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July 20, 2011

RECEIVED
JUL 21 2011
PUBLIC SERVICE
COMMISSION

Via Federal Express

Jeff DeRouen
Executive Director
Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: In the Matter of: Notice and Application of Big Rivers Electric Corporation for a General Adjustment in Rates, PSC Case No. 2011-00036

Dear Mr. DeRouen:

Enclosed for filing on behalf of Big Rivers Electric Corporation are an original and ten copies of Big Rivers' Fourth Supplemental Response to Item 56 of the Commission Staff's Initial Request for Information. I certify that a copy of this letter and a copy of the supplemental response have been served on each party of record.

Sincerely,

TAK

Tyson Kamuf

TAK/ej
Enclosures

cc: Mark A. Bailey
Albert Yockey
Douglas Beresford, Esq.
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PSC CASE NO. 2011-00036

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BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES CASE NO. 2011-00036

VERIFICATION

I, C. William Blackburn, verify, state, and affirm that I prepared or supervised the preparation of my data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

C. William Blackburn

C. William Blackburn

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by C. William Blackburn on this the 19th day of July, 2011.

Vickie G. King

Notary Public, Ky. State at Large
My Commission Expires 03/03/2014

ORIGINAL

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

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**

Supplemental Responses to Commission Staff's Initial Request for Information

dated

February 18, 2011

FILED: July 21, 2011

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Supplemental Response to Commission Staff's
Initial Request for Information
dated February 18, 2011**

July 21, 2011

Item 56) ***Provide any information, as soon as it is known, describing any events occurring after the test year that would have a material effect on net operating income, rate base, and cost of capital that is not incorporated in the filed testimony and exhibits.***

Response) Attached hereto Big Rivers provides a copy of Moody's Rating Agency Report of July 18, 2011.

Witnesses) C. William Blackburn

MOODY'S INVESTORS SERVICE

ISSUER COMMENT

Big Rivers Electric Corporation

Table of Contents:

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Big Rivers Electric Corporation

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Rating Drivers

» Stronger balance sheet resulting from deleveraging following the unwinding of 1998 vintage transactions, which was completed in 2009

» Ownership of competitively advantaged coal-fired generation plants

» High industrial concentration to two aluminum smelters

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Summary Rating Rationale

The Baa1 senior secured rating considers the financial benefits of several steps taken by Big Rivers to unwind a lease and other transactions in 2008 and 2009 wherein its prior deficit net worth turned substantially positive, cash receipts were utilized to reduce debt, and two committed bank credit facilities aggregating $100 million were established to improve liquidity. Revenues generated from competitively priced power sold under long-term wholesale contracts with the three member owners should continue to support Big Rivers financial performance in keeping with its current rating level, while allowing capital expenditures to be largely met with internally generated funds.

A significant constraint to Big Rivers' rating is that one of its member owners, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century Aluminum Company: Corporate Family Rating B3; stable outlook and Rio Tinto Alcan: senior unsecured rating A3; stable outlook), both of whom face credit challenges due to the significant volatility in both metal prices and demand. In addition, these smelters have the option to terminate their respective power purchase arrangements, subject to a one-year notice and other conditions. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector.

Detailed Rating Considerations

Financial Flexibility Improved Following Completion Of Unwind Of Historical Transactions In 2009

In 2008, Big Rivers bought out two leveraged lease transactions and in 2009 completed a series of other steps to terminate another lease and other long-term transactions previously involving E.ON U.S. LLC (formerly known as: LG&E Energy Marketing Inc.) and Western Kentucky Energy Corp. These entities previously leased and operated the generating units owned by Big Rivers. In turn, Big Rivers was purchasing the power from these units at generally fixed below market rates to use in servicing the requirements of its three members, exclusive of the load requirements of Kenergy's two large aluminum smelters. At the same time, Big Rivers terminated other agreements and entered into various new arrangements whereby it now sells to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement reintroduced a concentration of load risk for Big Rivers. Key credit positives resulting from consummation of all the unwind transactions were as follows: elimination of Big Rivers' deficit net worth, with equity of $379.4 million at December 31, 2009, which increased to $386.6 million as of December 31, 2010 compared to a negative $155 million at 12/31/2008, and partial utilization of the $505.4 million in cash payments received from E.ON to repay about $140.2 million of debt owed to the Rural Utilities Service (RUS) and to establish $252.9 million of reserves. The reserves were comprised of: a $157 million Economic Reserve for future environmental and fuel cost increases; a $35 million Transition Reserve to mitigate potential costs if the smelters decide to terminate their agreements or otherwise curtail their load due to reduced aluminum production; and a $60.9 million Rural Economic Reserve, which would be used over two years to provide credits to rural customers upon full utilization of the Economic Reserve.

As part of the unwind process, Big Rivers completed the buyout of leveraged leases with Bank of America and Phillip Morris Capital Corporation (PMCC) during 2008. Among the positive credit effects of the buyouts were removal of $922 million of defeased obligations (about $735 million of which was off-balance sheet), and removal of exposure to Ambac, albeit at a net cost of $120 million, including a $12 million PMCC note. We note, however, that part of the cash payment from E.ON upon consummation of unwinding all the various transactions included full reimbursement of Big Rivers' lease buyout costs, and the $16 million remaining deferred loss on reacquired debt was written off.

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Coal-Fired Plants Represent Valuable Assets Even As Environmental Costs Loom

Big Rivers owns generating capacity of about 1,444 megawatts (MW) in four substantially coal-fired plants. Total power capacity is about 1,824 MW, including rights to about 202 MW of coal-fired capacity from Henderson Municipal Power and Light (HMP&L) Station Two and about 178 MW of contracted hydro capacity from Southeastern Power Administration. The economics of power produced from these sources enables Big Rivers to maintain a solid competitive advantage in the Southeast and even more so when compared to other regions around the country. The consistently high capacity factors and efficient operations of the assets results in average system wholesale rates to members around $36 per MWh (including the beneficial effects of the member rate stability mechanism), which translates to member retail rates to residential customers around 8 cents per kWh.

Because Big Rivers is substantially dependent on coal-fired generation, it faces a high degree of uncertainty with regard to future environmental regulations, including the form and substance those will take, the timing for implementation, and the amount of related costs to comply. We note that the Economic Reserve should help mitigate some of the need for initial rate increases to cover future compliance costs.

Regulatory Risk Exists; However, Offsets Are Present

Big Rivers is subject to regulation for rate setting purposes by the KPSC, which is atypical for the sector and can pose challenges in getting timely rate relief if and when needed. We view the existence of certain fuel and purchased power cost adjustment mechanisms available to Big Rivers as favorable to its credit profile since they can temper risk of cost recovery shortfalls if there is a mismatch relative to existing rate levels. Although Big Rivers did not file for a general rate increase in 2010, additional revenues were generated under the fuel adjustment clause and through use of a portion of the various reserve funds. In keeping with the KPSC order issued on March 6, 2009 requiring Big Rivers to file for a general review of its financial operations and rates by July 16, 2012 (i.e. three years from the closing of the unwind transaction), Big Rivers filed a wholesale tariff rate case with the KPSC on March 1, 2011. The rate case is intended to bolster wholesale margins, while also addressing increased depreciation costs, administrative costs tied to joining the Midwest Independent Transmission System Operator (MISO) as outlined in more detail below, and maintenance costs incurred during scheduled generation plant outages. According to the filing, the requested increase in member wholesale tariff rates would equate to an estimated 6.85% (approximately $30 million) increase in total member revenue. Hearings have been scheduled for July 26th and 27th and a decision is expected in August 2011, with new rates to be effective September 1, 2011. If the case is not decided in this time line, the regulatory process allows for interim rates to be put into effect, subject to refund. According to management at Big Rivers, the cooperative has not had a wholesale tariff rate increase in 20 years and its existing depreciation study and tariffs have been in place since July 1998. We will continue to monitor the proceedings in the pending case to determine the degree of supportiveness the KPSC provides for this request. Significant shortfalls that compromise Big Rivers ability to achieve timely and full recovery of its costs of service and anticipated financial results could pressure its credit quality. The timing of future rate cases is likely to be influenced primarily by the outcome of future environmental assessments.

Wholesale Power Contracts Are A Linchpin To Sound Credit Profile

The substantial revenues derived under Big Rivers' long-term wholesale contracts with its members will continue as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of transactions were completed in 2009. The low cost power provided under the contracts makes member disenchantment unlikely, even in the face of potential rate increases in the near term associated with the pending rate case and, in the medium to longer term, due to environmental compliance costs. The currently overall sound member profile provides assurance of this revenue stream, which is integral to servicing Big Rivers' debt. The potential for degradation in the creditworthiness of the smelters is a particular credit concern, only tempered in part by assurances of two month's worth of payment obligations covered by letters of credit from an A1 rated financial institution (or some other form acceptable to Big Rivers) under certain circumstances.

Big Rivers' net margins for 2010 reflected improvement over 2009 results (exclusive of the effects of the unwind transactions on 2009 results) as fundamental results in 2009 were negatively affected by costs related to a planned generation plant outage at the D.B. Wilson plant in Centertown, Kentucky, which included a turbine overhaul. Also, during 2010 a considerable reduction in annual interest expense in line with substantially reduced debt following the unwind and non-operating margins resulting from accounting treatment for certain materials and supplies more than compensated for the effects of lower market prices for off-system sales during 2010 compared to 2009.

On a historical basis, Big Rivers dramatically improved its equity position whereby its equity to total capitalization is now over 30% thanks to significant debt reductions following the unwind. At this level, Big Rivers equity to total capitalization maps to the A category for this metric under the rating Methodology. Based on expected continuation of management's current practice of not returning patronage capital back to members (a credit positive strategy in our view) we anticipate that the equity ratio should continue to improve as net margins are fully retained and little if any new debt is added over the next couple of years. We also note that Big Rivers' historical three-year average metrics such as funds from operations (FFO) to debt and FFO to interest are particularly strong due to the one time effects of the unwind, and are therefore not sustainable at those levels. Assuming the KPSC is supportive of Big Rivers' pending request for an increase in member wholesale tariff rates, then we anticipate that Big Rivers should map on average to the A or Baa ranges for other key metrics, such as the times interest earned, the debt service coverage, FFO to interest and FFO to debt ratios. We would view a lack of substantial support for timely and full recovery of costs of service in rate case proceedings as a credit negative, which could cause downward pressure on the ratings for Big Rivers.

Concerns About Potential Loss Of Smelter Load Cannot Be Ignored

Under historical operating conditions, the two smelters served by Kenergy can be expected to consume over 7 million MWh of energy annually, representing a substantial load concentration risk. As noted above, this risk is a significant constraint to Big Rivers' rating, making its operating and risk profile rather unique compared to peers. With Big Rivers' ongoing transmission capacity upgrade projects nearing completion (expected by Q-4 2011), either of the two smelters could serve a one-year notice of termination of their contract at any time. Given the cost effective power being provided by Big Rivers to allow Kenergy to service this load, we do not currently expect the smelters to exercise this option. Moreover, in December 2010 Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO), thereby enhancing its reliability and ensuring compliance with mandated emergency reserve requirements established by regulators. This step, the anticipated completion of expansion of its own transmission lines in Q-4 2011 and legislation to permit sales to non-members, when coupled with the low cost of the power, should enhance Big Rivers' ability to move excess power off system in the event that the smelters cancel their contracts or otherwise reduce load due to curtailment of aluminum production due to market and economic conditions. To the latter point, during 2009, Century Aluminum of Kentucky arranged for the orderly curtailment of one of its five potlines, pending improvement in economic conditions. Following improved economic and market conditions, Century completed its restart of the fifth potline in May 2011. During the period of time that Century Aluminum's potline was shut down, Big Rivers moved to sell into the open market the approximately 87 megawatts of capacity it would otherwise have been providing to Kenergy for service to the one Century Aluminum pot line.

Liquidity

Big Rivers supplements its internally generated funds with $100 million of unsecured committed revolver capacity, with National Rural Utilities Cooperative Finance Corporation (NRUCFC) and CoBank providing $50 million each. The NRUCFC and CoBank facilities, which expire on July 16, 2014 and July 16, 2012, respectively, replaced the smaller $15 million facility previously provided by NRUCFC, which was terminated upon completion of the unwind transactions in 2009. The $50 million NRUCFC facility provides for issuance of up to $10 million of letters of credit. We view the significant increase in available bank credit as credit positive. As of May 31, 2011 Big Rivers had approximately $67 million of unrestricted cash and equivalents on its books, and had substantial unused capacity under the two credit facilities as the only usage related to $5.6 million of letters of credit outstanding with NRUCFC. Assuming little change to future usage of the bank facilities and the cash position, as well as no change to management's current policy of not returning patronage capital back to members, we anticipate that Big Rivers should be able to largely fund its anticipated short-term working capital needs, capital expenditures of about $52 million, and current maturities of long term debt of around $7 million during 2011 without the need for new debt. Big Rivers does, however, face a more material RUS long-term debt maturity of about $76 million in 2012, most of which we anticipate will be refinanced and the balance retired. We also note that the CoBank facility expires within the next 12 months and we anticipate that Big Rivers will renew the facility well ahead of the expiration date.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenor at the time they were arranged and the absence of any onerous financial covenants, which largely mirror the financial covenants in existing debt documents. Big Rivers is in compliance with those covenants and we expect that to remain so in the foreseeable future. Additionally, the NRUCFC facility benefits from no ongoing material adverse change (MAC) clause; however, the CoBank facility is considered of lesser quality because of the ongoing nature of its MAC clause related to each drawdown. We would view an amendment to the CoBank revolver to eliminate the ongoing applicability of the MAC clause as part of the renewal and extension process to be a credit positive step. There are no applicable rating triggers in any of the facilities that could cause acceleration or puts of obligations; however, a ratings based pricing grid applies.

Structural Considerations

As part of the unwinding of various transactions completed in 2009, Big Rivers replaced the previously existing RUS mortgage with a new senior secured indenture. Under the current senior secured indenture RUS and all senior secured debt holders are on equal footing in terms of priority of claim and lien on assets. The current senior secured indenture provides Big Rivers with the flexibility to access public debt markets without first obtaining a case specific RUS lien accommodation, while retaining the right to request approval from the RUS for additional direct borrowings under the RUS loan program, if they choose to do so. Given persistent questions about the availability of funds under the federally subsidized RUS loan program, we consider the added flexibility of the current senior secured indenture to be credit positive.

Rating Outlook

The stable rating outlook is based on Big Rivers' successful completion of the unwind transactions, thereby improving its financial profile and repositioning itself to continue efficiently meeting the needs of its members in the future.

What Could Change the Rating - Up

Given the rating constraints linked to customer load concentration at Kenergy, rate regulation, and looming pressures tied to environmental issues, a rating upgrade is unlikely in the foreseeable future. Changes to eliminate rate regulation of cooperatives in Kentucky could contribute to a positive action, especially if it coincides with improvement in market conditions for the aluminum smelters and sustained improvement of FFO to interest and debt metrics to near 2.3x and 8%, respectively, on average.

What Could Change the Rating - Down

Loss of significant load (i.e. the smelters) that is not otherwise compensated for through off system power sales could contribute to a negative action, as would lack of regulatory support for substantial and timely recovery of costs. In terms of credit metrics, if FFO to interest and debt falls below 2x and 5%, respectively, for a sustained period of time, then rating pressure could result.

Other Considerations

Mapping To Moody's U.S. Electric Generation & Transmission Cooperatives Rating Methodology

Big Rivers' mapping under Moody's U.S. Electric Generation &Transmission Cooperative rating Methodology appears below and is based on historical data through December 31, 2010. The Indicated Rating for Big Rivers' senior most obligations under the Methodology is currently A2 and relies on the aforementioned historical quantitative data and qualitative assessments. In particular we note that the A2 Indicated Rating reflects improvement over the Baa2 Indicated Rating level from historical published reports, which were based on historical data only through 2008. We note that the improvement in the Indicated Rating under the Methodology largely stems from better scores for the factors relating to dependence on purchased power and financial metrics such as equity as a percentage of capitalization, FFO to debt and FFO to interest, all of which improved upon completion of the unwind transactions. Notwithstanding a currently higher Indicated Rating for Big Rivers under the Methodology compared to its actual rating, the unique risks relating to Big Rivers load concentration to the smelters and the fact that it is subject to rate regulation by the KPSC will likely persist and continue to constrain its rating level in the future.

Rating Factors:

Big Rivers Electric Corporation

U.S. Electric Generation & Transmission Cooperatives	Aaa	Aa	A	Baa	Ba	B
Factor 1: Wholesale Power Contracts & Regulatory Status (20%)						
a) % Member Load Served & Regulatory Status			X			
Factor 2: Rate Flexibility (20%)						
a) Board Involvement / Rate Adjustment Mechanism				X		
b) Purchased Power / Sales %		19%				
c) New Build Capex (% Net PP&E)		X				
d) Rate Shock Exposure						X
Factor 3: Member / Owner Profile (10%)						
a) Residential Sales / Total Sales						16%
b) Members' Consolidated Equity / Capitalization				36%		
Factor 4: 3-Year Average Financial Metrics (40%)						
a) TIER				1.2x		
b) DSC			1.2x			
c) FFO / Debt	22.5%					
d) FFO / Interest	4.2x					
e) Equity / Capitalization				15.1%		
Factor 5: Size (10%)						
a) MWh Sales (Millions of MWhs)			12.0			
b) Net PP&E ($billions)			$1.1			
Rating:						
a) Indicated Rating from Methodology			A2			
b) Actual Rating Assigned (Senior Secured)				Baa1		

Report Number: 134388

Author
Kevin Rose

Production Associate
Cassina Brooks

MOODY'S
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ISSUER COMMENT

Big Rivers Electric Corporation

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Because Big Rivers is substantially dependent on coal-fired generation, it faces a high degree of uncertainty with regard to future environmental regulations, including the form and substance those will take, the timing for implementation, and the amount of related costs to comply. We note that the Economic Reserve should help mitigate some of the need for initial rate increases to cover future compliance costs.

Regulatory Risk Exists; However, Offsets Are Present

Big Rivers is subject to regulation for rate setting purposes by the KPSC, which is atypical for the sector and can pose challenges in getting timely rate relief if and when needed. We view the existence of certain fuel and purchased power cost adjustment mechanisms available to Big Rivers as favorable to its credit profile since they can temper risk of cost recovery shortfalls if there is a mismatch relative to existing rate levels. Although Big Rivers did not file for a general rate increase in 2010, additional revenues were generated under the fuel adjustment clause and through use of a portion of the various reserve funds. In keeping with the KPSC order issued on March 6, 2009 requiring Big Rivers to file for a general review of its financial operations and rates by July 16, 2012 (i.e. three years from the closing of the unwind transaction), Big Rivers filed a wholesale tariff rate case with the KPSC on March 1, 2011. The rate case is intended to bolster wholesale margins, while also addressing increased depreciation costs, administrative costs tied to joining the Midwest Independent Transmission System Operator (MISO) as outlined in more detail below, and maintenance costs incurred during scheduled generation plant outages. According to the filing, the requested increase in member wholesale tariff rates would equate to an estimated 6.85% (approximately $30 million) increase in total member revenue. Hearings have been scheduled for July 26th and 27th and a decision is expected in August 2011, with new rates to be effective September 1, 2011. If the case is not decided in this time line, the regulatory process allows for interim rates to be put into effect, subject to refund. According to management at Big Rivers, the cooperative has not had a wholesale tariff rate increase in 20 years and its existing depreciation study and tariffs have been in place since July 1998. We will continue to monitor the proceedings in the pending case to determine the degree of supportiveness the KPSC provides for this request. Significant shortfalls that compromise Big Rivers ability to achieve timely and full recovery of its costs of service and anticipated financial results could pressure its credit quality. The timing of future rate cases is likely to be influenced primarily by the outcome of future environmental assessments.

Wholesale Power Contracts Are A Linchpin To Sound Credit Profile

The substantial revenues derived under Big Rivers' long-term wholesale contracts with its members will continue as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of transactions were completed in 2009. The low cost power provided under the contracts makes member disenchantment unlikely, even in the face of potential rate increases in the near term associated with the pending rate case and, in the medium to longer term, due to environmental compliance costs. The currently overall sound member profile provides assurance of this revenue stream, which is integral to servicing Big Rivers' debt. The potential for degradation in the creditworthiness of the smelters is a particular credit concern, only tempered in part by assurances of two month's worth of payment obligations covered by letters of credit from an A1 rated financial institution (or some other form acceptable to Big Rivers) under certain circumstances.

Big Rivers' net margins for 2010 reflected improvement over 2009 results (exclusive of the effects of the unwind transactions on 2009 results) as fundamental results in 2009 were negatively affected by costs related to a planned generation plant outage at the D.B. Wilson plant in Centertown, Kentucky, which included a turbine overhaul. Also, during 2010 a considerable reduction in annual interest expense in line with substantially reduced debt following the unwind and non-operating margins resulting from accounting treatment for certain materials and supplies more than compensated for the effects of lower market prices for off-system sales during 2010 compared to 2009.

On a historical basis, Big Rivers dramatically improved its equity position whereby its equity to total capitalization is now over 30% thanks to significant debt reductions following the unwind. At this level, Big Rivers equity to total capitalization maps to the A category for this metric under the rating Methodology. Based on expected continuation of management's current practice of not returning patronage capital back to members (a credit positive strategy in our view) we anticipate that the equity ratio should continue to improve as net margins are fully retained and little if any new debt is added over the next couple of years. We also note that Big Rivers' historical three-year average metrics such as funds from operations (FFO) to debt and FFO to interest are particularly strong due to the one time effects of the unwind, and are therefore not sustainable at those levels. Assuming the KPSC is supportive of Big Rivers' pending request for an increase in member wholesale tariff rates, then we anticipate that Big Rivers should map on average to the A or Baa ranges for other key metrics, such as the times interest earned, the debt service coverage, FFO to interest and FFO to debt ratios. We would view a lack of substantial support for timely and full recovery of costs of service in rate case proceedings as a credit negative, which could cause downward pressure on the ratings for Big Rivers.

Concerns About Potential Loss Of Smelter Load Cannot Be Ignored

Under historical operating conditions, the two smelters served by Kenergy can be expected to consume over 7 million MWh of energy annually, representing a substantial load concentration risk. As noted above, this risk is a significant constraint to Big Rivers' rating, making its operating and risk profile rather unique compared to peers. With Big Rivers' ongoing transmission capacity upgrade projects nearing completion (expected by Q-4 2011), either of the two smelters could serve a one-year notice of termination of their contract at any time. Given the cost effective power being provided by Big Rivers to allow Kenergy to service this load, we do not currently expect the smelters to exercise this option. Moreover, in December 2010 Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO), thereby enhancing its reliability and ensuring compliance with mandated emergency reserve requirements established by regulators. This step, the anticipated completion of expansion of its own transmission lines in Q-4 2011 and legislation to permit sales to non-members, when coupled with the low cost of the power, should enhance Big Rivers' ability to move excess power off system in the event that the smelters cancel their contracts or otherwise reduce load due to curtailment of aluminum production due to market and economic conditions. To the latter point, during 2009, Century Aluminum of Kentucky arranged for the orderly curtailment of one of its five potlines, pending improvement in economic conditions. Following improved economic and market conditions, Century completed its restart of the fifth potline in May 2011. During the period of time that Century Aluminum's potline was shut down, Big Rivers moved to sell into the open market the approximately 87 megawatts of capacity it would otherwise have been providing to Kenergy for service to the one Century Aluminum pot line.

Liquidity

Big Rivers supplements its internally generated funds with $100 million of unsecured committed revolver capacity, with National Rural Utilities Cooperative Finance Corporation (NRUCFC) and CoBank providing $50 million each. The NRUCFC and CoBank facilities, which expire on July 16, 2014 and July 16, 2012, respectively, replaced the smaller $15 million facility previously provided by NRUCFC, which was terminated upon completion of the unwind transactions in 2009. The $50 million NRUCFC facility provides for issuance of up to $10 million of letters of credit. We view the significant increase in available bank credit as credit positive. As of May 31, 2011 Big Rivers had approximately $67 million of unrestricted cash and equivalents on its books, and had substantial unused capacity under the two credit facilities as the only usage related to $5.6 million of letters of credit outstanding with NRUCFC. Assuming little change to future usage of the bank facilities and the cash position, as well as no change to management's current policy of not returning patronage capital back to members, we anticipate that Big Rivers should be able to largely fund its anticipated short-term working capital needs, capital expenditures of about $52 million, and current maturities of long term debt of around $7 million during 2011 without the need for new debt. Big Rivers does, however, face a more material RUS long-term debt maturity of about $76 million in 2012, most of which we anticipate will be refinanced and the balance retired. We also note that the CoBank facility expires within the next 12 months and we anticipate that Big Rivers will renew the facility well ahead of the expiration date.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenor at the time they were arranged and the absence of any onerous financial covenants, which largely mirror the financial covenants in existing debt documents. Big Rivers is in compliance with those covenants and we expect that to remain so in the foreseeable future. Additionally, the NRUCFC facility benefits from no ongoing material adverse change (MAC) clause; however, the CoBank facility is considered of lesser quality because of the ongoing nature of its MAC clause related to each drawdown. We would view an amendment to the CoBank revolver to eliminate the ongoing applicability of the MAC clause as part of the renewal and extension process to be a credit positive step. There are no applicable rating triggers in any of the facilities that could cause acceleration or puts of obligations; however, a ratings based pricing grid applies.

Structural Considerations

As part of the unwinding of various transactions completed in 2009, Big Rivers replaced the previously existing RUS mortgage with a new senior secured indenture. Under the current senior secured indenture RUS and all senior secured debt holders are on equal footing in terms of priority of claim and lien on assets. The current senior secured indenture provides Big Rivers with the flexibility to access public debt markets without first obtaining a case specific RUS lien accommodation, while retaining the right to request approval from the RUS for additional direct borrowings under the RUS loan program, if they choose to do so. Given persistent questions about the availability of funds under the federally subsidized RUS loan program, we consider the added flexibility of the current senior secured indenture to be credit positive.

Rating Outlook

The stable rating outlook is based on Big Rivers' successful completion of the unwind transactions, thereby improving its financial profile and repositioning itself to continue efficiently meeting the needs of its members in the future.

What Could Change the Rating - Up

Given the rating constraints linked to customer load concentration at Kenergy, rate regulation, and looming pressures tied to environmental issues, a rating upgrade is unlikely in the foreseeable future. Changes to eliminate rate regulation of cooperatives in Kentucky could contribute to a positive action, especially if it coincides with improvement in market conditions for the aluminum smelters and sustained improvement of FFO to interest and debt metrics to near 2.3x and 8%, respectively, on average.

What Could Change the Rating - Down

Loss of significant load (i.e. the smelters) that is not otherwise compensated for through off system power sales could contribute to a negative action, as would lack of regulatory support for substantial and timely recovery of costs. In terms of credit metrics, if FFO to interest and debt falls below 2x and 5%, respectively, for a sustained period of time, then rating pressure could result.

Other Considerations

Mapping To Moody's U.S. Electric Generation & Transmission Cooperatives Rating Methodology

Big Rivers' mapping under Moody's U.S. Electric Generation &Transmission Cooperative rating Methodology appears below and is based on historical data through December 31, 2010. The Indicated Rating for Big Rivers' senior most obligations under the Methodology is currently A2 and relies on the aforementioned historical quantitative data and qualitative assessments. In particular we note that the A2 Indicated Rating reflects improvement over the Baa2 Indicated Rating level from historical published reports, which were based on historical data only through 2008. We note that the improvement in the Indicated Rating under the Methodology largely stems from better scores for the factors relating to dependence on purchased power and financial metrics such as equity as a percentage of capitalization, FFO to debt and FFO to interest, all of which improved upon completion of the unwind transactions. Notwithstanding a currently higher Indicated Rating for Big Rivers under the Methodology compared to its actual rating, the unique risks relating to Big Rivers load concentration to the smelters and the fact that it is subject to rate regulation by the KPSC will likely persist and continue to constrain its rating level in the future.

Rating Factors:

Big Rivers Electric Corporation

U.S. Electric Generation & Transmission Cooperatives	Aaa	Aa	A	Baa	Ba	B
Factor 1: Wholesale Power Contracts & Regulatory Status (20%)						
a) % Member Load Served & Regulatory Status			X			
Factor 2: Rate Flexibility (20%)						
a) Board Involvement / Rate Adjustment Mechanism				X		
b) Purchased Power / Sales %		19%				
c) New Build Capex (% Net PP&E)		X				
d) Rate Shock Exposure						X
Factor 3: Member / Owner Profile (10%)						
a) Residential Sales / Total Sales						16%
b) Members' Consolidated Equity / Capitalization				36%		
Factor 4: 3-Year Average Financial Metrics (40%)						
a) TIER				1.2x		
b) DSC			1.2x			
c) FFO / Debt	22.5%					
d) FFO / Interest	4.2x					
e) Equity / Capitalization				15.1%		
Factor 5: Size (10%)						
a) MWh Sales (Millions of MWhs)			12.0			
b) Net PP&E ($billions)			$1.1			
Rating:						
a) Indicated Rating from Methodology			A2			
b) Actual Rating Assigned (Senior Secured)				Baa1		

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