

BIG RIVERS ELECTRIC CORPORATION
REGULAR BOARD OF DIRECTORS MEETING
NOVEMBER 18, 2011

The regular meeting of the Board of Directors of Big Rivers Electric Corporation was called to order at 8 a.m., CST, on Friday, November 18, 2011, at 201 Third Street, Henderson, Kentucky 42420.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

At the board work session held on Thursday night, November 17, Eric Robeson presented an environmental compliance update. Mr. Bailey also reviewed with the board significant corporate strategic planning issues.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

After an explanation by Mr. Blackburn, Director Denton moved that the following resolution be approved:

WHEREAS, management of the Corporation has proposed potentially to pursue, over time, one or more transactions by which the Corporation will exchange sulfur dioxide emissions allowances for nitrous oxide emissions allowances that will better position the Corporation to achieve its environmental compliance strategy;

WHEREAS, management of the Corporation has presented the board of directors with an allowance exchange strategy that assures that value received by the Corporation in any potential exchange of allowances will be no less than market value;

RESOLVED, that in reliance, among other things, upon the presentation and representations of management, the board of directors finds that (i) the Corporation is not in default under any of its credit agreements, including but not limited to its indenture and the RUS Loan Contract; (ii) Big Rivers has achieved a Tier of at least 1.05, and a DSC of at least 1.0 on average or for the best two out of the three most recent years; (iii) any potential exchange, swap, sale or transfer of emissions allowances will not reduce the Corporation's existing or future requirements for energy or capacity being furnished to the Corporation under any wholesale power contract which has been pledged as security to the government, as a creditor under the indenture; (iv) fair market value will be obtained for the emissions allowances the Corporation will furnish in the transactions; (v) no employee or board member of the Corporation has a personal financial interest in the potential transactions involving the Corporation's emission

allowances; and (vi) the aggregate value of the allowances sold, leased, or transferred in any 12-month period will be no more than \$5 million.

FURTHER RESOLVED, that the proposed transactions are in the best interests of the secured creditors of the Corporation;

FURTHER RESOLVED, that in further reliance upon the presentation and representations of management, the board of directors finds that the Corporation's generating system after the potential transactions will constitute a satisfactory operating unit; the potential transactions will not jeopardize the repayment of the RUS or any other loans; and all necessary approvals for each of the potential transactions have been or will be obtained where required by law or by the articles of incorporation of the Corporation.

FURTHER RESOLVED, that any officer of the Corporation is authorized on behalf of the Corporation to negotiate and execute the details of the potential transaction or transactions described above, within the limits of the findings and parameters assumed in these resolutions, including but not limited to signing on behalf of the Corporation such documents as that officer may deem appropriate or necessary to complete the potential transaction or transactions contemplated by these resolutions, and to seek such approvals from regulatory agencies and creditors as may be required in the exercise of the authority granted in these resolutions.

The motion was seconded and unanimously adopted.

[illegible]



Environmental Compliance Update

Eric Robeson
November 17, 2011



Preliminary Recommendations from Sargent & Lundy Study

- Replace FGD at Wilson
- Install SCR at one Green unit
- Install additional FGD recycle pumps and upgrade fans at HMPL
- Install low NOx burners at HMPL and Wilson
- Convert Reid to gas

CSAPR Cost Estimates

(millions)

- Wilson FGD 75-125
- Green SCR 60-75
- HMPL FGD 8-15
- Reid Gas Conv 2-5

- Total 145-220

- Burner Upgrades 7-10 (in current CAPEX budget)

CSAPR Rate Impact

- \$220 M cap ex
- 7.10% cost of capital
- \$15.0 M annual capital recovery
- \$1.7 M annual O&M increase
- \$16.7 M annual cost increase

- 2.7% wholesale rate increase

Time Line

- April 2012 File Environmental Compliance Plan, CPCN, Revised Environmental Surcharge, Financing Plan
Release A/E to develop RFP's
- October 2012 PSC Approval
Notice to proceed to vendors
- April 2013 Vendor procurement begins
- July 2013 Construction begins
- January 2015 Wilson FGD in service

Projected Cash Flow

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Wilson FGD	5	40	60	20
Green SCR	5	50	20	
HMIPL FGD	3	12		
Reid Gas	2	3		

Alternatives

- Convert Green Units to Natural Gas
 - Estimated \$25M each vs \$60M SCR each
 - MWH cost goes from \$30 to \$50
 - Complies with future HAPS/MACT and CCR regulations
- Buy NOx Allowances instead of SCR or Gas Conversion
 - Market needs to develop



HAPS/MACT

- Regulations expected to be issued December
- 2015-2016 expected compliance date
- Activated Carbon Injection and Precipitator upgrades at all plants
- \$80 -100 M estimated CAPEX
- Significant O&M impact for reagents