cost ($) | | 56,900,886 | | 347,009 | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 160,000 | 788,071.0 | |
| 2 | 2 | 160,000 | 735,513.0 | |
| 3 | 3 | 165,000 | 884,620.0 | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 485,000 | 2,408,204.0 | 9,982 |
| 7 | Station Service (MWh) | | 229,919.0 | |
| 8 | Net Generation (MWh) | | 2,178,285.0 | 11,036 |
| 9 | Station Service (%) | | 9.55 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 109 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 75.34 |
| 2 | Plant Factor (%) | 75.8 |
| 3 | Running Plant Capacity Factor (%) | 82.51 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 487,939 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 1,110,662 | | |
| 2 | Fuel, Coal | 501.1 | 58,336,390 | | 2.43 |
| 3 | Fuel, Oil | 501.2 | - | | |
| 4 | Fuel, Gas | 501.3 | 347,009 | | 5.93 |
| 5 | Fuel, Other | 501.4 | - | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 58,683,399 | 26.94 | 2.44 |
| 7 | Steam Expenses | 502 | 5,042,578 | | |
| 8 | Electric Expenses | 505 | 1,381,043 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 1,353,938 | | |
| 10 | Allowances | 509 | 71,173 | | |
| 11 | Rents | 507 | - | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 8,959,392 | 4.11 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 67,642,791 | 31.05 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 1,100,157 | | |
| 15 | Maintenance of Structures | 511 | 688,502 | | |
| 16 | Maintenance of Boiler Plant | 512 | 5,086,126 | | |
| 17 | Maintenance of Electric Plant | 513 | 751,201 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 195,462 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 7,821,448 | 3.59 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 75,464,239 | 34.64 | |
| 21 | Depreciation | 403.1 | 3,586,161 | | |
| 22 | Interest | 427 | 5,372,705 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 8,958,866 | 4.11 | |
| 24 | POWER COST (20 + 23) | | 84,423,105 | 38.76 | |

RUS Form 12d 9/30/2010
Operating Report
Steam Plant Reid

**SECTION A. BOILERS/TURBINES**

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 14 | 147,327.4 | 196.224 | | | | 3,118.6 | 3,222.1 | - | 210.3 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 14 | 147,327.4 | 196.224 | | | | 3,118.6 | 3,222.1 | - | 210.3 |
| 7 | AVERAGE BTU | | 12,490 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 1,840,119 | 27,079 | | | 1,867,198 | | | | |
| 9 | Total Del. Cost ($) | | 3,783,313 | 452,101 | | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 72,000 | 156,160.0 | |
| 2 | 2 | | | |
| 3 | 3 | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 72,000 | 156,160.0 | 11,957 |
| 7 | Station Service (MWh) | | 23,447.0 | |
| 8 | Net Generation (MWh) | | 132,713.0 | 14,069 |
| 9 | Station Service (%) | | 15.01 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (inc. Superintendent) | 17 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 31.00 |
| 2 | Plant Factor (%) | 36.12 |
| 3 | Running Plant Capacity Factor (%) | 75.87 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 76,900 |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 217,651 | | |
| 2 | Fuel, Coal | 501.1 | 3,915,771 | | 2.13 |
| 3 | Fuel, Oil | 501.2 | 452,101 | | 16.70 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 4,367,872 | 32.91 | 2.34 |
| 7 | Steam Expenses | 502 | 482,252 | | |
| 8 | Electric Expenses | 505 | 221,602 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 242,408 | | |
| 10 | Allowances | 509 | 85,812 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 1,249,525 | 9.42 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 5,617,397 | 42.33 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 207,119 | | |
| 15 | Maintenance of Structures | 511 | 73,595 | | |
| 16 | Maintenance of Boiler Plant | 512 | 920,142 | | |
| 17 | Maintenance of Electric Plant | 513 | 82,287 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 45,911 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 1,329,054 | 10.01 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 6,946,451 | 52.34 | |
| 21 | Depreciation | 403.1 | 304,513 | | |
| 22 | Interest | 427 | 559,556 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 864,069 | 6.51 | |
| 24 | POWER COST (20 + 23) | | 7,810,520 | 58.85 | |

**RUS Form 12d** **9/30/2010**
**Operating Report**
**Steam Plant** **Green**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 9 | 1,218,271.3 | 326.554 | | | | 6,202.9 | - | 181.8 | 166.3 |
| 2 | 2 | 2 | 1,266,087.0 | 82.454 | | | | 6,472.6 | - | - | 78.4 |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 11 | 2,484,358.3 | 409.008 | | | | 12,675.5 | - | 181.8 | 244.7 |
| 7 | AVERAGE BTU | | 11,759 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 29,213,569 | 56,443 | | | 29,270,012 | | | | |
| 9 | Total Del. Cost ($) | | 50,064,635 | 924,230 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 250,000 | 1,417,454.7 | |
| 2 | 2 | 242,000 | 1,466,744.0 | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 492,000 | 2,884,198.7 | 10,148 |
| 7 | Station Service (MWh) | | 261,976.1 | |
| 8 | Net Generation (MWh) | | 2,622,222.6 | 11,162 |
| 9 | Station Service (%) | | 9.08 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (inc. Superintendent) | 112 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 88.16 |
| 2 | Plant Factor (%) | 90.92 |
| 3 | Running Plant Capacity Factor (%) | 93.98 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 499,400 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 1,390,247 | | |
| 2 | Fuel, Coal | 501.1 | 51,274,606 | | 1.76 |
| 3 | Fuel, Oil | 501.2 | 924,230 | | 16.37 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 52,198,836 | 19.91 | 1.78 |
| 7 | Steam Expenses | 502 | 10,688,100 | | |
| 8 | Electric Expenses | 505 | 1,382,750 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 1,494,861 | | |
| 10 | Allowances | 509 | 38,212 | | |
| 11 | Rents | 507 | | | |
| 12 | NON-FUEL SUB-TOTAL (1 + 7 thru 11) | | 14,994,170 | 5.72 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 67,193,006 | 25.62 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 995,908 | | |
| 15 | Maintenance of Structures | 511 | 973,195 | | |
| 16 | Maintenance of Boiler Plant | 512 | 6,804,729 | | |
| 17 | Maintenance of Electric Plant | 513 | 862,330 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 170,117 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 9,806,279 | 3.74 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 76,999,285 | 29.36 | |
| 21 | Depreciation | 403.1 | 5,091,171 | | |
| 22 | Interest | 427 | 6,532,423 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 11,623,594 | 4.43 | |
| 24 | POWER COST (20 + 23) | | 88,622,879 | 33.80 | |

**RUS Form 12d** **9/30/2010**
**Operating Report**
**Steam Plant** **Wilson**

## SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 8 | 2,380,886.6 | 370.800 | | | | 6,380.6 | - | - | 170.4 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 8 | 2,380,886.6 | 370.800 | | | | 6,380.6 | - | - | 170.4 |
| 7 | AVERAGE BTU | | 11,897 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 28,325,408 | 51,170 | | | 28,376,578 | | | | |
| 9 | Total Del. Cost ($) | | 39,992,453 | 878,732 | | | | | | | |

## SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 440,000 | 2,794,725.3 | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 440,000 | 2,794,725.3 | 10,154 |
| 7 | Station Service (MWh) | | 187,285.0 | |
| 8 | Net Generation (MWh) | | 2,607,440.3 | 10,883 |
| 9 | Station Service (%) | | 6.70 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (inc. Superintendent) | 107 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

## SECTION C. FACTORS & MAX. DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 93.50 |
| 2 | Plant Factor (%) | 97.00 |
| 3 | Running Plant Capacity Factor (%) | 99.50 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 456,376 |
| 5 | Indicated Gross Maximum Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 532,450 | | |
| 2 | Fuel, Coal | 501.1 | 41,245,099 | | 1.46 |
| 3 | Fuel, Oil | 501.2 | 878,732 | | 17.17 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 42,123,831 | 16.16 | 1.48 |
| 7 | Steam Expenses | 502 | 10,201,014 | | |
| 8 | Electric Expenses | 505 | 1,182,679 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 2,497,037 | | |
| 10 | Allowances | 509 | 154,685 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 14,567,865 | 5.59 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 56,691,696 | 21.74 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 359,636 | | |
| 15 | Maintenance of Structures | 511 | 860,442 | | |
| 16 | Maintenance of Boiler Plant | 512 | 5,643,823 | | |
| 17 | Maintenance of Electric Plant | 513 | 849,450 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 157,236 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 7,870,587 | 3.02 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 64,562,283 | 24.76 | |
| 21 | Depreciation | 403.1 | 12,234,525 | | |
| 22 | Interest | 427 | 17,163,537 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 29,398,062 | 11.27 | |
| 24 | POWER COST (20 + 23) | | 93,960,345 | 36.04 | |

**RUS Form 12f** **9/30/2010**
**Operating Report**
**Internal Combustion Plant** **Reid**

## SECTION A. INTERNAL COMBUSTION GENERATING UNITS

| LINE NO. | UNIT NO. (a) | SIZE (kW) (b) | FUEL CONSUMPTION: OIL (1000 Gals.) (c) | FUEL CONSUMPTION: GAS (1000 C.F.) (d) | FUEL CONSUMPTION: OTHER (e) | FUEL CONSUMPTION: TOTAL (f) | OPERATING HOURS: IN SERVICE (g) | OPERATING HOURS: ON STANDBY (h) | OPERATING HOURS: OUT OF SERVICE Sche. (i) | OPERATING HOURS: OUT OF SERVICE Unsche. (j) | GROSS GENERATION (MWh) (k) | BTU PER kWh (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 70,000 | 13.823 | 86,226.0 | | | 131.9 | 5,940.6 | 16.3 | 462.3 | 6,166.8 | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | TOTAL | 70,000 | 13.823 | 86,228.0 | | | 131.9 | 5,940.6 | 16.3 | 462.3 | 6,166.8 | 14,292 |
| 7 | AVERAGE BTU | | 138,000 | 1,000 | | | STATION SERVICE (MWh) | | | | 665.8 | |
| 8 | Total BTU (10 6th pwr) | | 1,908 | 86,226 | | 88,134 | NET GENERATION (MWh) | | | | 5,501.0 | 16,021 |
| 9 | Total Del. Cost ($) | | 49,347 | 471,739 | | | STATION SERVICE % OF GROSS | | | | 10.80 | |

## SECTION B. LABOR REPORT

| LINE NO. | ITEM | VALUE | LINE NO. | ITEM | VALUE |
|---|---|---|---|---|---|
| 1. | No. Emp. Full Time (incl. Superintendent) | | 5. | Maint. Plant Payroll ($) | |
| 2. | No. Emp. Part Time | | 6. | Other Accounts Plant Payroll ($) | |
| 3. | Total Emp. - Hrs. Worked | | | | |
| 4 | Oper. Plant Payroll ($) | | 7. | TOTAL Plant Payroll ($) | |

## SECTION C. FACTORS & MAXIMUM DEMAND

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 1.34 |
| 2 | Plant Factor (%) | 1.31 |
| 3 | Running Plant Capacity Factor (%) | 64.95 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 70,000 |
| 5 | Indicated Gross Max. Demand (kW) | |

## SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 546 | | | |
| 2 | Fuel, Oil | 547.1 | 49,347 | | 25.86 |
| 3 | Fuel, Gas | 547.2 | 471,738 | | 5.47 |
| 4 | Fuel, Other | 547.3 | | | |
| 5 | Energy for Compressed Air | 547.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 547 | 521,085 | 94.73 | 5.91 |
| 7 | Generation Expenses | 548 | 21,359 | | |
| 8 | *Miscellaneous Other Power Generation Expenses* | 549 | - | | |
| 9 | Rents | 550 | | | |
| 10 | NON- FUEL SUB-TOTAL (1 + 7 thru 9) | | 21,359 | 3.88 | |
| 11 | OPERATION EXPENSE (6 + 10) | | 542,444 | 98.61 | |
| 12 | Maintenance, Supervision and Engineering | 551 | | | |
| 13 | Maintenance of Structures | 552 | | | |
| 14 | Maintenance of Generating and Electric Plant | 553 | 575,587 | | |
| 15 | Maintenance of Miscellaneous Other Power Generating Plant | 554 | | | |
| 16 | MAINTENANCE EXPENSE (12 thru 15) | | 575,587 | 104.63 | |
| 17 | TOTAL PRODUCTION EXPENSE (11 + 16) | | 1,118,031 | 203.24 | |
| 18 | Depreciation | 553, 512 | 144,464 | | |
| 19 | Interest | 554, 513 | 165,299 | | |
| 20 | TOTAL FIXED COST (18 + 19) | | 309,763 | 56.31 | |
| 21 | POWER COST (17 + 20) | | 1,427,794 | 259.55 | |

**RUS Form 12I** **9/30/2010**

**OPERATING REPORT - LINES AND STATIONS**

| SECTION A. EXPENSE AND COSTS | | | |
|---|---|---|---|
| ITEM | Account Number | LINES (a) | STATIONS (b) |
| **TRANSMISSION OPERATION** | | | |
| 1 Supervision and Engineering | 560 | 309,631 | 257,071 |
| 2 Load Dispatching | 561 | 931,534 | |
| 3 Station Expenses | 562 | | 810,719 |
| 4 Overhead Line Expenses | 563 | 802,168 | |
| 5 Underground Line Expenses | 564 | | |
| 6 Miscellaneous Expenses | 566 | 146,536 | 161,000 |
| 7 **SUBTOTAL (1 thru 6)** | | 2,189,869 | 1,228,790 |
| 8 Transmission of Electricity by Others | 565 | 2,303,591 | |
| 9 Rents | 567 | | 18,526 |
| 10 **TOTAL TRANSMISSION OPERATION (7 THRU 9)** | | 4,493,460 | 1,247,316 |
| **TRANSMISSION MAINTENANCE** | | | |
| 11 Supervision and Engineering | 568 | 191,331 | 230,274 |
| 12 Structures | 569 | | 9,348 |
| 13 Station Equipment | 570 | | 1,340,953 |
| 14 Overhead Lines | 571 | 1,759,148 | |
| 15 Underground Lines | 572 | | |
| 16 Miscellaneous Transmission Plant | 573 | 33,259 | 44,020 |
| 17 **TOTAL TRANSMISSION MAINTENANCE (11 THRU 16)** | | 1,983,738 | 1,624,595 |
| 18 **TOTAL TRANSMISSION EXPENSE (10 + 17)** | | 6,477,198 | 2,871,911 |
| 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)** | | 6,477,198 | 2,871,911 |
| **FIXED COSTS** | | | |
| 23 Depreciation - Transmission | 403.5 | 2,021,694 | 1,708,576 |
| 24 Depreciation - Distribution | 403.6 | | |
| 25 Interest - Transmission | 427 | 2,181,802 | 2,652,709 |
| 26 Interest - Distribution | 427 | | |
| 27 **TOTAL TRANSMISSION (18 + 23 + 25)** | | 10,680,694 | 7,233,196 |
| 28 **TOTAL DISTRIBUTION (21 + 24 + 26)** | | - | - |
| 29 **TOTAL LINES AND STATIONS (27 + 28)** | | 10,680,694 | 7,233,196 |

**SECTION B. FACILITIES IN SERVICE**

| TRANSMISSION LINES | | | SUBSTATIONS | |
|---|---|---|---|---|
| | VOLTAGE (KV) | MILES | TYPE | CAPACITY (kVA) |
| 1 | 69 KV | 826.63 | 13. Distr. Lines | |
| 2 | 345 KV | 68.40 | | |
| 3 | 138 KV | 14.40 | 14. Total (12 + 13) | 1,259.06 |
| 4 | 161 KV | 349.63 | | |
| 5 | | | 15. Stepup at Generating Plants | 1,879,800 |
| 6 | | | | |
| 7 | | | 16. Transmission | 3,540,000 |
| 8 | | | | |
| 9 | | | 17. Distribution | |
| 10 | | | | |
| 11 | | | 18. Total (15 thru 17) | 5,419,800 |
| 12 | TOTAL ( 1 thru 11) | 1,259.06 | | |

**SECTION C. LABOR AND MATERIAL SUMMARY**

| 1. NUMBER OR EMPLOYEES | | 49 |
|---|---|---|
| ITEM | LINES | STATIONS |
| 2. Oper. Labor | 1,389,529 | 759,560 |
| 3. Maint Labor | 901,325 | 1,204,266 |
| 4. Oper. Material | 3,103,931 | 487,757 |
| 5. Maint. Material | 1,082,413 | 420,328 |

**SECTION D. OUTAGES**

| | |
|---|---|
| 1. TOTAL | 196,405.60 |
| 2. Avg. No. Dist. Cons. Served | 111,944.00 |
| 3. Avg No. Hours Out Per Cons. | 1.75 |

# RUS Form 12 – October 2010

| | |
|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE | BORROWER DESIGNATION KY0062 |
| **OPERATING REPORT - FINANCIAL** | PERIOD ENDED<br>October, 2010 |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3. | BORROWER NAME<br>Big Rivers Electric Corporation |
| *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.* | |

**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.

Mark A. Bailey

12/14/10
DATE

RUS Form 12

000004

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED October, 2010 |
|---|---|
| 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 | | | |
|---|---|---|---|---|
| | LAST YEAR (a) | THIS YEAR (b) | BUDGET (c) | THIS MONTH (d) |
| 1. Electric Energy Revenues | 244,345,513 | 426,611,075 | 413,318,209 | 39,943,285 |
| 2. Income From Leased Property (Net) | 15,739,141 | | | |
| 3. Other Operating Revenue and Income | 12,339,080 | 11,513,916 | 6,234,580 | 1,148,221 |
| 4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)* | 272,423,734 | 438,124,991 | 419,552,789 | 41,091,506 |
| 5. Operating Expense - Production - Excluding Fuel | 13,725,100 | 44,417,894 | 47,630,672 | 4,625,583 |
| 6. Operating Expense - Production - Fuel | 51,817,027 | 172,788,539 | 138,067,811 | 14,893,517 |
| 7. Operating Expense - Other Power Supply | 94,127,359 | 81,756,316 | 97,020,983 | 8,680,175 |
| 8. Operating Expense - Transmission | 6,531,621 | 6,425,993 | 6,633,733 | 685,216 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 536,669 | 411,157 | 607,443 | 36,611 |
| 12. Operating Expense - Sales | 228,101 | 164,469 | 435,660 | |
| 13. Operating Expense - Administrative & General | 17,189,666 | 21,411,195 | 25,462,240 | 1,928,155 |
| 14. **TOTAL OPERATION EXPENSE** *(5 thru 13)* | 184,155,543 | 327,375,563 | 315,858,542 | 30,849,257 |
| 15. Maintenance Expense - Production | 14,333,804 | 34,779,870 | 31,861,764 | 7,376,915 |
| 16. Maintenance Expense - Transmission | 3,595,488 | 3,955,135 | 3,876,746 | 346,802 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 122,271 | 159,935 | 51,063 | 16,590 |
| 19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)* | 18,051,563 | 38,894,940 | 35,789,573 | 7,740,307 |
| 20. Depreciation and Amortization Expense | 12,714,619 | 28,485,884 | 28,940,450 | 2,839,908 |
| 21. Taxes | 2,123,828 | 197,798 | 207,690 | (25) |
| 22. Interest on Long-Term Debt | 51,542,647 | 39,137,429 | 39,995,762 | 3,951,535 |
| 23. Interest Charged to Construction - Credit | (109,794) | (492,298) | (481,873) | (81,707) |
| 24. Other Interest Expense | 865 | 147,315 | | 21,293 |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | 2,145,823 | 86,267 | 88,054 | 13,031 |
| 27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)* | 270,625,094 | 433,832,898 | 420,398,198 | 45,333,599 |
| 28. **OPERATING MARGINS** *(4 less 27)* | 1,798,640 | 4,292,093 | (845,409) | (4,242,093) |
| 29. Interest Income | 217,808 | 303,069 | 371,748 | 33,153 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | 8,285 | 1,698,581 | | 5,755 |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | 534,563 | 20,111 | | |
| 35. Extraordinary Items | 544,772,827 | | | |
| 36. **NET PATRONAGE CAPITAL OR MARGINS** (28 thru 35) | 547,332,123 | 6,313,854 | (473,661) | (4,203,185) |

RUS Form 12a

| UNITED STATES DEPARTMENT OF AGRICULTURE<br>RURAL UTILITIES SERVICE<br>**OPERATING REPORT - FINANCIAL** | BORROWER DESIGNATION KY0062<br>PERIOD ENDED October, 2010 |
|---|---|
| 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 | 1,943,034,107 | 32. Memberships | 75 |
| 2. Construction Work in Progress | 46,802,138 | 33. Patronage Capital | |
| 3. **TOTAL UTILITY PLANT** *(1 + 2)* | 1,989,836,245 | a Assigned and Assignable | |
| 4. Accum. Provision for Depreciation and Amort. | 904,713,040 | b Retired This year | |
| | | c Retired Prior years | |
| 5. **NET UTILITY PLANT** *(3 - 4)* | 1,085,123,205 | d Net Patronage Capital | |
| 6. Non-Utility Property (Net) | | 34. Operating Margins - Prior Years | (251,616,737) |
| 7. Investments in Subsidiary Companies | | 35. Operating Margin - Current Year | 4,312,204 |
| 8. Invest. in Assoc. Org. - Patronage Capital | 3,594,132 | 36. Non-Operating Margins | 638,126,276 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 | 37. Other Margins and Equities | (5,116,423) |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | | 38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)* | 385,705,395 |
| 11. Investments in Economic Development Projects | 10,000 | 39. Long-Term Debt - RUS (Net) | 665,849,668 |
| | | 40. Long-Term Debt - FFB - RUS Guaranteed | |
| | | 41. Long-Term Debt - Other - RUS Guaranteed | |
| 12. Other Investements | 5,334 | 42. Long-Term Debt - Other (Net) | 142,100,000 |
| 13. Special Funds | 222,134,342 | 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)* | 226,428,801 | 44. Payments - Unapplied | |
| | | 45. **TOTAL LONG-TERM DEBT** *(39 thru 43 - 44)* | 807,949,668 |
| 15. Cash - General Funds | 38,075 | 46. Obligations Under Capital Leases - Noncurrent | |
| 16. Cash - Construction Funds - Trustee | 572,118 | | |
| 17. Special Deposits | 53,859,645 | 47. Accumulated Operating Provisions and Asset Retirement Obligations | 18,983,982 |
| 18. Temporary Investments | | | |
| 19. Notes Receivable (Net) | | 48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46 + 47)* | 18,983,982 |
| 20. Accounts Receivable - Sales of Energy (Net) | 37,961,373 | 49. Notes Payable | 10,000,000 |
| 21. Accounts Receivable - Other (Net) | 252,737 | 50. Accounts Payable | 31,851,421 |
| 22. Fuel Stock | 34,326,112 | 51. Current Maturities Long-Term Debt | 7,372,871 |
| 23. Materials and Supplies - Other | 22,777,820 | 52. Current Maturities Long-Term Debt - Rural Development | |
| 24. Prepayments | 1,950,764 | | |
| 25. Other Current and Accrued Assets | 882,118 | 53. Current Maturities Capital Leases | |
| 26. **TOTAL CURRENT AND ACCRUED ASSESTS** *(15 thru 25)* | 152,620,762 | 54. Taxes Accrued | 401,630 |
| | | 55. Interest Accrued | 5,916,679 |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 2,203,337 | 56. Other Current and Accrued Liabilities | 10,003,352 |
| 28. Regulatory Assets | | 57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)* | 65,545,953 |
| 29. Other Deferred Debits | 1,256,323 | | |
| 30. Accumulated Deferred Income Taxes | | 58. Deferred Credits | |
| 31. **TOTAL ASSESTS AND OTHER DEBITS** *(5+14+26 thru 30)* | 1,467,632,428 | 59. Accumulated Deferred Income Taxes | 189,447,430 |
| | | 60. **TOTAL LIABILITES AND OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)* | 1,467,632,428 |

**000006**

RUS Form 12a

| USDA-RUS<br>**FINANCIAL AND STATISTICAL REPORT**<br>*INSTRUCTIONS - See RUS Bulletin 1717B-3* | BORROWER DESIGNATION<br>KY0062<br>PERIOD ENDED<br>October, 2010 |
|---|---|
| **SECTION C. Notes to Financial Statements** | |

## Footnote to RUS Form 12b SE

Kenergy "IF" Contract termination date is March 31, 2011.

000007

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

**10/31/10**
**Page1**

| 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 | 130 | 141 | 126 |
| 3 | Meade County Rural ECC | RQ | KY0018 | 91 | 96 | 87 |
| 4 | Kenergy Corporation | RQ | KY0065 | 384 | 385 | 375 |
| 5 | Kenergy Corporation | IF | KY0065 | | | |
| 6 | Kenergy Corporation | LF | KY0065 | | | |
| 7 | | | | | | |
| 8 | Associated Electric Coop | OS | MO0073 | | | |
| 9 | East Kentucky Power Coop | OS | KY0059 | | | |
| 10 | Oglethorpe Power | OS | GA0109 | | | |
| 11 | PowerSouth Energy Coop | OS | AL0042 | | | |
| 12 | | | | | | |
| 13 | Ameren UE | OS | | | | |
| 14 | Cargill-Alliant | OS | | | | |
| 15 | Constellation Energy Commodities | OS | | | | |
| 16 | EDF Trading North America | OS | | | | |
| 17 | Henderson Municipal Power & Light | OS | | | | |
| 18 | Midwest Independent Trans. | OS | | | | |
| 19 | PJM Interconnection | OS | | | | |
| 20 | Southern Company Services | OS | | | | |
| 21 | Tenaska Power Services | OS | | | | |
| 22 | Tennessee Valley Authority | OS | | | | |
| 23 | The Energy Authority | OS | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Total for Ultimate Consumer(s) | | | 0 | 0 | 0 |
| Total for Distribution Borrowers | | | 605 | 622 | 588 |
| Total for G&T Borrowers | | | 0 | 0 | 0 |
| Total for Others | | | 0 | 0 | 0 |
| Grand Total | | | 605 | 622 | 588 |

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

**10/31/10**
**Page 2**

| Sale No. | Electricity Sold (g) | Revenue Demand (h) | Revenue Energy (I) | Revenue Other (j) | Revenue Total (h+I+j+k) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | 595,416 | 9,708,059 | 17,311,937 | | 27,019,996 |
| 3 | 413,488 | 6,726,540 | 12,076,440 | | 18,802,980 |
| 4 | 1,813,383 | 31,018,583 | 47,952,577 | | 78,971,160 |
| 5 | 17,647 | | 683,880 | | 683,880 |
| 6 | 5,278,493 | | 231,185,887 | | 231,185,887 |
| 7 | | | | | |
| 8 | 3,818 | | 137,429 | | 137,429 |
| 9 | 66,846 | | 2,791,835 | | 2,791,835 |
| 10 | 6,175 | | 253,872 | | 253,872 |
| 11 | 14,830 | | 508,790 | | 508,790 |
| 12 | | | | | |
| 13 | 22,854 | | 755,235 | | 755,235 |
| 14 | 198,683 | | 7,436,138 | | 7,436,138 |
| 15 | 239,909 | | 8,461,907 | | 8,461,907 |
| 16 | 219,424 | | 8,370,753 | | 8,370,753 |
| 17 | 4,297 | | 285,080 | | 285,080 |
| 18 | 766,776 | | 30,902,263 | | 30,902,263 |
| 19 | 86,496 | | 3,305,448 | | 3,305,448 |
| 20 | 11,368 | | 451,038 | | 451,038 |
| 21 | 11,515 | | 415,598 | | 415,598 |
| 22 | 129,564 | | 4,983,588 | | 4,983,588 |
| 23 | 21,082 | | 888,198 | | 888,198 |

| | | | | |
|---|---|---|---|---|
| - | - | - | - | - |
| 8,118,427 | 47,453,182 | 309,210,721 | - | 356,663,903 |
| 91,669 | - | 3,691,926 | - | 3,691,926 |
| 1,711,968 | - | 66,255,246 | - | 66,255,246 |
| 9,922,064 | 47,453,182 | 379,157,893 | - | 426,811,075 |

**RUS Form 12b PP**
**Operating Report**
**Purchased Power**

**10/31/10**
**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 | Associated Electric Coop | OS | MO0073 | | | |
| 2 | East KY Power Coop | OS | KY0059 | | | |
| 3 | Southern Illinois Power Coop | OS | IL0050 | | | |
| 4 | | | | | | |
| 5 | Cargill-Alliant | OS | | | | |
| 6 | Constellation Energy Commodities | OS | | | | |
| 7 | EDF Trading North America | OS | | | | |
| 8 | Henderson Municipal Power & Light | RQ | | | | |
| 9 | LG&E/KU | RQ | | | | |
| 10 | Midwest Independent Trans. Sys. Op. | OS | | | | |
| 11 | PJM Interconnection | OS | | | | |
| 12 | RRI Energy Services | SF | | | | |
| 13 | Alcan Aluminum | OS | | | | |
| 14 | Southeastern Power Admin | LF | | | | |
| 15 | The Energy Authority | OS | | | | |

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

**RUS Form 12b PP** **10/31/10**
**Operating Report** **Page 2**
**Purchased Power**

| Purch No. | Electricity Purchased (g) | Power Echanges Electricity Received (h) | Power Echanges Electricity Delivered (I) | Revenue Demand (j) | Revenue Energy (k) | Revenue Other (l) | Revenue Total (j+k+l) |
|---|---|---|---|---|---|---|---|
| 1 | 1,006 | | | | 41,758 | | 41,758 |
| 2 | 208 | | | | 16,016 | | 16,016 |
| 3 | 3,320 | | | | 127,880 | | 127,880 |
| 4 | | | | | | | |
| 5 | 5,283 | | | | 209,094 | | 209,094 |
| 6 | 1,502 | | | | 67,184 | | 67,184 |
| 7 | 815 | | | | 27,160 | | 27,160 |
| 8 | 1,313,428 | | | | 48,656,275 | | 48,656,275 |
| 9 | 235 | | | | 11,921 | | 11,921 |
| 10 | 134,308 | | | | 6,798,337 | | 6,798,337 |
| 11 | 43,427 | | | | 1,750,954 | | 1,750,954 |
| 12 | 14,638 | | | | 1,479,835 | | 1,479,835 |
| 13 | 570 | | | | 19,849 | | 19,849 |
| 14 | 271,236 | | | | 6,045,931 | | 6,045,931 |
| 15 | 359 | | | | 14,529 | | 14,529 |

| | | | | | | |
|---|---|---|---|---|---|---|
| - | - | - | - | - | - | - |
| 4,534 | - | - | - | 185,654 | - | 185,654 |
| 1,785,801 | - | - | - | 65,081,069 | - | 65,081,069 |
| 1,790,335 | - | - | - | 65,266,723 | - | 65,266,723 |

**RUS Form 12c** **10/31/10**
**Operating Report**
**Sources and Distribution of Energy**

| 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 | 4 | 1,489,000 | 8,256,586 | 307,294,571 |
| 2 Nuclear | | | | |
| 3 Hydro | | | | |
| 4 Combined Cycle | | | | |
| 5 Internal Combustion | 1 | 70,000 | 6,109 | 1,545,721 |
| 6 Other | | | | |
| 7 TOTAL In Own Plant (Sum of lines 1 thru 6) | 5 | 1,559,000 | 8,262,695 | 308,840,292 |
| PURCHASED POWER | | | | |
| 8 Total Purchased Power | | | 1,790,335 | 65,266,723 |
| INTERCHANGED POWER | | | | |
| 9 Received into System | | | 2,248,861 | |
| 10 Delivered Out of System | | | 2,249,164 | |
| 11 Net Interchange | | | (303) | |
| 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) | | | 10,052,727 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16 TOTAL Sales | | | 9,922,064 | |
| 17 Energy Furnished to Others Without Charge | | | | |
| 18 Energy Used by Borrower | | | | |
| 19 TOTAL Energy Accounted For (Sum of lines 16 thru 18) | | | 9,922,064 | |
| LOSSES | | | | |
| 20 Energy Losses - MWh (Line 15 minus 19) | | | 130,663 | |
| 21 Energy Losses - Percentage ((Line 20 divided by line 15)*100) | | | 1.30 | |

**RUS Form 12d** **10/31/2010**
**Operating Report**
**Steam Plant** **Coleman**

### SECTION A. BOILERS/TURBINES

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 9 | 779,925.3 | | 20,167.1 | | | 6,650.5 | 306.9 | - | 337.6 |
| 2 | 2 | 12 | 669,884.3 | | 22,933.4 | | | 5,933.3 | 349.6 | 663.9 | 348.2 |
| 3 | 3 | 7 | 858,551.2 | | 22,029.3 | | | 6,991.8 | 73.3 | - | 229.9 |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 28 | 2,308,360.8 | | 65,129.8 | | | 19,575.6 | 729.8 | 663.9 | 915.7 |
| 7 | AVERAGE BTU | | 11,215 | | 1,000 | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 25,888,266 | | 65,130 | | 25,953,396 | | | | |
| 9 | Total Del. Cost ($) | | 61,308,156 | | 371,233 | | | | | | |

### SECTION A. BOILERS/TURBINES (CONT.)

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 160,000 | 882,426.0 | |
| 2 | 2 | 160,000 | 739,460.0 | |
| 3 | 3 | 165,000 | 978,455.0 | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 485,000 | 2,600,341.0 | 9,981 |
| 7 | Station Service (MWh) | | 247,538.0 | |
| 8 | Net Generation (MWh) | | 2,352,803.0 | 11,031 |
| 9 | Station Service (%) | | 9.52 | |

### SECTION B. LABOR REPORT

| LINE NO | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 109 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

### SECTION C. FACTORS & MAX. DEMAND

| LINE NO | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 73.05 |
| 2 | Plant Factor (%) | 73.5 |
| 3 | Running Plant Capacity Factor (%) | 82.11 |
| 4 | 15 Minute Gross Maximum Demand (k\ | 487,939 |
| 5 | Indicated Gross Maximum Demand (kW) | |

### SECTION D. COST OF NET ENERGY GENERATED

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 1,239,981 | | |
| 2 | Fuel, Coal | 501.1 | 62,876,156 | | 2.43 |
| 3 | Fuel, Oil | 501.2 | - | | |
| 4 | Fuel, Gas | 501.3 | 371,233 | | 5.70 |
| 5 | Fuel, Other | 501.4 | - | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 63,247,389 | 26.88 | 2.44 |
| 7 | Steam Expenses | 502 | 5,955,632 | | |
| 8 | Electric Expenses | 505 | 1,561,877 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 1,482,767 | | |
| 10 | Allowances | 509 | 132,166 | | |
| 11 | Rents | 507 | - | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 10,372,403 | 4.41 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 73,619,792 | 31.29 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 1,300,068 | | |
| 15 | Maintenance of Structures | 511 | 683,062 | | |
| 16 | Maintenance of Boiler Plant | 512 | 9,283,815 | | |
| 17 | Maintenance of Electric Plant | 513 | 918,632 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 205,698 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 12,391,275 | 5.27 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 86,011,067 | 36.56 | |
| 21 | Depreciation | 403.1 | 3,979,930 | | |
| 22 | Interest | 427 | 5,981,730 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 9,961,660 | 4.23 | |
| 24 | **POWER COST (20 + 23)** | | 95,972,727 | 40.79 | |

RUS Form 12d
Operating Report
Steam Plant

10/31/2010

Reid

**SECTION A. BOILERS/TURBINES**

| LINE NO | UNIT NO (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs) (c) | OIL (1000 Gals) (d) | GAS (1000 C F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 14 | 147,327.4 | 196.224 | | | | 3,118.6 | 3,784.1 | - | 392.3 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | 3,118.6 | 3,784.1 | - | 392.3 |
| 6 | TOTAL | 14 | 147,327.4 | 196.224 | | | | | | | |
| 7 | AVERAGE BTU | | 12,490 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 1,840,119 | 27,079 | | | 1,867,198 | | | | |
| 9 | Total Del. Cost ($) | | 3,783,313 | 452,101 | | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO | UNIT NO (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 72,000 | 156,160.0 | |
| 2 | 2 | | | |
| 3 | 3 | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 72,000 | 156,160.0 | 11,957 |
| 7 | Station Service (MWh) | | 24,900.0 | |
| 8 | Net Generation (MWh) | | 131,260.0 | 14,225 |
| 9 | Station Service (%) | | 15.95 | |

**SECTION B. LABOR REPORT**

| LINE NO | ITEM | VALUE |
|---|---|---|
| 1. | No Employees Full-Time (Inc. Superintendent) | 17 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7 | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 27.84 |
| 2 | Plant Factor (%) | 32.43 |
| 3 | Running Plant Capacity Factor (%) | 75 87 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 76,900 |
| 5 | Indicated Gross Maximum Demand (kW) | - |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 243,818 | | |
| 2 | Fuel, Coal | 501.1 | 3,939,889 | | 2.14 |
| 3 | Fuel, Oil | 501.2 | 452,101 | | 16.70 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 4,391,990 | 33.46 | 2.35 |
| 7 | Steam Expenses | 502 | 616,953 | | |
| 8 | Electric Expenses | 505 | 247,110 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 272,663 | | |
| 10 | Allowances | 509 | 85,619 | | |
| 11 | Rents | 507 | | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 1,366,163 | 10.41 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 5,758,153 | 43 87 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 233,241 | | |
| 15 | Maintenance of Structures | 511 | 84,872 | | |
| 16 | Maintenance of Boiler Plant | 512 | 1,299,577 | | |
| 17 | Maintenance of Electric Plant | 513 | 133,999 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 48,016 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 1,799,705 | 13.71 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 7,557,858 | 57.58 | |
| 21 | Depreciation | 403.1 | 338,159 | | |
| 22 | Interest | 427 | 622,534 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 960,693 | 7.32 | |
| 24 | **POWER COST (20 + 23)** | | 8,518,551 | 64 90 | |

**RUS Form 12d** **10/31/2010**
**Operating Report**
**Steam Plant** **Green**

**SECTION A. BOILERS/TURBINES**

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 9 | 1,362,061.5 | 333.464 | | | | 6,946.9 | - | 181.8 | 166.3 |
| 2 | 2 | 2 | 1,403,774.9 | 89.231 | | | | 7,216.6 | - | - | 78.4 |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 11 | 2,765,836.4 | 422.695 | | | | 14,163.5 | - | 181.8 | 244.7 |
| 7 | AVERAGE BTU | | 11,759 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 32,523,470 | 58,332 | | | 32,581,802 | | | | |
| 9 | Total Del. Cost ($) | | 55,646,103 | 956,834 | | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 250,000 | 1,588,876.0 | |
| 2 | 2 | 242,000 | 1,629,635.0 | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 492,000 | 3,218,511.0 | 10,123 |
| 7 | Station Service (MWh) | | 291,997.8 | |
| 8 | Net Generation (MWh) | | 2,926,513.2 | 11,133 |
| 9 | Station Service (%) | | 9.07 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 112 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 88.34 |
| 2 | Plant Factor (%) | 91.11 |
| 3 | Running Plant Capacity Factor (%) | 93.85 |
| 4 | 15 Minute Gross Maximum Demand (k | 499,400 |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 1,531,000 | | |
| 2 | Fuel, Coal | 501.1 | 56,996,537 | | 1.75 |
| 3 | Fuel, Oil | 501.2 | 956,834 | | 16.40 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 501 | 57,953,371 | 19.80 | 1.78 |
| 7 | Steam Expenses | 502 | 11,900,485 | | |
| 8 | Electric Expenses | 505 | 1,542,160 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 1,638,209 | | |
| 10 | Allowances | 509 | 40,943 | | |
| 11 | Rents | 507 | | | |
| 12 | **NON- FUEL SUB-TOTAL (1 + 7 thru 11)** | | 16,652,797 | 5.69 | |
| 13 | **OPERATION EXPENSE (6 + 12)** | | 74,606,168 | 25.49 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 1,113,394 | | |
| 15 | Maintenance of Structures | 511 | 1,128,764 | | |
| 16 | Maintenance of Boiler Plant | 512 | 7,756,275 | | |
| 17 | Maintenance of Electric Plant | 513 | 947,707 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 178,114 | | |
| 19 | **MAINTENANCE EXPENSE (14 thru 18)** | | 11,124,254 | 3.80 | |
| 20 | **TOTAL PRODUCTION EXPENSE (13 + 19)** | | 85,730,422 | 29.29 | |
| 21 | Depreciation | 403.1 | 5,656,711 | | |
| 22 | Interest | 427 | 7,252,950 | | |
| 23 | **TOTAL FIXED COST (21 + 22)** | | 12,909,661 | 4.41 | |
| 24 | **POWER COST (20 + 23)** | | 98,640,083 | 33.71 | |

**RUS Form 12d** **10/31/2010**
**Operating Report**
**Steam Plant** **Wilson**

**SECTION A. BOILERS/TURBINES**

| LINE NO. | UNIT NO. (a) | TIMES STARTED (b) | FUEL CONSUMPTION: COAL (1000 Lbs.) (c) | OIL (1000 Gals.) (d) | GAS (1000 C.F.) (e) | OTHER (f) | TOTAL (g) | OPERATING HOURS: IN SERVICE (h) | ON STANDBY (i) | OUT OF SERVICE: Scheduled (j) | Unsched. (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 10 | 2,601,286.1 | 449.400 | | | | 6,982.5 | - | - | 312.5 |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| 4 | | | | | | | | | | | |
| 5 | | | | | | | | | | | |
| 6 | TOTAL | 10 | 2,601,286.1 | 449.400 | | | | 6,982.5 | - | - | 312.5 |
| 7 | AVERAGE BTU | | 11,893 | 138,000 | | | | | | | |
| 8 | Total BTU (10 6th pwr) | | 30,937,096 | 62,017 | | | 30,999,113 | | | | |
| 9 | Total Del. Cost ($) | | 44,206,573 | 1,062,024 | | | | | | | |

**SECTION A. BOILERS/TURBINES (CONT.)**

| LINE NO. | UNIT NO. (l) | SIZE (KW) (m) | GROSS GEN. (mwH) (n) | BTU PER kWh (o) |
|---|---|---|---|---|
| 1 | 1 | 440,000 | 3,050,683.0 | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | TOTAL | 440,000 | 3,050,683.0 | 10,161 |
| 7 | Station Service (MWh) | | 204,673.8 | |
| 8 | Net Generation (MWh) | | 2,846,009.2 | 10,892 |
| 9 | Station Service (%) | | 6.71 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1. | No. Employees Full-Time (Inc. Superintendent) | 107 |
| 2. | No. Employees Part-Time | |
| 3. | Total Empl. - Hrs. Worked | |
| 4. | Oper. Plant Payroll ($) | |
| 5. | Maint. Plant Payroll ($) | |
| 6. | Other Accts. Plant Payroll ($) | |
| 7. | Total Plant Payroll ($) | |

**SECTION C. FACTORS & MAX. DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 91.60 |
| 2 | Plant Factor (%) | 95.00 |
| 3 | Running Plant Capacity Factor (%) | 99.30 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 456,378 |
| 5 | Indicated Gross Maximum Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 500 | 581,924 | | |
| 2 | Fuel, Coal | 501.1 | 45,570,172 | | 1.47 |
| 3 | Fuel, Oil | 501.2 | 1,062,024 | | 17.12 |
| 4 | Fuel, Gas | 501.3 | | | |
| 5 | Fuel, Other | 501.4 | | | |
| 6 | FUEL SUB-TOTAL (2 thru 5) | 501 | 46,632,196 | 16.39 | 1.50 |
| 7 | Steam Expenses | 502 | 11,165,179 | | |
| 8 | Electric Expenses | 505 | 1,322,980 | | |
| 9 | Miscellaneous Steam Power Expenses | 506 | 2,761,761 | | |
| 10 | Allowances | 509 | 170,955 | | |
| 11 | Rents | 507 | | | |
| 12 | NON- FUEL SUB-TOTAL (1 + 7 thru 11) | | 16,002,799 | 5.62 | |
| 13 | OPERATION EXPENSE (6 + 12) | | 62,634,995 | 22.01 | |
| 14 | Maintenance, Supervision and Engineering | 510 | 400,927 | | |
| 15 | Maintenance of Structures | 511 | 890,694 | | |
| 16 | Maintenance of Boiler Plant | 512 | 6,400,603 | | |
| 17 | Maintenance of Electric Plant | 513 | 1,003,196 | | |
| 18 | Maintenance of Miscellaneous Plant | 514 | 155,150 | | |
| 19 | MAINTENANCE EXPENSE (14 thru 18) | | 8,850,570 | 3.11 | |
| 20 | TOTAL PRODUCTION EXPENSE (13 + 19) | | 71,485,565 | 25.12 | |
| 21 | Depreciation | 403.1 | 13,586,430 | | |
| 22 | Interest | 427 | 19,091,214 | | |
| 23 | TOTAL FIXED COST (21 + 22) | | 32,677,644 | 11.48 | |
| 24 | POWER COST (20 + 23) | | 104,163,209 | 36.60 | |

**RUS Form 12f** **10/31/2010**
**Operating Report**
**Internal Combustion Plant** **Reid**

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

| LINE NO | UNIT NO. (a) | SIZE (kW) (b) | FUEL CONSUMPTION: OIL (1000 Gals.) (c) | GAS (1000 C F.) (d) | OTHER (e) | TOTAL (f) | OPERATING HOURS: IN SERVICE (g) | ON STANDBY (h) | OUT OF SERVICE: Sche. (i) | Unsche (j) | GROSS GENERATION (MWh) (k) | BTU PER kWh (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 70,000 | 13.823 | 95,955.0 | | | 148.1 | 6,611.0 | 16.3 | 519.6 | 6,838.9 | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | TOTAL | 70,000 | 13 823 | 95,955.0 | | | 148.1 | 6,611.0 | 16.3 | 519 6 | 6,838.9 | 14,310 |
| 7 | AVERAGE BTU | | 138,000 | 1,000 | | | STATION SERVICE (MWh) | | | | 729.3 | |
| 8 | Total BTU (10 6th pwr) | | 1,908 | 95,955 | | 97,863 | NET GENERATION (MWh) | | | | 6,109.6 | 16,018 |
| 9 | Total Del. Cost ($) | | 49,347 | 514,246 | | | STATION SERVICE % OF GROSS | | | | 10.66 | |

**SECTION B. LABOR REPORT**

| LINE NO. | ITEM | VALUE | LINE NO. | ITEM | VALUE |
|---|---|---|---|---|---|
| 1. | No Emp Full Time (Incl. Superintendent) | | 5 | Maint. Plant Payroll ($) | |
| 2. | No Emp. Part Time | | 6 | Other Accounts Plant Payroll ($) | |
| 3 | Total Emp. - Hrs. Worked | | | | |
| 4 | Oper. Plant Payroll ($) | | 7. | TOTAL Plant Payroll ($) | |

**SECTION C. FACTORS & MAXIMUM DEMAND**

| LINE NO. | ITEM | VALUE |
|---|---|---|
| 1 | Load Factor (%) | 1.34 |
| 2 | Plant Factor (%) | 1 3 |
| 3 | Running Plant Capacity Factor (%) | 64 14 |
| 4 | 15 Minute Gross Maximum Demand (kW) | 70,000 |
| 5 | Indicated Gross Max. Demand (kW) | |

**SECTION D. COST OF NET ENERGY GENERATED**

| LINE NO. | PRODUCTION EXPENSE | ACCOUNT NUMBER | AMOUNT ($) (a) | MILLS/NET kWh (b) | $/10 6th pwr BTU (c) |
|---|---|---|---|---|---|
| 1 | Operation, Supervision and Engineering | 546 | | | |
| 2 | Fuel, Oil | 547.1 | 49,346 | | 25.86 |
| 3 | Fuel, Gas | 547.2 | 514,248 | | 5.36 |
| 4 | Fuel, Other | 547.3 | | | |
| 5 | Energy for Compressed Air | 547.4 | | | |
| 6 | **FUEL SUB-TOTAL (2 thru 5)** | 547 | 563,594 | 92.25 | 5 76 |
| 7 | Generation Expenses | 548 | 23,732 | | |
| 8 | Miscellaneous Other Power Generation Expenses | 549 | - | | |
| 9 | Rents | 550 | | | |
| 10 | **NON- FUEL SUB-TOTAL (1 + 7 thru 9)** | | 23,732 | 3.88 | |
| 11 | **OPERATION EXPENSE (6 + 10)** | | 587,326 | 96.13 | |
| 12 | Maintenance, Supervision and Engineering | 551 | | | |
| 13 | Maintenance of Structures | 552 | | | |
| 14 | Maintenance of Generating and Electric Plant | 553 | 614,064 | | |
| 15 | Maintenance of Miscellaneous Other Power Generating Plant | 554 | | | |
| 16 | **MAINTENANCE EXPENSE (12 thru 15)** | | 614,064 | 100.51 | |
| 17 | **TOTAL PRODUCTION EXPENSE (11 + 16)** | | 1,201,390 | 196 64 | |
| 18 | Depreciation | 553, 512 | 160,417 | | |
| 19 | Interest | 554, 513 | 183,914 | | |
| 20 | **TOTAL FIXED COST (18 + 19)** | | 344,331 | 56.36 | |
| 21 | **POWER COST (17 + 20)** | | 1,545,721 | 253.00 | |

RUS Form 12i 10/31/2010

OPERATING REPORT - LINES AND STATIONS

| SECTION A. EXPENSE AND COSTS | | | | |
|---|---|---|---|---|
| | ITEM | Account Number | LINES (a) | STATIONS (b) |
| | **TRANSMISSION OPERATION** | | | |
| 1 | Supervision and Engineering | 560 | 337,708 | 280,273 |
| 2 | Load Dispatching | 561 | 1,067,828 | |
| 3 | Station Expenses | 562 | | 913,592 |
| 4 | Overhead Line Expenses | 563 | 900,604 | |
| 5 | Underground Line Expenses | 564 | | |
| 6 | Miscellaneous Expenses | 566 | 161,065 | 176,698 |
| 7 | **SUBTOTAL (1 thru 6)** | | 2,467,205 | 1,370,563 |
| 8 | Transmission of Electricity by Others | 565 | 2,567,641 | |
| 9 | Rents | 567 | | 20,584 |
| 10 | **TOTAL TRANSMISSION OPERATION (7 THRU 9)** | | 5,034,846 | 1,391,147 |
| | **TRANSMISSION MAINTENANCE** | | | |
| 11 | Supervision and Engineering | 568 | 208,976 | 251,497 |
| 12 | Structures | 569 | | 20,617 |
| 13 | Station Equipment | 570 | | 1,455,763 |
| 14 | Overhead Lines | 571 | 1,933,408 | |
| 15 | Underground Lines | 572 | | |
| 16 | Miscellaneous Transmission Plant | 573 | 37,815 | 47,059 |
| 17 | **TOTAL TRANSMISSION MAINTENANCE (11 THRU 16)** | | 2,180,199 | 1,774,936 |
| 18 | **TOTAL TRANSMISSION EXPENSE (10 + 17)** | | 7,215,045 | 3,166,083 |
| 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)** | | 7,215,045 | 3,166,083 |
| | **FIXED COSTS** | | | |
| 23 | Depreciation - Transmission | 403.5 | 2,240,282 | 1,935,781 |
| 24 | Depreciation - Distribution | 403.6 | | |
| 25 | Interest - Transmission | 427 | 2,423,721 | 2,948,463 |
| 26 | Interest - Distribution | 427 | | |
| 27 | **TOTAL TRANSMISSION (18 + 23 + 25)** | | 11,879,048 | 8,050,327 |
| 28 | **TOTAL DISTRIBUTION (21 + 24 + 26)** | | - | - |
| 29 | **TOTAL LINES AND STATIONS (27 + 28)** | | 11,879,048 | 8,050,327 |

| SECTION B. FACILITIES IN SERVICE | | | | | SECTION C. LABOR AND MATERIAL SUMMARY | | |
|---|---|---|---|---|---|---|---|
| TRANSMISSION LINES | | | SUBSTATIONS | | 1. NUMBER OR EMPLOYEES | | 49 |
| | VOLTAGE (KV) | MILES | TYPE | CAPACITY (kVA) | ITEM | LINES | STATIONS |
| 1 | 69 KV | 826.63 | 13. Distr. Lines | | 2. Oper. Labor | 1,525,136 | 830,075 |
| 2 | 345 KV | 68.40 | | | | | |
| 3 | 138 KV | 14.40 | 14. Total (12 + 13) | 1,259.06 | 3. Maint Labor | 993,566 | 1,317,103 |
| 4 | 161 KV | 349.63 | | | | | |
| 5 | | | 15. Stepup at Generating Plants | 1,879,800 | 4. Oper. Material | 3,509,710 | 561,072 |
| 6 | | | | | | | |
| 7 | | | 16. Transmission | 3,540,000 | 5. Maint. Material | 1,186,633 | 457,833 |
| 8 | | | | | | | |
| 9 | | | 17. Distribution | | SECTION D. OUTAGES | | |
| 10 | | | | | 1. TOTAL | | 248,782.00 |
| 11 | | | 18. Total | | 2. Avg. No. Dist. Cons. Served | | 111,944.00 |
| 12 | TOTAL ( 1 thru 11) | 1,259.06 | (15 thru 17) | 5,419,800 | 3. Avg No. Hours Out Per Cons. | | 2.22 |

000018

**Filing Requirement**
**807 KAR 5:001 Section 10(6)(s)**
**Sponsoring Witness: C. William Blackburn**

**Description of Filing Requirement:**

*Securities and Exchange Commission's annual report for the most recent two (2) years, Form 10-Ks and any Form 8-Ks issued within the past two (2) years, and Form 10-Qs issued during the past six (6) quarters updated as current information becomes available.*

**Response:**

Big Rivers does not file annual reports, Form 10-Ks, Form 8-Ks, or Form 10-Qs with the Securities and Exchange Commission.

**Filing Requirement**
**807 KAR 5:001 Section 10(6)(t)**
**Sponsoring Witness: Mark A. Hite**

**Description of Filing Requirement:**

*If the utility had any amounts charged or allocated to it by an affiliate or general or home office or paid any monies to an affiliate or general or home office during the test period or during the previous three (3) calendar years, the utility shall file:*

*1. A detailed description of the method and amounts allocated or charged to the utility by the affiliate or general or home office for each charge allocation or payment;*

*2. An explanation of how the allocator for the test period was determined; and*

*3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during the test period was reasonable;*

**Filing Requirement**
**807 KAR 5:001 Section 10(6)(t)**
**Sponsoring Witness: Mark A. Hite**

**Response:**

Prior to the closing of the Unwind Transaction, Big Rivers had one affiliate, Big Rivers Leasing Corp., which was established in connection with leveraged lease agreements which have been terminated. Big Rivers was charged a small amount of direct expenses from this subsidiary and was not subject to any further allocation of costs. Big Rivers paid 100% of Big Rivers Leasing Corp.'s costs. In 2008, Big Rivers was charged $8500 in direct expenses (telephone, labor, office supplies, *etc.*) by Big Rivers Leasing Corp. In 2009, Big Rivers was charged $2000 in direct expenses. Big Rivers Leasing Corp. was dissolved on July 7, 2009. Big Rivers was not charged any amounts during or since the test year.

**Filing Requirement**
**807 KAR 5:001 Section 10(6)(u)**
**Sponsoring Witness: W. Steven Seelye**

**Description of Filing Requirement:**

*If the utility provides gas, electric or water utility service and has annual gross revenues greater than $5,000,000, a cost of service study based on a methodology generally accepted within the industry and based on current and reliable data from a single time period.*

**Response:**

A cost of service study is attached in two exhibits to the Direct Testimony of Mr. Seelye (Application Exhibit 57).

**Filing Requirement**
**807 KAR 5:001 Section 10(6)(v)**
**Sponsoring Witness: C. William Blackburn**

**Description of Filing Requirement:**

*Local exchange carriers with fewer than 50,000 access lines shall not be required to file cost of service studies, except as specifically directed by the commission. Local exchange carriers with more than 50,000 access lines shall file:*

*1. A jurisdictional separations study consistent with Part 36 of the Federal Communications Commission's rules and regulations; and*

*2. Service specific cost studies to support the pricing of all services that generate annual revenue greater than $1,000,000, except local exchange access:*

*a. Based on current and reliable data from a single time period; and*

*b. Using generally recognized fully allocated, embedded, or incremental cost principles.*

**Filing Requirement**
**807 KAR 5:001 Section 10(6)(v)**
**Sponsoring Witness: C. William Blackburn**

**<u>Response:</u>**

Big Rivers is not a local exchange carrier.

**Filing Requirement**
**807 KAR 5:001 Section 10(7)(a)**
**Sponsoring Witness: Mark A. Hite**

**Description of Filing Requirement:**

*Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:*

*(a) A detailed income statement and balance sheet reflecting the impact of all proposed adjustments;*

**Response:**

A detailed statement of operations (income statement) and balance sheet reflecting the impact of all proposed adjustments are attached hereto.

# Big Rivers Electric Corporation
# Case No. 2011-00036
# Pro Forman Statement of Operations

| | | | Pro forma Adjustments | | |
|---|---|---|---|---|---|
| | | Historical Test Period | Schedule Ref. 2.XX | Amount | Pro forma |
| 1 | Electric Energy Revenues | 508,995,257 | 1,2,3,4,5,9,22, Rev Req Def | (91,427,336) | 417,567,921 |
| 2 | Income From Leased Property Net | 149,673 | 19 | (149,673) | 0 |
| 3 | Other Operating Revenue and Income | 13,778,745 | | 0 | 13,778,745 |
| 4 | Total Oper. Revenues and Patronage Capital | 522,923,675 | | (91,577,009) | 431,346,666 |
| 5 | | | | 0 | |
| 6 | Operating Expense-Production-Excluding Fuel | 53,074,163 | 3,7,10,11 | (22,766,959) | 30,307,204 |
| 7 | Operating Expense-Production-Fuel | 201,626,155 | 2,7,10 | (109,344,802) | 92,281,353 |
| 8 | Operating Expense-Other Power Supply | 103,455,095 | 1,4,5,6,7,9,10,11,12,16,17,18 | 5,866,478 | 109,321,573 |
| 9 | Operating Expense-Transmission | 8,151,075 | 6,7,14 | 5,378,934 | 13,530,009 |
| 10 | Operating Expense-Customer Service and Information | 591,192 | 7,26 | 1,005,007 | 1,596,199 |
| 11 | Operating Expense-Sales | 488,103 | 23 | (205,312) | 282,791 |
| 12 | Operating Expense-Administrative and General | 28,412,124 | 6,7,12,13,16,20,21,23,25 | (1,819,151) | 26,592,973 |
| 13 | Total Operation Expense | 395,797,907 | | (121,885,805) | 273,912,102 |
| 14 | | | | 0 | |
| 15 | Maintenance Expense-Production | 44,846,237 | 7,10,11 | 7,200,015 | 52,046,252 |
| 16 | Maintenance Expense-Transmission | 5,585,243 | 7 | 29,362 | 5,614,605 |
| 17 | Maintenance Expense-General Plant | 208,157 | 7 | 688 | 208,845 |
| 18 | Total Maintenance Expense | 50,639,637 | | 7,230,065 | 57,869,702 |
| 19 | | | | 0 | |
| 20 | Depreciation and Amortization Expense | 34,236,009 | 6 | 6,071,751 | 40,307,760 |
| 21 | Taxes | (94,563) | 24 | 183,084 | 88,521 |
| 22 | Interest on Long-Term Debt | 47,622,709 | 15 | 70,409 | 47,693,118 |
| 23 | Interest Charged to Construction - Credit | (515,767) | 8 | 515,767 | 0 |
| 24 | Other Interest Expense | 149,903 | | 0 | 149,903 |
| 25 | Other Deductions | 109,257 | 7,23 | (48,258) | 60,999 |
| 26 | | | | 0 | |
| 27 | Total Cost of Service | 527,945,092 | | (107,862,987) | 420,082,105 |
| 28 | | | | 0 | |
| 29 | Operating Margins | (5,021,417) | | 16,285,978 | 11,264,561 |
| 30 | | | | 0 | |
| 31 | Interest Income | 401,668 | | 0 | 401,668 |
| 32 | Other Non-Operating Income (Net) | 1,703,337 | 19 | (1,675,079) | 28,258 |
| 33 | Other Capital Credits and Patronage Dividends | 22,965 | | 0 | 22,965 |
| 34 | Extraordinary Items | (6,794,566) | 19 | 6,794,566 | 0 |
| 35 | | | | | |
| 36 | Net Patronage Capital or Margins | (9,688,013) | | 21,405,465 | 11,717,452 |
| 37 | | | | | |
| 38 | Contract TIER | | | | 1.24 |
| 39 | Margin for Contract TIER | | | | 11,446,347 |
| 40 | Interest Income on Transition Reserve | | | | 271,105 |
| 41 | Conventional TIER | | | | 1.25 |
| 42 | Revenue Requirements Deficiency Included Above | | | | 39,952,926 |

# Big Rivers Electric Corporation
## Case No. 2011-00036
## Pro Forma Balance Sheet

| | | Historical Test Period | Pro forma Adjustments | | Pro forma |
|---|---|---|---|---|---|
| | | | Schedule Ref. 2.XX | Amount | |
| 1 | Total Utility Plant in Service | 1,943,034,107 | | 0 | 1,943,034,107 |
| 2 | Construction Work in Progress | 46,802,138 | 8, 19 | (947,700) | 45,854,438 |
| 3 | Total Utility Plant | 1,989,836,245 | | (947,700) | 1,988,888,545 |
| 4 | Accum. Provision for Depreciation and Amort. | (904,713,040) | 6 | (6,252,651) | (910,965,691) |
| 5 | Net Utility Plant | 1,085,123,205 | | (7,200,351) | 1,077,922,854 |
| 6 | | | | | |
| 7 | Invest. In Assoc. Org - Patronage Capital | 3,594,132 | | 0 | 3,594,132 |
| 8 | Invest. In Assoc. - Other - General Funds | 684,993 | | 0 | 684,993 |
| 9 | Other Investments | 15,334 | | 0 | 15,334 |
| 10 | Special Funds | 222,134,342 | | 0 | 222,134,342 |
| 11 | Total Other Property and Investments | 226,428,801 | | 0 | 226,428,801 |
| 12 | | | | | |
| 13 | Cash - General Funds | 38,075 | | 0 | 38,075 |
| 14 | Special Deposits | 572,118 | | 0 | 572,118 |
| 15 | Temporary Investments | 53,859,645 | | 0 | 53,859,645 |
| 16 | Accounts Receivable - Sales of Energy (Net) | 37,961,373 | | 0 | 37,961,373 |
| 17 | Accounts Receivable - Other (Net) | 252,737 | | 0 | 252,737 |
| 18 | Fuel Stock | 34,326,112 | | 0 | 34,326,112 |
| 19 | Materials and Supplies - Other | 22,777,820 | 19 | (2,400,869) | 20,376,951 |
| 20 | Prepayments | 1,950,764 | | 0 | 1,950,764 |
| 21 | Other Current and Accrued Assets | 882,118 | | 0 | 882,118 |
| 22 | Total Current and Accrued Assets | 152,620,762 | | (2,400,869) | 150,219,893 |
| 23 | | | | | |
| 24 | Unamortized Debt Discount & Extraor. Prop. Losses | 2,203,337 | | 0 | 2,203,337 |
| 25 | Other Deferred Debits | 1,256,323 | | 0 | 1,256,323 |
| 26 | | | | | |
| 27 | Total Assets and Other Debits | 1,467,632,428 | | (9,601,220) | 1,458,031,208 |
| 28 | | | | | |
| 29 | | | | | |
| 30 | Memberships | 75 | | 0 | 75 |
| 31 | Operating Margins - Prior Year | (251,616,737) | | 0 | (251,616,737) |
| 32 | Operating Margins - Current Year | 4,312,204 | All + Margins | (2,261,477) | 2,050,727 |
| 33 | Nonoperating Margins - Prior Year | 636,124,626 | | 0 | 636,124,626 |
| 34 | Nonoperating Margins - Current Year | 2,001,650 | 19 | 5,119,486 | 7,121,136 |
| 35 | Other Margins & Equities | (5,116,423) | | 0 | (5,116,423) |
| 36 | Total Margins and Equities | 385,705,395 | | 2,858,009 | 388,563,404 |
| 37 | | | | | |
| 38 | Long-Term Debt - RUS | 673,222,539 | | 0 | 673,222,539 |
| 39 | Long-Term Debt - Other | 142,100,000 | | 0 | 142,100,000 |
| 40 | Total Long-Term Debt | 815,322,539 | | 0 | 815,322,539 |
| 41 | | | | | |
| 42 | Accumulated Operating Provisions | 18,983,982 | 19 | (7,476,583) | 11,507,399 |
| 43 | | | | | |
| 44 | Notes Payable | 10,000,000 | | 0 | 10,000,000 |
| 45 | Accounts Payable | 31,851,421 | All except 8 + Margins | (1,179,738) | 30,671,683 |
| 46 | Taxes Accrued | 401,630 | | 0 | 401,630 |
| 47 | Interest Accrued | 5,916,679 | | 0 | 5,916,679 |
| 48 | Other Current and Accrued Liabilities | 10,003,352 | | 0 | 10,003,352 |
| 49 | Total Current and Accrued Liabilities | 58,173,082 | | (1,179,738) | 56,993,344 |
| 50 | | | | | |
| 51 | Deferred Credits | 189,447,430 | 5 | (3,802,908) | 185,644,522 |
| 52 | | | | | |
| 53 | Total Liabilities and Other Credits | 1,467,632,428 | | (9,601,220) | 1,458,031,208 |

**Filing Requirement**
**807 KAR 5:001 Section 10(7)(b)**
**Sponsoring Witness: Mark A. Hite**

**Description of Filing Requirement:**

*Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:*

*(b) The most recent capital construction budget containing at least the period of time as proposed for any pro forma adjustment for plant additions.*

**Response:**

Big Rivers is not seeking any pro forma adjustments for plant additions; therefore, this filing requirement is not applicable.

**Filing Requirement**
**807 KAR 5:001 Section 10(7)(c)**
**Sponsoring Witness: Mark A. Hite**

## Description of Filing Requirement:

*Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:*

*(c) For each proposed pro forma adjustment reflecting plant additions provide the following information:*

*1. The starting date of the construction of each major component of plant;*

*2. The proposed in-service date;*

*3. The total estimated cost of construction at completion;*

**Filing Requirement**
**807 KAR 5:001 Section 10(7)(c)**
**Sponsoring Witness: Mark A. Hite**

**Description of Filing Requirement (continued):**

*4. The amount contained in construction work in progress at the end of the test period;*

*5. A schedule containing a complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement;*

*6. The original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions;*

*7. An explanation of any differences in the amounts contained in the capital construction budget and the amounts of capital construction cost contained in the pro forma adjustment period; and*

**Filing Requirement**
**807 KAR 5:001 Section 10(7)(c)**
**Sponsoring Witness: Mark A. Hite**

**Description of Filing Requirement (continued):**

*8. The impact on depreciation expense of all proposed pro forma adjustments for plant additions and retirements;*

**Response:**

Big Rivers is not seeking any pro forma adjustments for plant additions.

**Filing Requirement**
**807 KAR 5:001 Section 10(7)(d)**
**Sponsoring Witness: Mark A. Hite**

**Description of Filing Requirement:**

*Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:*

*(d) The operating budget for each period encompassing the pro forma adjustments.*

**Response:**

Big Rivers' operating budgets (Statement of Operations or Statements of Revenues and Expenses) for July 17, 2009 through 2014, with monthly detail are attached hereto.

**BIG RIVERS ELECTRIC CORPORATION**
**STATEMENT OF REVENUES AND EXPENSES**

| | POST-CLOSING BUDGET - 2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| | JULY POST-CLOSE 7/17/2009 | AUG 2009 | SEP 2009 | OCT 2009 | NOV 2009 | DEC 2009 | TOTAL 2009 |
| 1. ELECTRIC ENERGY REVENUES | 22,414,250 | 46,489,646 | 43,329,202 | 38,382,377 | 41,220,914 | 45,117,699 | 236,954,088 |
| 2. INCOME FROM LEASED PROPERTY - NET | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. OTHER OPERATING REVENUE AND INCOME | 300,705 | 621,458 | 621,458 | 621,458 | 621,458 | 621,458 | 3,407,995 |
| 4. TOTAL OPER REVENUES & PATRONAGE CAPITAL | 22,714,955 | 47,111,104 | 43,950,660 | 39,003,835 | 41,842,372 | 45,739,157 | 240,362,083 |
| 5. OPERATION EXPENSE-PRODUCTION-EXCL FUEL | 2,411,407 | 4,747,015 | 4,616,584 | 3,836,944 | 3,952,767 | 4,255,346 | 23,820,063 |
| 6. OPERATION EXPENSE-PRODUCTION-FUEL | 9,483,853 | 20,324,203 | 17,854,990 | 13,653,561 | 16,626,526 | 19,182,814 | 97,125,947 |
| 7 OPERATION EXPENSE-OTHER POWER SUPPLY | 3,493,108 | 6,670,404 | 7,045,351 | 9,275,050 | 7,508,228 | 6,687,438 | 40,679,579 |
| 8. OPERATION EXPENSE-TRANSMISSION | 322,109 | 630,668 | 653,856 | 643,754 | 794,764 | 654,971 | 3,700,122 |
| 11. CONSUMER SERVICE & INFORMATIONAL EXPENSE | 35,354 | 68,922 | 70,858 | 70,865 | 66,208 | 71,902 | 384,109 |
| 12. OPERATION EXPENSE-SALES | 73,204 | 145,625 | 151,768 | 148,457 | 357,009 | 148,914 | 1,024,977 |
| 13. OPERATION EXPENSE-ADMINISTRATIVE & GENERAL | 1,239,114 | 1,774,954 | 2,185,520 | 2,194,062 | 1,811,575 | 1,928,982 | 11,134,207 |
| 14. TOTAL OPERATION EXPENSE | 17,058,149 | 34,361,791 | 32,578,927 | 29,822,693 | 31,117,077 | 32,930,367 | 177,869,004 |
| 15. MAINTENANCE EXPENSE-PRODUCTION | 1,401,572 | 2,768,967 | 3,236,737 | 12,218,796 | 2,986,446 | 2,349,583 | 24,962,101 |
| 16. MAINTENANCE EXPENSE-TRANSMISSION | 219,839 | 394,802 | 606,828 | 416,289 | 390,759 | 413,657 | 2,442,174 |
| 18. MAINTENANCE EXPENSE-GENERAL PLANT | 7,389 | 15,374 | 16,604 | 14,118 | 13,571 | 14,275 | 81,331 |
| 19. TOTAL MAINTENANCE EXPENSE | 1,628,800 | 3,179,143 | 3,860,169 | 12,649,203 | 3,390,776 | 2,777,515 | 27,485,606 |
| 20. DEPRECIATION & AMORTIZATION EXPENSE | 1,267,254 | 2,814,742 | 2,819,364 | 2,826,797 | 2,859,349 | 2,874,090 | 15,461,596 |
| 21. TAXES | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 22. INTEREST ON LONG-TERM DEBT | 2,094,804 | 4,166,191 | 4,020,415 | 4,147,530 | 4,013,268 | 4,147,044 | 22,589,252 |
| 23. INTEREST CHARGED TO CONSTRUCTION-CREDIT | (27,244) | (51,884) | (148,310) | (58,964) | (63,215) | (61,776) | (411,393) |
| 24. OTHER INTEREST EXPENSE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25. OTHER DEDUCTIONS | 4,088 | 5,379 | 6,913 | 12,559 | 8,063 | 5,259 | 42,261 |
| 26. TOTAL COST OF ELECTRIC SERVICE | 22,025,851 | 44,475,362 | 43,137,478 | 49,399,818 | 41,325,318 | 42,672,499 | 243,036,326 |
| 27 OPERATING MARGINS | 689,104 | 2,635,742 | 813,182 | (10,395,983) | 517,054 | 3,066,658 | (2,674,243) |
| 28. INTEREST INCOME | 7,788 | 16,096 | 16,096 | 16,096 | 16,096 | 16,096 | 88,268 |
| 29. ALLOWANCE FOR FUNDS USED DURING CONST | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31. OTHER NON-OPERATING INCOME - NET | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 33. OTHER CAPITAL CREDITS & PAT DIVIDENDS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 34. EXTRAORDINARY ITEMS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35. NET PATRONAGE CAPITAL OR MARGINS | 696,892 | 2,651,838 | 829,278 | (10,379,887) | 533,150 | 3,082,754 | (2,585,975) |

BIG RIVERS ELECTRIC CORPORATION
STATEMENT OF REVENUES AND EXPENSES

2010 - BUDGET

| | JAN 2010 | FEB 2010 | MAR 2010 | APR 2010 | MAY 2010 | JUN 2010 | JUL 2010 | AUG 2010 | SEP 2010 | OCT 2010 | NOV 2010 | DEC 2010 | TOTAL 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. ELECTRIC ENERGY REVENUES | 44,779,364 | 38,797,261 | 41,783,808 | 40,342,651 | 40,037,049 | 39,372,059 | 44,482,100 | 44,727,981 | 39,269,265 | 39,726,671 | 41,315,538 | 46,727,462 | 501,361,209 |
| 2. INCOME FROM LEASED PROPERTY - NET | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. OTHER OPERATING REVENUE AND INCOME | 623,458 | 623,458 | 623,458 | 623,458 | 623,458 | 623,458 | 623,458 | 623,458 | 623,458 | 623,458 | 623,458 | 623,458 | 7,481,496 |
| 4. TOTAL OPER REVENUES & PATRONAGE CAPITAL | 45,402,822 | 39,420,719 | 42,407,266 | 40,966,109 | 40,660,507 | 39,995,517 | 45,105,558 | 45,351,439 | 39,892,723 | 40,350,129 | 41,938,996 | 47,350,920 | 508,842,705 |
| 5. OPERATION EXPENSE-PRODUCTION-EXCL FUEL | 4,754,227 | 4,391,068 | 4,924,386 | 4,799,525 | 4,773,695 | 4,883,002 | 4,894,096 | 4,852,190 | 4,769,558 | 4,588,926 | 4,569,611 | 4,702,659 | 56,902,942 |
| 6. OPERATION EXPENSE-PRODUCTION-FUEL | 14,798,674 | 12,646,006 | 14,060,475 | 14,159,075 | 12,254,397 | 13,090,345 | 15,860,867 | 15,877,605 | 13,012,467 | 12,307,903 | 13,702,293 | 15,259,027 | 167,029,135 |
| 7. OPERATION EXPENSE-OTHER POWER SUPPLY | 9,323,621 | 8,869,989 | 9,729,555 | 10,066,247 | 10,309,219 | 9,889,719 | 9,382,840 | 9,556,892 | 9,507,193 | 10,385,708 | 9,307,605 | 10,615,290 | 116,943,878 |
| 8. OPERATION EXPENSE-TRANSMISSION | 700,135 | 631,787 | 676.255 | 614,072 | 609.573 | 668,001 | 670,771 | 616,924 | 834,913 | 611,307 | 610,778 | 664,288 | 7,908,804 |
| 11. CONSUMER SERVICE & INFORMATIONAL EXPENSE | 71,305 | 53,001 | 55,296 | 56.948 | 56,554 | 69,312 | 55,876 | 62,652 | 69,705 | 56,794 | 55,582 | 65,681 | 728,707 |
| 12. OPERATION EXPENSE-SALES | 30,066 | 16,066 | 34,066 | 16,066 | 16,066 | 32,066 | 16,066 | 16,066 | 223,066 | 36,066 | 52,066 | 126,066 | 613,792 |
| 13. OPERATION EXPENSE-ADMINISTRATIVE & GENERAL | 2,873,260 | 2,452,663 | 2,745,745 | 2,476,482 | 2,282,746 | 2,940,171 | 2,614,751 | 2,301,332 | 2,528,643 | 2,246,448 | 1,944,892 | 2,227,013 | 29,634,145 |
| 14. TOTAL OPERATION EXPENSE | 32,551,288 | 29,060,578 | 32,225,778 | 32,188,415 | 30,302,251 | 31,572,616 | 33,495,267 | 33,283,661 | 30,945,546 | 30,233,151 | 30,242,827 | 33,660,025 | 379,761,402 |
| 15. MAINTENANCE EXPENSE-PRODUCTION | 2,316,658 | 3,080,578 | 3,118,365 | 3,602,619 | 4,155,862 | 3,227,556 | 3,083,050 | 2,952,498 | 3,072.123 | 3,252,460 | 2,817,775 | 2,725,328 | 37,404,871 |
| 16. MAINTENANCE EXPENSE-TRANSMISSION | 351,802 | 329,227 | 408,599 | 350,965 | 337,617 | 453,440 | 444,149 | 421,053 | 459.837 | 320,056 | 325,131 | 374,457 | 4,576,335 |
| 18. MAINTENANCE EXPENSE-GENERAL PLANT | 7,835 | 5,177 | 4,057 | 3,673 | 2,782 | 4,610 | 13,513 | 2,920 | 3,511 | 2,982 | 2,627 | 3,908 | 57,597 |
| 19. TOTAL MAINTENANCE EXPENSE | 2,676,294 | 3,414,983 | 3,531,022 | 3,957,258 | 4,496,261 | 3,685,607 | 3,540,711 | 3,376,471 | 3,535,471 | 3,575,498 | 3,145,534 | 3,103,693 | 42,038,803 |
| 20. DEPRECIATION & AMORTIZATION EXPENSE | 2,880,607 | 2,882,350 | 2,883,194 | 2,884,794 | 2,887,435 | 2,891,092 | 2,896,109 | 2,901,894 | 2,914,710 | 2,918,265 | 2,944,968 | 2,946,931 | 34,832,349 |
| 21. TAXES | 20,769 | 20,769 | 20,769 | 20,769 | 20,769 | 20,769 | 20,769 | 20,769 | 20,769 | 20,769 | 20,769 | 20,769 | 249,225 |
| 22. INTEREST ON LONG-TERM DEBT | 4,153.262 | 3,735,775 | 4,136.037 | 3,935.808 | 4,008.842 | 3,879,524 | 4,056,216 | 4,057,532 | 3,926,643 | 4,106,123 | 3,974,973 | 4,107,473 | 48,078,207 |
| 23. INTEREST CHARGED TO CONSTRUCTION-CREDIT | (21,855) | (28,884) | (36,600) | (44,539) | (50,874) | (58,886) | (63,833) | (67,802) | (55,321) | (53,279) | (47,039) | (46,122) | (575,035) |
| 24. OTHER INTEREST EXPENSE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25. OTHER DEDUCTIONS | 4,549 | 4,100 | 5,452 | 24,613 | 8,281 | 8,113 | 8,281 | 8,281 | 8,103 | 8,281 | 8,013 | 8,381 | 104,449 |
| 26. TOTAL COST OF ELECTRIC SERVICE | 42,264,914 | 39,089,672 | 42,765,651 | 42,967,118 | 41,672,965 | 41,998,834 | 43,953,519 | 43,580,805 | 41,295,921 | 40,808,807 | 40,290,045 | 43,801,148 | 504,489,400 |
| 27. OPERATING MARGINS | 3,137,908 | 331,047 | (358,385) | (2,001,009) | (1,012,458) | (2,003,317) | 1,152,039 | 1,770,634 | (1,403.198) | (458,678) | 1,648,951 | 3,549,772 | 4,353,305 |
| 28. INTEREST INCOME | 36,819 | 35,104 | 39,368 | 35,480 | 37,083 | 35,802 | 36,543 | 37,137 | 37,952 | 40,460 | 40,252 | 42,517 | 454,516 |
| 29. ALLOWANCE FOR FUNDS USED DURING CONST | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31. OTHER NON-OPERATING INCOME - NET | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 33. OTHER CAPITAL CREDITS & PAT DIVIDENDS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 34. EXTRAORDINARY ITEMS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35. NET PATRONAGE CAPITAL OR MARGINS | 3,174,727 | 366,151 | (319,017) | (1,965,528) | (975,375) | (1,967,516) | 1,188,582 | 1,807,771 | (1,365,246) | (418,218) | 1,689,203 | 3,592,288 | 4,807,821 |
| | 3,174,727 | 366,151 | (319,017) | (1,965,528) | (975,375) | (1,967,516) | 1,188,582 | 1,807,771 | (1,365,246) | (418,218) | 1,689,203 | 3,592,288 | 4,807,821 |
| TIER | | | | | | | | | | | | | 1.10 |
| North Star | | | | | | | | | | | | | 0.042673 |

Case No. 2011-00036
Exhibit 45 Attachment 4
Page 2 of 6

BIG RIVERS ELECTRIC CORPORATION
STATEMENT OF OPERATIONS
In 000s

| | JAN 2011 | FEB 2011 | MAR 2011 | APR 2011 | MAY 2011 | JUN 2011 | JUL 2011 | AUG 2011 | SEP 2011 | OCT 2011 | NOV 2011 | DEC 2011 | TOTAL 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ELECTRIC ENERGY REVENUES | 46,430 | 43,741 | 45,881 | 40,532 | 43,020 | 43,928 | 47,803 | 49,550 | 46,841 | 42,198 | 44,535 | 50,389 | 544,848 |
| OTHER OPERATING REVENUE AND INCOME | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,594 | 19,084 |
| TOTAL OPER REVENUES & PATRONAGE CAPITAL | 48,020 | 45,331 | 47,471 | 42,122 | 44,610 | 45,518 | 49,393 | 51,140 | 48,431 | 43,788 | 46,125 | 51,983 | 563,932 |
| OPERATION EXPENSE-PRODUCTION-EXCL FUEL | 5,179 | 4,791 | 5,407 | 5,140 | 5,624 | 5,542 | 5,692 | 5,641 | 5,485 | 4,821 | 5,611 | 5,856 | 64,789 |
| OPERATION EXPENSE-PRODUCTION-FUEL | 17,319 | 16,559 | 17,905 | 16,877 | 17,375 | 17,013 | 18,609 | 19,305 | 17,643 | 13,915 | 15,859 | 18,311 | 206,690 |
| OPERATION EXPENSE-OTHER POWER SUPPLY | 8,833 | 8,438 | 9,259 | 8,409 | 9,702 | 9,245 | 9,257 | 9,252 | 8,559 | 10,348 | 9,235 | 9,356 | 109,893 |
| OPERATION EXPENSE-TRANSMISSION | 1,392 | 1,354 | 1,492 | 1,201 | 1,249 | 1,151 | 1,240 | 1,272 | 1,302 | 973 | 1,150 | 1,304 | 15,080 |
| CONSUMER SERVICE & INFORMATIONAL EXPENSE | 94 | 66 | 80 | 70 | 69 | 68 | 67 | 68 | 76 | 74 | 67 | 65 | 864 |
| OPERATION EXPENSE-SALES | 60 | 53 | 172 | 53 | 52 | 68 | 53 | 53 | 179 | 68 | 52 | 56 | 919 |
| OPERATION EXPENSE-ADMINISTRATIVE & GENERAL | 2,103 | 1,911 | 2,146 | 2,243 | 2,260 | 2,637 | 2,029 | 1,948 | 2,182 | 2,206 | 1,955 | 2,108 | 25,728 |
| TOTAL OPERATION EXPENSE | 34,980 | 33,172 | 36,461 | 33,993 | 36,331 | 35,724 | 36,947 | 37,539 | 35,426 | 32,405 | 33,929 | 37,056 | 423,963 |
| MAINTENANCE EXPENSE-PRODUCTION | 2,593 | 3,347 | 4,047 | 4,144 | 3,285 | 3,149 | 3,159 | 3,178 | 4,850 | 5,217 | 7,558 | 2,707 | 47,234 |
| MAINTENANCE EXPENSE-TRANSMISSION | 251 | 237 | 299 | 241 | 240 | 325 | 305 | 311 | 326 | 242 | 234 | 252 | 3,263 |
| MAINTENANCE EXPENSE-GENERAL PLANT | 9 | 9 | 8 | 14 | 8 | 8 | 9 | 8 | 8 | 8 | 8 | 6 | 103 |
| TOTAL MAINTENANCE EXPENSE | 2,853 | 3,593 | 4,354 | 4,399 | 3,533 | 3,482 | 3,473 | 3,497 | 5,184 | 5,467 | 7,800 | 2,965 | 50,600 |
| DEPRECIATION & AMORTIZATION EXPENSE | 2,965 | 2,971 | 2,978 | 2,994 | 3,010 | 3,022 | 3,037 | 3,043 | 3,049 | 3,052 | 3,053 | 3,054 | 36,228 |
| TAXES | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 20 | 20 | 20 | 249 |
| INTEREST ON LONG-TERM DEBT | 4,030 | 3,608 | 3,995 | 3,874 | 4,042 | 3,912 | 4,032 | 4,032 | 3,902 | 4,023 | 3,893 | 4,024 | 47,367 |
| INTEREST CHARGED TO CONSTRUCTION-CREDIT | (3) | (10) | (31) | (61) | (54) | (82) | (101) | (19) | (29) | (33) | (1) | (2) | (426) |
| OTHER INTEREST EXPENSE | 21 | 19 | 21 | 21 | 0 | 0 | 0 | 30 | 29 | 30 | 29 | 29 | 229 |
| OTHER DEDUCTIONS | 12 | 11 | 12 | 11 | 12 | 11 | 12 | 12 | 11 | 12 | 11 | 10 | 137 |
| TOTAL COST OF ELECTRIC SERVICE | 44,879 | 43,385 | 47,811 | 45,252 | 46,895 | 46,090 | 47,421 | 48,155 | 47,593 | 44,976 | 48,734 | 47,156 | 558,347 |
| OPERATING MARGINS | 3,141 | 1,946 | (340) | (3,130) | (2,285) | (572) | 1,972 | 2,985 | 838 | (1,188) | (2,609) | 4,827 | 5,585 |
| INTEREST INCOME | 33 | 30 | 33 | 32 | 33 | 32 | 33 | 33 | 32 | 33 | 31 | 31 | 386 |
| OTHER NON-OPERATING INCOME - NET | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OTHER CAPITAL CREDITS & PAT DIVIDENDS | 0 | 0 | 0 | 96 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 96 |
| NET PATRONAGE CAPITAL OR MARGINS | 3,174 | 1,976 | (307) | (3,002) | (2,252) | (540) | 2,005 | 3,018 | 870 | (1,155) | (2,578) | 4,858 | 6,067 |
| North Star $/kWh | | | | | | | | | | | | | 0.044766 |
| TIER | | | | | | | | | | | | | 1.13 |

BIG RIVERS ELECTRIC CORPORATION
STATEMENT OF OPERATIONS
IN 000s

| | JAN 2012 | FEB 2012 | MAR 2012 | APR 2012 | MAY 2012 | JUN 2012 | JUL 2012 | AUG 2012 | SEP 2012 | OCT 2012 | NOV 2012 | DEC 2012 | TOTAL 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ELECTRIC ENERGY REVENUES | 54,353 | 50,718 | 47,339 | 46,060 | 47,134 | 48,418 | 54,347 | 56,276 | 50,643 | 48,340 | 48,894 | 53,666 | 606,188 |
| OTHER OPERATING REVENUE AND INCOME | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,594 | 19,084 |
| TOTAL OPER REVENUES & PATRONAGE CAPITAL | 55,943 | 52,308 | 48,929 | 47,650 | 48,724 | 50,008 | 55,937 | 57,866 | 52,233 | 49,930 | 50,484 | 55,260 | 625,272 |
| OPERATION EXPENSE-PRODUCTION-EXCL FUEL | 5,803 | 5,369 | 5,258 | 5,544 | 5,860 | 6,037 | 6,312 | 6,152 | 6,288 | 6,245 | 5,518 | 5,700 | 70,086 |
| OPERATION EXPENSE-PRODUCTION-FUEL | 20,883 | 19,382 | 14,760 | 19,494 | 18,585 | 16,755 | 20,644 | 22,041 | 20,117 | 18,195 | 19,050 | 21,094 | 231,000 |
| OPERATION EXPENSE-OTHER POWER SUPPLY | 9,069 | 9,229 | 14,112 | 9,137 | 9,515 | 11,322 | 10,365 | 9,743 | 9,277 | 9,913 | 9,343 | 9,742 | 120,767 |
| OPERATION EXPENSE-TRANSMISSION | 1,459 | 1,410 | 1,578 | 1,252 | 1,247 | 1,285 | 1,291 | 1,326 | 1,342 | 974 | 1,177 | 1,338 | 15,679 |
| CONSUMER SERVICE & INFORMATIONAL EXPENSE | 112 | 84 | 101 | 92 | 91 | 89 | 87 | 88 | 98 | 96 | 89 | 86 | 1,113 |
| OPERATION EXPENSE-SALES | 100 | 93 | 215 | 93 | 93 | 109 | 93 | 93 | 223 | 109 | 92 | 93 | 1,406 |
| OPERATION EXPENSE-ADMINISTRATIVE & GENERAL | 2,230 | 2,012 | 2,301 | 2,346 | 2,465 | 2,797 | 2,115 | 2,033 | 2,312 | 2,289 | 2,042 | 2,188 | 27,130 |
| TOTAL OPERATION EXPENSE | 39,656 | 37,579 | 38,325 | 37,958 | 37,856 | 38,394 | 40,907 | 41,476 | 39,657 | 37,821 | 37,311 | 40,241 | 467,181 |
| MAINTENANCE EXPENSE-PRODUCTION | 2,788 | 4,350 | 9,043 | 4,509 | 4,889 | 8,347 | 4,612 | 3,891 | 3,641 | 5,154 | 4,744 | 3,134 | 59,102 |
| MAINTENANCE EXPENSE-TRANSMISSION | 265 | 243 | 316 | 256 | 255 | 359 | 328 | 326 | 343 | 256 | 246 | 265 | 3,458 |
| MAINTENANCE EXPENSE-GENERAL PLANT | 10 | 9 | 8 | 14 | 8 | 8 | 9 | 8 | 8 | 9 | 8 | 7 | 106 |
| TOTAL MAINTENANCE EXPENSE | 3,063 | 4,602 | 9,367 | 4,779 | 5,152 | 8,714 | 4,949 | 4,225 | 3,992 | 5,419 | 4,998 | 3,406 | 62,666 |
| DEPRECIATION & AMORTIZATION EXPENSE | 3,054 | 3,057 | 3,062 | 3,083 | 3,093 | 3,101 | 3,111 | 3,123 | 3,126 | 3,133 | 3,139 | 3,141 | 37,223 |
| TAXES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| INTEREST ON LONG-TERM DEBT | 4,007 | 3,748 | 4,007 | 3,867 | 3,996 | 3,867 | 3,984 | 3,984 | 3,856 | 4,463 | 4,319 | 4,494 | 48,592 |
| INTEREST CHARGED TO CONSTRUCTION-CREDIT | (3) | (15) | (62) | (106) | (34) | (55) | (82) | (34) | (46) | (63) | (18) | (19) | (537) |
| OTHER INTEREST EXPENSE | 30 | 38 | 40 | 39 | 72 | 70 | 72 | 114 | 110 | 0 | 0 | 0 | 585 |
| OTHER DEDUCTIONS | 12 | 11 | 12 | 11 | 12 | 11 | 12 | 12 | 11 | 20 | 19 | 19 | 162 |
| TOTAL COST OF ELECTRIC SERVICE | 49,819 | 49,020 | 54,751 | 49,631 | 50,147 | 54,102 | 52,953 | 52,900 | 50,706 | 50,793 | 49,768 | 51,282 | 615,872 |
| OPERATING MARGINS | 6,124 | 3,288 | (5,822) | (1,981) | (1,423) | (4,094) | 2,984 | 4,966 | 1,527 | (863) | 716 | 3,978 | 9,400 |
| INTEREST INCOME | 41 | 39 | 43 | 37 | 36 | 34 | 32 | 33 | 32 | 32 | 33 | 36 | 428 |
| OTHER NON-OPERATING INCOME - NET | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OTHER CAPITAL CREDITS & PAT DIVIDENDS | 0 | 0 | 0 | 113 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 113 |
| NET PATRONAGE CAPITAL OR MARGINS | 6,165 | 3,327 | (5,779) | (1,831) | (1,387) | (4,060) | 3,016 | 4,999 | 1,559 | (831) | 749 | 4,014 | 9,941 |
| North Star $/kWh | | | | | | | | | | | | | 0.050934 |
| TIER | | | | | | | | | | | | | 1.20 |

BIG RIVERS ELECTRIC CORPORATION
STATEMENT OF OPERATIONS
IN 000s

| | JAN 2013 | FEB 2013 | MAR 2013 | APR 2013 | MAY 2013 | JUN 2013 | JUL 2013 | AUG 2013 | SEP 2013 | OCT 2013 | NOV 2013 | DEC 2013 | TOTAL 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ELECTRIC ENERGY REVENUES | 57,784 | 52,655 | 53,050 | 48,489 | 50,751 | 51,925 | 56,117 | 56,756 | 51,436 | 50,482 | 51,957 | 55,635 | 637,037 |
| OTHER OPERATING REVENUE AND INCOME | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,594 | 19,084 |
| TOTAL OPER REVENUES & PATRONAGE CAPITAL | 59,374 | 54,245 | 54,640 | 50,079 | 52,341 | 53,515 | 57,707 | 58,346 | 53,026 | 52,072 | 53,547 | 57,229 | 656,121 |
| OPERATION EXPENSE-PRODUCTION-EXCL FUEL | 5,982 | 5,671 | 6,524 | 5,632 | 6,492 | 6,224 | 6,579 | 6,363 | 6,300 | 6,335 | 5,784 | 6,201 | 74,087 |
| OPERATION EXPENSE-PRODUCTION-FUEL | 21,515 | 21,491 | 21,662 | 21,572 | 21,634 | 21,568 | 21,632 | 21,647 | 21,581 | 21,581 | 21,550 | 21,527 | 258,960 |
| OPERATION EXPENSE-OTHER POWER SUPPLY | 9,639 | 9,274 | 10,121 | 10,695 | 11,273 | 9,880 | 9,805 | 9,913 | 9,290 | 10,247 | 9,041 | 9,647 | 118,825 |
| OPERATION EXPENSE-TRANSMISSION | 1,494 | 1,453 | 1,626 | 1,292 | 1,313 | 1,266 | 1,331 | 1,365 | 1,382 | 1,002 | 1,211 | 1,377 | 16,112 |
| CONSUMER SERVICE & INFORMATIONAL EXPENSE | 115 | 86 | 104 | 94 | 94 | 101 | 89 | 91 | 100 | 99 | 91 | 97 | 1,161 |
| OPERATION EXPENSE-SALES | 63 | 56 | 182 | 56 | 56 | 302 | 57 | 56 | 190 | 72 | 55 | 289 | 1,434 |
| OPERATION EXPENSE-ADMINISTRATIVE & GENERAL | 2,276 | 2,088 | 2,377 | 2,416 | 2,555 | 2,857 | 2,196 | 2,113 | 2,400 | 2,399 | 2,123 | 2,283 | 28,083 |
| TOTAL OPERATION EXPENSE | 41,084 | 40,119 | 42,596 | 41,757 | 43,417 | 42,198 | 41,689 | 41,548 | 41,243 | 41,735 | 39,855 | 41,421 | 498,662 |
| MAINTENANCE EXPENSE-PRODUCTION | 2,813 | 3,420 | 7,692 | 7,140 | 3,621 | 3,478 | 3,487 | 3,386 | 3,151 | 5,817 | 3,080 | 3,205 | 50,290 |
| MAINTENANCE EXPENSE-TRANSMISSION | 274 | 252 | 326 | 266 | 263 | 351 | 339 | 338 | 355 | 265 | 255 | 276 | 3,560 |
| MAINTENANCE EXPENSE-GENERAL PLANT | 10 | 9 | 9 | 11 | 8 | 9 | 9 | 8 | 9 | 9 | 8 | 8 | 107 |
| TOTAL MAINTENANCE EXPENSE | 3,097 | 3,681 | 8,027 | 7,417 | 3,892 | 3,838 | 3,835 | 3,732 | 3,515 | 6,091 | 3,343 | 3,489 | 53,957 |
| DEPRECIATION & AMORTIZATION EXPENSE | 3,141 | 3,141 | 3,141 | 3,141 | 3,141 | 3,141 | 3,225 | 3,225 | 3,225 | 3,225 | 3,225 | 3,222 | 38,193 |
| TAXES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| INTEREST ON LONG-TERM DEBT | 4,358 | 4,236 | 4,358 | 4,326 | 4,367 | 4,435 | 4,489 | 4,489 | 4,444 | 4,498 | 4,453 | 4,497 | 52,950 |
| INTEREST CHARGED TO CONSTRUCTION-CREDIT | (38) | (115) | (191) | (153) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (497) |
| OTHER INTEREST EXPENSE | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 15 | 213 |
| OTHER DEDUCTIONS | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 19 | 261 |
| TOTAL COST OF ELECTRIC SERVICE | 51,682 | 51,102 | 57,971 | 56,528 | 54,857 | 53,652 | 53,278 | 53,034 | 52,467 | 55,589 | 50,916 | 52,663 | 643,739 |
| OPERATING MARGINS | 7,692 | 3,143 | (3,331) | (6,449) | (2,516) | (137) | 4,429 | 5,312 | 559 | (3,517) | 2,631 | 4,566 | 12,382 |
| INTEREST INCOME | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 31 | 427 |
| OTHER NON-OPERATING INCOME - NET | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OTHER CAPITAL CREDITS & PAT DIVIDENDS | 0 | 0 | 0 | 229 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 229 |
| NET PATRONAGE CAPITAL OR MARGINS | 7,728 | 3,179 | (3,295) | (6,184) | (2,480) | (101) | 4,465 | 5,348 | 595 | (3,481) | 2,667 | 4,597 | 13,038 |
| North Star $/kWh | | | | | | | | | | | | | 0.051979 |
| TIER | | | | | | | | | | | | | 1.25 |

BIG RIVERS ELECTRIC CORPORATION
STATEMENT OF OPERATIONS
IN 000s

| | JAN 2014 | FEB 2014 | MAR 2014 | APR 2014 | MAY 2014 | JUN 2014 | JUL 2014 | AUG 2014 | SEP 2014 | OCT 2014 | NOV 2014 | DEC 2014 | TOTAL 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ELECTRIC ENERGY REVENUES | 60,603 | 55,746 | 55,669 | 51,833 | 52,595 | 54,917 | 59,231 | 59,682 | 54,626 | 48,661 | 54,771 | 58,488 | 666,822 |
| OTHER OPERATING REVENUE AND INCOME | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,590 | 1,594 | 19,084 |
| TOTAL OPER REVENUES & PATRONAGE CAPITAL | 62,193 | 57,336 | 57,259 | 53,423 | 54,185 | 56,507 | 60,821 | 61,272 | 56,216 | 50,251 | 56,361 | 60,082 | 685,906 |
| OPERATION EXPENSE-PRODUCTION-EXCL FUEL | 6,291 | 5,855 | 6,091 | 6,308 | 6,763 | 6,817 | 6,898 | 6,649 | 6,805 | 6,175 | 6,037 | 6,960 | 77,649 |
| OPERATION EXPENSE-PRODUCTION-FUEL | 22,681 | 22,634 | 22,751 | 22,743 | 22,769 | 22,707 | 22,750 | 22,752 | 22,732 | 22,785 | 22,691 | 22,669 | 272,664 |
| OPERATION EXPENSE-OTHER POWER SUPPLY | 9,744 | 9,322 | 10,478 | 11,558 | 10,327 | 9,994 | 10,051 | 10,019 | 9,363 | 12,849 | 9,532 | 10,352 | 123,589 |
| OPERATION EXPENSE-TRANSMISSION | 1,534 | 1,492 | 1,673 | 1,332 | 1,357 | 1,289 | 1,372 | 1,398 | 1,422 | 1,032 | 1,246 | 1,417 | 16,564 |
| CONSUMER SERVICE & INFORMATIONAL EXPENSE | 118 | 89 | 107 | 97 | 97 | 104 | 92 | 94 | 104 | 102 | 94 | 101 | 1,199 |
| OPERATION EXPENSE-SALES | 65 | 58 | 188 | 57 | 57 | 304 | 58 | 57 | 195 | 74 | 57 | 293 | 1,463 |
| OPERATION EXPENSE-ADMINISTRATIVE & GENERAL | 2,349 | 2,157 | 2,455 | 2,488 | 2,625 | 2,926 | 2,275 | 2,182 | 2,477 | 2,482 | 2,194 | 2,356 | 28,966 |
| TOTAL OPERATION EXPENSE | 42,782 | 41,607 | 43,743 | 44,583 | 43,995 | 44,141 | 43,496 | 43,151 | 43,098 | 45,499 | 41,851 | 44,148 | 522,094 |
| MAINTENANCE EXPENSE-PRODUCTION | 3,324 | 3,667 | 4,491 | 7,189 | 7,624 | 3,599 | 3,674 | 3,529 | 3,743 | 10,409 | 3,304 | 3,096 | 57,649 |
| MAINTENANCE EXPENSE-TRANSMISSION | 275 | 252 | 338 | 283 | 283 | 362 | 350 | 346 | 364 | 275 | 263 | 279 | 3,670 |
| MAINTENANCE EXPENSE-GENERAL PLANT | 10 | 9 | 9 | 11 | 9 | 9 | 9 | 8 | 9 | 9 | 9 | 8 | 109 |
| TOTAL MAINTENANCE EXPENSE | 3,609 | 3,928 | 4,838 | 7,483 | 7,916 | 3,970 | 4,033 | 3,883 | 4,116 | 10,693 | 3,576 | 3,383 | 61,428 |
| DEPRECIATION & AMORTIZATION EXPENSE | 3,221 | 3,221 | 3,221 | 3,221 | 3,221 | 3,221 | 3,303 | 3,303 | 3,303 | 3,303 | 3,303 | 3,302 | 39,143 |
| TAXES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| INTEREST ON LONG-TERM DEBT | 4,391 | 4,325 | 4,391 | 4,379 | 4,401 | 4,379 | 4,411 | 4,411 | 4,388 | 4,421 | 4,398 | 4,422 | 52,717 |
| INTEREST CHARGED TO CONSTRUCTION-CREDIT | (35) | (104) | (173) | (138) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (450) |
| OTHER INTEREST EXPENSE | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 59 | 675 |
| OTHER DEDUCTIONS | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 23 | 287 |
| TOTAL COST OF ELECTRIC SERVICE | 54,048 | 53,057 | 56,100 | 59,608 | 59,613 | 55,791 | 55,323 | 54,828 | 54,985 | 63,996 | 53,208 | 55,337 | 675,894 |
| OPERATING MARGINS | 8,145 | 4,279 | 1,159 | (6,185) | (5,428) | 716 | 5,498 | 6,444 | 1,231 | (13,745) | 3,153 | 4,745 | 10,012 |
| INTEREST INCOME | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 31 | 427 |
| OTHER NON-OPERATING INCOME - NET | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OTHER CAPITAL CREDITS & PAT DIVIDENDS | 0 | 0 | 0 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20 |
| NET PATRONAGE CAPITAL OR MARGINS | 8,181 | 4,315 | 1,195 | (6,129) | (5,392) | 752 | 5,534 | 6,480 | 1,267 | (13,709) | 3,189 | 4,776 | 10,459 |
| North Star $/kWh | | | | | | | | | | | | | 0.054227 |
| TIER | | | | | | | | | | | | | 1.20 |

**Filing Requirement**
**807 KAR 5:001 Section 10(7)(e)**
**Sponsoring Witness: John Wolfram**

**Description of Filing Requirement:**

*Upon good cause shown, a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period. The following information shall be filed with applications requesting pro forma adjustments or a statement explaining why the required information does not exist and is not applicable to the utility's application:*

*(e) The number of customers to be added to the test period-end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.*

**Response:**

See the Direct Testimony of Mr. Wolfram (Application Exhibit 51) and, in particular, Exhibit Wolfam-2 attached thereto.

**Filing Requirement**
**807 KAR 5:001 Section 10(11)**
**Sponsoring Witness: C. William Blackburn**

**Description of Filing Requirement:**

*A request for waiver of any of the provisions of these filing requirements must set forth the specific reasons for the request. The commission shall grant the request for waiver upon good cause shown by the utility. In determining whether good cause has been shown, the commission may consider:*

*(a) Whether other information which the utility would provide if the waiver is granted is sufficient to allow the commission to effectively and efficiently review the rate application;*

*(b) Whether the information which is the subject of the waiver request is normally maintained by the utility or reasonably available to it from the information which it maintains; and*

*(c) The expense to the utility in providing the information which is the subject of the waiver request.*

**Response:**

Big Rivers is not requesting any waivers at this time