COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR AN ADJUSTMENT OF RATES	)))	CASE NO. 2012-00535

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recordings of the evidentiary hearing conducted July 1 – July 3, 2013 in this proceeding;

- Certifications of the accuracy and correctness of the digital video recordings;

- All exhibits introduced at the evidentiary hearing conducted Jul 1 – July 3, 2013 in this proceeding;

- The written logs listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recordings of the evidentiary hearing conducted July 1 – July 3, 2013.

A copy of this Notice, the certifications of the digital video records, exhibit lists, and hearing logs have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring electronic copies of the digital video recordings of the hearing in Windows Media format may download copies at:

http://psc.ky.gov/av_broadcast/2012-00535/2012-00535_01Jul13_Inter.asx

http://psc.ky.gov/av_broadcast/2012-00535/2012-00535_02Jul13_Part1_Inter.asx http://psc.ky.gov/av_broadcast/2012-00535/2012-00535_02Jul13_Part2_Inter.asx

http://psc.ky.gov/av_broadcast/2012-00535/2012-00535_03Jul13_Inter.asx

Parties wishing annotated digital video recordings may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for copies of these recordings.

The exhibits introduced at the evidentiary hearing may be downloaded at http://psc.ky.gov/pscscf/2012%20cases/2012-00535/.

Done at Frankfort, Kentucky, this 11th day of July 2013.

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Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR AN ADJUSTMENT OF RATES	)))	CASE NO. 2012-00535

CERTIFICATE

We, Sonya J. Harward and Melinda A. Ernst, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on July 1, 2013. Hearing Log, Exhibits, Exhibit List, and Witness List are included with the recording on July 1, 2013.

2. We are responsible for the preparation of the digital recording.

3. The digital recording accurately and correctly depicts the hearing.

4. The "Exhibit List" attached to this Certificate lists all exhibits introduced at the hearing of July 1, 2013.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of July 1, 2013 and the time at which each occurred.

Given this 9th day of July, 2013.

Sonya J. Harward
Sonya J. Harward (Boyd), Notary Public
State-at-Large
My Commission Expires: Aug. 25, 2013

Melinda A. Ernst
Melinda A. Ernst, Notary Public
State-at- Large
My Commission Expires: Feb. 4, 2016

JAVS Session Report - Detail

2012-00535_01July2013

Big Rivers Electric Corporation

Date:	Type:	Location:	Department:
7/1/2013	General Rates	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Linda Breathitt; Jim Gardner
Witness: Mark Bailey - Big Rivers President and CEO
Clerk: Sonya Harward

Event Time	Log Event	
10:21:52 AM	Session Started	
10:21:57 AM	Preliminary remarks	
	Note: Harward, Sonya	Chairman Armstrong
10:22:22 AM	Jim Miller, Tyson Kamuf, Tip Depp - Big Rivers Counsel	
	Note: Harward, Sonya	Introductions
10:22:58 AM	Joe Childers, Shannon Fisk, Tom Cmar - Sierra Club Counsel	
10:23:22 AM	Jennifer Hans, Larry Cook, Dennis Howard - AG Counsel	
10:23:37 AM	Mike Kurtz - KIUC Counsel	
10:23:52 AM	Chris Hopgood - Kenergy Corp. Counsel	
10:24:10 AM	Melissa Yates - Jackson Purchase Counsel	
10:24:16 AM	Camera Lock Camera 7 Activated	
10:24:19 AM	Camera Lock Deactivated	
10:24:22 AM	Thomas Bright - Meade Co. RECC Counsel	
10:24:35 AM	Quang Nguyen and Aaron Ann Cole, PSC Counsel	
10:24:44 AM	Confirmed that public notice was given.	
10:24:57 AM	Outstanding Motions	
	Note: Harward, Sonya	Big Rivers Motion to strike Ackerman supplemental testimony. Overruled.
	Note: Harward, Sonya	KIUC to address certain information that has been granted confidentiality to be addressed in open session. Granted.
	Note: Harward, Sonya	KIUC to present witnesses on Wednesday. Granted.
10:29:39 AM	Asked for public comments.	
	Note: Harward, Sonya	Chairman Armstrong
10:30:55 AM	Mike Baker - Director of Hancock Co. Industrial Foundation	
	Note: Harward, Sonya	Public Comment
	Note: Harward, Sonya	Public - Exhibit 1
10:35:28 AM	Kyle Estes - Superintendent of Schools for Hancock County	
	Note: Harward, Sonya	Public Comment
	Note: Harward, Sonya	Public - Exhibit 2
10:39:10 AM	Witness Mark Bailey takes the stand, is sworn in, and in direct examination accepts previous testimony as correct.	
	Note: Harward, Sonya	President and CEO of Big Rivers Electric Corporation
10:40:08 AM	Cross Examination of Witness Bailey by AG Atty. Cook.	
10:41:38 AM	Asked for clarification of a statement in Witness Bailey's previously filed testimony.	
	Note: Harward, Sonya	Bailey Rubuttal, page 7, line 8.
10:46:47 AM	AG - Exhibit 1	
	Note: Harward, Sonya	Response to PSC's 2nd Request for Information, Item 1, response dated Feb. 28, 2013.
10:52:30 AM	Questioning about Big Rivers transparency in reference to the strategy it has used.	
	Note: Harward, Sonya	Asked by Atty. Cook.

10:59:33 AM	Questioning about Witness Bailey's previous testimony regarding the request for bare mininmum rate increase.	
	Note: Harward, Sonya	Bailey Rebuttal, page 4, lines 5-7.
11:04:03 AM	AG - Exhibit 2	
	Note: Harward, Sonya	"Guest Column: Saving Century would carry huge price tag" - Article from Evansville Courier & Press, 7/20/12
11:07:34 AM	AG - Exhibit 3	
	Note: Harward, Sonya	Standard & Poor's RatingsDirect - Summary: Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop
11:16:58 AM	AG - Exhibit 4	
	Note: Harward, Sonya	PSC Order, CN 2009-00040, Aug. 14, 2009.
11:20:29 AM	Confirmed that some officers have left or will be leaving Big Rivers and their replacements	
	Note: Harward, Sonya	Witness Bailey.
11:22:50 AM	Post Hearing Requests by AG to Big Rivers	
	Note: Harward, Sonya	2-Billie Richert assumed Mark Height's responsibilities - Is their salary compensation at the same level?
	Note: Harward, Sonya	1-Deanna Speed assumed Travis Siewart's responsibilities - Is their salary compensation at the same level?
11:26:05 AM	Objection by Atty. Kamuf.	
	Note: Harward, Sonya	Discussing pay cuts accepted by state officials and the lack of pay cuts by officers at Big Rivers.
11:26:16 AM	Chairman Armstrong overruled objection.	
11:32:58 AM	Interjection by Atty. Depp - Big Rivers	
	Note: Harward, Sonya	Suggested that questioning going too deeply into the unwind case.
11:33:52 AM	Chairman Armstrong allowed AG Atty. Cook to continue on with line of questioning.	
11:37:19 AM	Objection by Atty. Kamuf.	
	Note: Harward, Sonya	AG Atty. Cook should not ask what the lenders were thinking.
11:37:27 AM	Chairman Armstrong sustained objection.	
11:41:39 AM	Questioning about Witness Bailey's previous testimony.	
	Note: Harward, Sonya	Rebuttal Testimony, page 8, lines 12-13.
	Note: Harward, Sonya	Rebuttal Testimony, page 6, line 11.
11:44:08 AM	Questioning about Witness Bailey's previous testimony regarding mitigation plan.	
	Note: Harward, Sonya	Rebuttal Testimony, page 11, line 10.
11:45:31 AM	Questioning about Witness Bailey's previous testimony.	
	Note: Harward, Sonya	Rebuttal Testimony, page 12, line 8.
	Note: Harward, Sonya	Rebuttal Testimony, page 12, line 14.
11:51:50 AM	Objection by Atty. Kamuf.	
	Note: Harward, Sonya	Objected to question about CN 2013-00221.
11:52:26 AM	Chairman Armstrong sustained objection.	
11:52:35 AM	Cross Examination of Witness Bailey by KIUC Atty. Kurtz.	
12:03:48 PM	Questioning about MISO and the 'must run' scenario regarding Coleman plant.	
	Note: Harward, Sonya	Atty. Kurtz - KIUC questioning Witness Bailey.
12:07:07 PM	Clarification about a difference in answers about Wilson plant.	
	Note: Harward, Sonya	Questioned about idling Wilson...rebuttal testimony said it would be idled, but now Wilson will run.
12:10:24 PM	KIUC - Exhibit 1	
	Note: Harward, Sonya	Response to AG's Initial Request for Information, Item 113, response dated Feb. 28, 2013.
12:16:31 PM	Interjection by Atty. Kamuf	
	Note: Harward, Sonya	Concerned that the questions were getting into information from a different case.
	Note: Harward, Sonya	Questioning concerns idling Wilson and the date it will be idled.
12:20:33 PM	Chairman Armstrong allowed the line of questioning to be continued.	
12:23:10 PM	Private Recording Activated	

12:23:29 PM	Session Paused
12:24:46 PM	Session Resumed
1:09:26 PM	Session Paused
1:10:18 PM	Session Resumed
1:10:20 PM	Public Recording Activated
1:10:24 PM	Came out of confidential session and audience allowed to come back in.
1:11:34 PM	KIUC - Exhibit 7
	Note: Harward, Sonya Stark Choice / Alternative Plan
1:20:24 PM	Questioning continuing about creditors, who to borrow from, the ability to borrow, etc.
	Note: Harward, Sonya Answered by Witness Bailey.
1:26:45 PM	No more questions for Witness Bailey by Atty. Kurtz.
1:26:51 PM	Adjourned for lunch
1:27:00 PM	Session Paused
1:47:17 PM	Session Ended

Session Report - Detail

2012-00535_01Jul13_PM

Big Rivers Electric

Date:	Type:	Location:	Department:
7/1/2013	General Rates	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Linda Breathitt; Jim Gardner
Clerk: Melinda Ernst

Event Time	Log Event	
2:35:38 PM	Session Started	
2:35:39 PM	Chairman Armstrong	
	Note: Ernst, Melinda	Offered time for additional public comments.
2:37:28 PM	Public comments	
	Note: Ernst, Melinda	J. B. McCaslin and one other person provided comments to the PSC in favor of keeping jobs and maintaining the current level of services offered by Big Rivers Electric.
2:39:27 PM	Camera Lock Camera 8 Activated	
2:39:27 PM	Camera Lock Deactivated	
2:43:02 PM	Thomas Cmar, Sierra Club	
	Note: Ernst, Melinda	Questioned witness regarding rebuttal testimony, page 6 regarding intervenors middle-ground proposals. Questioned further about rebuttal testimony, page 7 and purchasing energy from the open market in lieu of purchasing energy from Big Rivers.
	Note: Ernst, Melinda	Questioned witness regarding revenue shortfall included in this rate case. Further questioned the witness regarding AG's Exhibit 3, Standard & Poors Ratings Direct.
	Note: Ernst, Melinda	Questioned Witness Mark Bailey regarding cost of service, excess capacity, reserve margin, current peak load and peak load following the departure of the smelters.
	Note: Ernst, Melinda	Questioned the witness regarding capital expenditures and the scheduled to make those expenditures. He further questioned the witness regarding long-term and short-term financing with CFC and RUS. Questioned the witness regarding Big Rivers' cash on hand to satisfy their margin requirements in an effort to reduce members' rates.
	Note: Ernst, Melinda	Questioned witness on rebuttal testimony, pages 6 and 9 and sacrifices made by Big Rivers.
3:47:12 PM	Private Recording Activated	
3:55:54 PM	Public Recording Activated	
3:56:05 PM	Mr. Nguyen, PSC Staff	
	Note: Ernst, Melinda	He further questioned the witness regarding its proposed rate case application and when a decision would be made on which plant to idle.
	Note: Ernst, Melinda	Questioned the witness regarding the potential reduction in rates and success in the mitigation plan. He further questioned the witness regarding the consultant, Mr. Snyder's involvement in this rate case.
4:11:11 PM	Vice Chairman Gardner	
	Note: Ernst, Melinda	Questioned witness regarding the Wilson and Coleman plants.

	Note: Ernst, Melinda	Questioned the witness regarding the new rate case regarding revenues Big Rivers would lose with the termination of the Alcan contract.
	Note: Ernst, Melinda	He also questioned the witness regarding Case No. 2013-00221 and possible revenue Big Rivers would receive from Century.
	Note: Ernst, Melinda	Questioned the witness regarding MISO's must-run status, environmental issues, etc. Further questioned witness on his direct testimony on termination of credit lines.
4:27:42 PM	Commissioner Breathitt	
	Note: Ernst, Melinda	Questioned the witness regarding the Wilson and Coleman plants and hypothetically which one will close based on MISO's decision. She further questioned the difference between idling and selling the plants.
4:34:19 PM	Vice Chairman Gardner	
	Note: Ernst, Melinda	Questioned the witness regarding idling the plant and costs associated with idling a plant.
4:35:21 PM	Chairman Armstrong	
	Note: Ernst, Melinda	Questioned the witness regarding the demand for electricity in Kentucky and across the country.
4:37:18 PM	Mr. Kamuf, Big Rivers	
	Note: Ernst, Melinda	Questioned Mr. Bailey on redirect. He questioned the witness regarding its plan to idle a plant and whether cash on hand could be used for tiers. He further questioned the witness about retiring a unit and the effect it would have on Big Rivers ability to provide services.
4:46:17 PM	Mr. Kurtz, KIUC	
	Note: Ernst, Melinda	Questioned Witness Bailey regarding related cases.
4:49:20 PM	Mr. Depp, Big Rivers	
	Note: Ernst, Melinda	Objected to Mr. Kurtz line of questioning.
4:50:28 PM	Private Recording Activated	
4:56:40 PM	Public Recording Activated	
4:58:45 PM	Mr. Nguyen, PSC Staff	
	Note: Ernst, Melinda	Questioned the witness regarding revenue.
5:01:04 PM	Mr. Cmar, Sierra Club	
	Note: Ernst, Melinda	Questioned the witness whether Big Rivers would be in a position to work with creditors if it did not have three times its energy capacity. He further questioned the witness regarding Big Rivers involvement with MISO and its business model.
5:06:07 PM	Chairman Armstrong	
	Note: Ernst, Melinda	Adjourned the hearing for the evening and asked that parties be ready to begin at 9:00 a.m. on Tuesday, July 2.
5:07:49 PM	Session Ended	

JAVS Exhibit List Report

2012-00535_01July2013

Big Rivers Electric Corporation

Name:	Description:
AG - Exhibit 1	Response to PSC's 2nd Request for Information, response filed Feb. 28, 2013.
AG - Exhibit 2	"Guest Column: Saving Century would carry huge price tag" - Article from Evansville Courier & Press, 7/20/12
AG - Exhibit 3	Standard & Poor's RatingsDirect - Summary: Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop
AG - Exhibit 4	PSC Order, CN 2009-00040, Aug. 14, 2009.
KIUC - Exhibit 1	Response to AG's Initial Request for Information, Item 113, response dated Feb. 28, 2013.
KIUC - Exhibit 2 - CONFIDENTIAL	Big Rivers Electric Corporation Exhibit Rebuttal -2, Coleman vs. Wilson Lay-up Savings*
KIUC - Exhibit 3 - CONFIDENTIAL	Cumulative Costs Associated with Running Wilson Plant Instead of Laying It Up $ Millions
KIUC - Exhibit 4 - CONFIDENTIAL	Energy Available for Market Sales with Coleman and Wilson Running
KIUC - Exhibit 5 - CONFIDENTIAL	2012 Environmental Compliance Plan from the Application of Big Rivers Electric Corporation, Case No. 2012-00063, filed April 2, 2012.
KIUC - Exhibit 6 - CONFIDENTIAL	A group of letters and emails from and to various parties.
KIUC - Exhibit 7	Stark Choice / Alternative Plan
Public - Exhibit 1	Public Comment of Mike Baker - Director of Hancock Co. Industrial Foundation
Public - Exhibit 2	Public Comment of Kyle Estes - Superintendent of Schools for Hancock County

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR AN ADJUSTMENT OF RATES	)))	CASE NO. 2012-00535

CERTIFICATE

I, Sonya J. Harward, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on July 2, 2013. Hearing Log, Exhibits, Exhibit List, and Witness List are included with the recording on July 2, 2013.

2. I am responsible for the preparation of the digital recording.

3. The digital recording accurately and correctly depicts the hearing.

4. The "Exhibit List" attached to this Certificate lists all exhibits introduced at the hearing of July 2, 2013.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of July 2, 2013 and the time at which each occurred.

Given this 9th day of July, 2013.

Sonya J. Harward

Sonya J. Harward (Boyd), Notary Public
State-at-Large

My Commission Expires: Aug. 25, 2013

Date:	Type:	Location:	Department:
7/2/2013	General Rates	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Linda Breathitt; Jim Gardner
Witness: Robert Berry - Big Rivers; David Crockett - Big Rivers; Ted Kelly - Big Rivers; Billie Richert - Big Rivers; William Snyder - Big Rivers
Clerk: Sonya Harward

Event Time	Log Event	
9:08:20 AM	Session Started	
9:08:29 AM	Preliminary Remarks-Vice Chairman Gardner	
	Note: Harward, Sonya	Chairman Armstrong had an emergency but will join hearing later today.
9:09:10 AM	Witness Billie Richert sworn in.	
	Note: Harward, Sonya	VP of Accounting, Rates, and CFO at Big Rivers.
9:09:32 AM	Direct Examination of Witness Richert by Atty. Kamuf, confirmed testimony is still accurate.	
9:09:59 AM	Camera Lock Deactivated	
9:10:22 AM	AG Atty. Cook Cross Examination of Witness Richert.	
9:14:02 AM	Atty. Kamuf interjected about showing the Witness the document that the statement is coming from.	
	Note: Harward, Sonya	Atty. Cook will come back to the document being discussed.
9:14:50 AM	Referenced Witness Richert's filed tesitmony.	
	Note: Harward, Sonya	Rebuttal Testimony, page 6, bottom of page.
	Note: Harward, Sonya	Rebuttal Testimony, page 8, line 6-7.
9:18:20 AM	Referenced document ***********************	
	Note: Harward, Sonya	Confidential Response to AG's 1st Date Request, Item 175 Commission Staff's 2nd Information Request, Item 14
9:20:38 AM	Objection by Atty. Kamuf	
	Note: Harward, Sonya	Referred to a proposal in another case.
9:20:55 AM	Vice Chairman Gardner overruled objection.	
9:21:13 AM	AG - Exhibit 5	
	Note: Harward, Sonya	Big Rivers Application, CN 2013-00199, Direct Testimony of Billie Richert
9:24:06 AM	No further questions from Atty. Cook for Witness Richert.	
9:25:20 AM	KIUC Atty. Kurtz Cross Examination of Witness Richert.	
9:27:45 AM	KIUC - Exhibit 8	
	Note: Harward, Sonya	Estimated Rate Increases to Rural Class Due To Century Termination
9:30:33 AM	Referenced document from Witness Richert's Testimony	
	Note: Harward, Sonya	Tab 59
9:38:44 AM	This Exhibit was later discarded - KIUC - Exhibit 9 (not submitted in the case.)	
	Note: Harward, Sonya	Article "Budget Proposes RUS Loan Curbs"
9:40:21 AM	Atty. Depp interjected about questioning concerning KIUC - Exhibit 9.	
	Note: Harward, Sonya	The exhibit is not complete.
9:41:06 AM	Vice Chairman allowed Atty. Kurtz to ask his question.	
9:43:15 AM	Referenced Witness Richert's Rebuttal Testimony.	
	Note: Harward, Sonya	Rebuttal Testimony, page 15, line 12.
9:44:46 AM	Questioned concerning idling/operating Wilson station.	
9:48:47 AM	Atty. Kurtz asked to go into confidential session.	
9:50:46 AM	Private Recording Activated	
10:17:51 AM	Public Recording Activated	
10:18:01 AM	Atty. Kurtz returned to Cross Examination of Witness Richert.	

10:22:19 AM	Questioning continued about the reserve funds.	
10:26:50 AM	Atty. Kamuf interjected.	
	Note: Harward, Sonya	Witness Richert has answered Atty. Kurtz's question twice.
10:27:04 AM	Vice Chairman Gardner questioned Witness Richert about a potential descrepancy in her response.	
	Note: Harward, Sonya	In Alcan rate case, are some of the reserve funds being used to offset rate increase or just environmental surcharge and FAC?
10:29:58 AM	Cross Examination of Witness Richert by SC Atty. Cmar.	
10:31:03 AM	Referenced AG - Exhibit 3.	
10:36:33 AM	Questioned about long-term financing by RUS for mercury regulation compliance.	
10:40:34 AM	Atty. Cmar has no further questions for Witness Richert.	
10:40:44 AM	AG Atty. Cook returned to Cross Examination of Witness Richert.	
	Note: Harward, Sonya	Provided Witness Richert with a document that will be entered as an Exhibit.
	Note: Harward, Sonya	Witness was asked to read from page 40.
10:41:21 AM	AG - Exhibit 6	
	Note: Harward, Sonya	Big Rivers Electric Corporation, Disclosure Statement, July 12, 2012
10:44:43 AM	PSC Atty. Nguyen Cross Examination of Witness Richert.	
	Note: Harward, Sonya	Referenced Witness Richert's Rebuttal Testimony.
10:48:12 AM	Questioned about depreciation of an idled plant.	
10:49:26 AM	Post Hearing Request	
	Note: Harward, Sonya	File documentation and support of position you stated about depreciation of an idled station.
10:50:00 AM	Referenced Witness Richert's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 15, lines 19-20
	Note: Harward, Sonya	Pages 16-17 also referenced.
10:54:47 AM	Continued referencing Witness Richert's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 17.
10:57:49 AM	No further questions by Atty. Nguyen for Witness Richert.	
10:57:56 AM	Break	
10:58:03 AM	Session Paused	
11:08:10 AM	Session Resumed	
11:08:29 AM	Cross Examination of Witness Richert by Vice Chairman Gardner.	
	Note: Harward, Sonya	Some questions referred to SC - Exhibit 2 - Confidential.
11:12:47 AM	Questioned about credit ratings and RUS loan agreements.	
	Note: Harward, Sonya	Discusses the Corrective Action Plan.
11:17:24 AM	Vice Chairman asked for clarity of the status of revolving line of credit agreements.	
11:20:11 AM	Witness Richert states that Big Rivers needs an Order for the financing case 33 days before Aug. 20, 2013.	
	Note: Harward, Sonya	That financing case concerns loans with CFC.
11:24:21 AM	Commissioner Breathitt Cross Examination of Witness Richert.	
	Note: Harward, Sonya	Referenced pages 13-14 of Witness Richert's Rebuttal.
11:27:27 AM	No futher questions by Commissioners.	
11:27:36 AM	Re-Direct Examination by Atty. Kamuf of Witness Richert.	
11:31:08 AM	SC Atty. Cmar Re-Cross Examination of Witness Richert.	
11:32:07 AM	No futher questions for Witness Richert...leaves stand.	
11:32:23 AM	Witness William Snyder takes stand and is sworn in.	
	Note: Harward, Sonya	Testimony involves the merits of bankruptcy for Big Rivers.
	Note: Harward, Sonya	Deloitte Financial Advisory Services
11:35:00 AM	Direct Examination of Witness Snyder by Atty. Kamuf.	
11:35:32 AM	Correction to testimony and testimony adopted with that correction.	
	Note: Harward, Sonya	Wtiness Snyder's Testimony, page 22, 1.5 billion should have been 15 billion.
11:36:00 AM	Cross Examination of Witness Synder by AG Atty. Hans.	

11:37:54 AM	Atty. Hans referenced experience of Witness Snyder.	
	Note: Harward, Sonya	Page 3, line 21, Rebuttal Testimony.
11:43:02 AM	Referenced Rebuttal Testimony of Attorney General	
	Note: Harward, Sonya	Question 10.
11:48:03 AM	Referenced Witness Synder's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 5, line 23.
11:50:49 AM	Referenced Witness Snyder's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 16.
11:51:59 AM	Referenced Witness Snyder's Rebuttal Testimony.	
	Note: Harward, Sonya	Exhibit B
11:54:00 AM	Referenced Witness Snyder's Rebuttal Testimony.	
	Note: Harward, Sonya	Exhibit C
11:55:48 AM	No further questions by Atty. Hans.	
11:55:54 AM	KIUC Atty. Kurtz Cross Examination of Witness Snyder.	
11:56:00 AM	Referenced Witness Snyder's Rebuttal Testimony.	
11:59:50 AM	Witness Synder discussed how lenders could help Big Rivers be successful.	
12:08:52 PM	Atty. Kamuf objected to Atty. Kurtz's line of questioning.	
	Note: Harward, Sonya	Asked for document where information was gathered.
	Note: Harward, Sonya	Atty. Kurtz provided that document.
12:09:30 PM	KIUC - Exhibit 9	
	Note: Harward, Sonya	Robert Berry's Response to Ben Taylor and Sierra Club's Initial Request for Information dated Feb. 14, 2013.
12:13:33 PM	KIUC - Exhibit 10	
	Note: Harward, Sonya	Referenced page 280, Post-Petition Interest.
	Note: Harward, Sonya	Referenced page 289, Who will set rates...
	Note: Harward, Sonya	Chapter 11 Reorganization of Utility Companies by Ralph Mabey and Patrick Malone
12:23:56 PM	Atty. Kamuf Interjected that Witness Snyder has answered the question several times.	
12:24:11 PM	Chairman Armstrong agreed.	
	Note: Harward, Sonya	Strike any opinion that Witness Snyder gave about Big Rivers' previous bankruptcy issues.
12:24:45 PM	SC Atty. Fisk Cross Examination of Witness Snyder.	
	Note: Harward, Sonya	Referenced Witness Snyder's Testimony, page 13, line 19.
	Note: Harward, Sonya	Exhibit A
12:28:38 PM	Atty. Depp interjected.	
	Note: Harward, Sonya	Witness has testified that he does not know how to make rates.
12:29:00 PM	Chairman Armstrong asked Witness if he understood question and allowed Witness to answer.	
12:31:04 PM	Referenced Witness Snyder's Testimony.	
	Note: Harward, Sonya	Exhibit B
12:33:27 PM	Referenced Witness Snyder's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 13.
12:39:42 PM	No further questions by Atty. Fisk for Witness Snyder.	
12:39:49 PM	Atty. Nguyen Cross Examination of Witness Snyder.	
12:42:18 PM	No futher questions of Witness Snyder by Atty. Nguyen.	
12:42:23 PM	Vice Chairman Gardner Cross Examination of Witness Snyder.	
	Note: Harward, Sonya	Questioned about how long it would take Witness Snyder and other associates to get up to speed and provide financial restructuring consulting for Big Rivers.
12:46:50 PM	Referenced Witness Snyder's Testimony.	
	Note: Harward, Sonya	Page 19.
12:47:56 PM	Referenced Witness Snyder's Testimony.	
	Note: Harward, Sonya	Page 6.
12:50:29 PM	No further questions from the Commissioners.	
12:50:35 PM	Re-Direct Examination of Witness Snyder by Atty. Kamuf.	

12:56:04 PM	No further questions for Witness Snyder by Atty. Kamuf.	
12:56:09 PM	Re-Cross Examination of Witness Snyder by Atty. Kurtz.	
	Note: Harward, Sonya	Referenced KIUC - Exhibit 10, pages 286 and 287.
12:58:46 PM	No more questions of Witness Snyder by Atty. Kurtz.	
12:58:50 PM	Re-Direct Examination of Witness Snyder by Atty. Kamuf.	
12:59:33 PM	Re-Cross Examination of Witness Snyder by Vice Chairman Gardner.	
1:00:17 PM	Chairman Armstrong dismissed Witness Snyder from stand.	
	Note: Harward, Sonya	Asked Witness Sndyer to stay for the day, subject to recall.
1:01:51 PM	Chariman Armstrong dismissed for lunch.	
1:02:35 PM	Session Paused	
2:07:09 PM	Session Resumed	
2:07:15 PM	Witness Robert Berry takes stand.	
	Note: Harward, Sonya	VP of Production for Big Rivers
2:07:25 PM	Atty. Hans hands out complete copy of AG - Exhibit 5.	
	Note: Harward, Sonya	Discarded abbreviated version of this exhibit.
2:07:52 PM	Camera Lock Deactivated	
2:07:53 PM	Witness Berry is sworn in.	
	Note: Harward, Sonya	Also accepts filed testimony as accurate, via Direct Examination of Witness by Atty. Kamuf.
2:08:38 PM	Cross Examination of Witness Berry by Atty. Cook.	
2:09:26 PM	Post Hearing Request	
	Note: Harward, Sonya	Show what resource capacity margin will be after the departure of the Century load when all calculations are taken into consideration.
2:12:35 PM	AG - Exhibit 7	
	Note: Harward, Sonya	Lane Kollen, page 29, Comparison of Reserve Margins For Utilities in Kentucky
2:14:49 PM	Post Hearing Request	
	Note: Harward, Sonya	Provide clarity of data in the chart for Big Rivers, from AG - Exhibit 7. (Peak load not accurate on this chart, some things are included that should not be.)
2:17:58 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 4, line 9.
2:25:05 PM	Questioned about MISO, Attachment Y2 Preliminary Report.	
2:26:26 PM	Post Hearing Request	
	Note: Harward, Sonya	Produce redacted version of the Attachment Y2 Report.
2:28:35 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 7, first full sentence.
2:33:03 PM	Vice Chairman interjected a question for clarity.	
	Note: Harward, Sonya	Is that why there was a serve credit to the Rural customers?
2:33:26 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 7, line 3.
2:34:00 PM	AG - Exhibit 8	
	Note: Harward, Sonya	Article. "Big Rivers looking to see two Kentucky coal plants", Platts, dated June 25, 2013.
2:35:09 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 8, lines 15-16.
2:37:05 PM	Commissioner Breathitt interjected a question for clarity.	
	Note: Harward, Sonya	Is it small commerical/industrial customers that are looking for 1500 MW?
2:39:38 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 8, lines 19-22.
2:41:01 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 9, line 22, and first few lines of page 10.

2:42:52 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 12, lines 3-5.
2:46:26 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 14, lines 8-9.
2:48:09 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 18, lines 5-7.
2:55:29 PM	Questioning continued about costs Century will be responsible for.	
2:57:58 PM	Commissioner Breathitt injected a question to clarify.	
	Note: Harward, Sonya	Confirming some questions about Century's installation of equipment to allow it to use less power.
3:03:36 PM	No futher questions by Atty. Cook for Witness Berry.	
3:03:41 PM	Cross Examination of Witness Berry by Atty. Kurtz.	
3:04:47 PM	Referenced KIUC - Exhibit 2.	
3:05:31 PM	Objection by Atty. Kamuf due to confidential information being discussed.	
3:06:18 PM	Private Recording Activated	
3:09:38 PM	Public Recording Activated	
3:09:45 PM	Questioning continued in public session.	
3:11:31 PM	Questioned about Alcan's request to pay $42 per kW in past.	
3:15:50 PM	Atty. Kamuf interjected.	
	Note: Harward, Sonya	Atty. Kurtz moved on to next question.
	Note: Harward, Sonya	Asked for testimony being referred to be produced.
3:17:48 PM	Chairman Armstrong interjected.	
	Note: Harward, Sonya	Asked that Witness Berry clarify his response.
3:19:52 PM	Chairman Armstrong interjected with a question about net present value in this case.	
3:21:53 PM	KIUC - Exhibit 11	
	Note: Harward, Sonya	Article from the New York Times, May 24, 2013. "Kentucky Operator to Cease Enrichment of Uranium"
3:25:38 PM	KIUC - Exhibit 12	
	Note: Harward, Sonya	MISO 2013 Summer Resource Assessment
3:28:28 PM	KIUC - Exhibit 13	
	Note: Harward, Sonya	The President's Climate Action Plan, June 2013
3:32:57 PM	Atty. Kurtz asked to go into Confidential Session.	
3:33:01 PM	Private Recording Activated	
3:53:45 PM	Session Paused	
4:07:35 PM	Session Resumed	
4:07:41 PM	Public Recording Activated	
4:07:50 PM	Returned to Public Session	
4:07:56 PM	Cross Examination of Witness Berry by Atty. Fisk.	
4:11:10 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 4, line 13.
4:26:58 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 10.
4:29:50 PM	Atty. Fisk asked to go into Confidential Session.	
4:29:55 PM	Private Recording Activated	
5:18:32 PM	Public Recording Activated	
5:18:40 PM	Atty. Fisk continued Cross Examination of Witness Berry in Public Session.	
5:18:50 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 15.
5:23:47 PM	Referenced Frank Ackerman's Testimony.	
	Note: Harward, Sonya	Exhibit 3
5:31:26 PM	Atty. Kamuf objected to counsel testifying.	
	Note: Harward, Sonya	Chairman Armstrong took note of that.
5:37:40 PM	Private Recording Activated	
5:40:59 PM	Session Paused	

6:59:38 PM	Session Resumed	
6:59:43 PM	Session Paused	
6:59:56 PM	Session Resumed	
7:00:02 PM	Session Paused	
7:02:44 PM	Session Resumed	
7:06:44 PM	Public Recording Activated	
7:06:48 PM	Atty. Fisk resumed Cross Examination of Witness Berry in Public Session.	
7:08:58 PM	Post Hearing Request - Fulfilled at hearing.	
	Note: Harward, Sonya	Provide Energy Price Projections in CPCN case.
	Note: Harward, Sonya	This item can be used from a previous case that Atty. Fisk has access to and Atty. Kamuf gives permission for the use of the materials, asserting that they must remain confidential.
7:12:30 PM	No further questions for Witness Berry by Atty. Fisk.	
7:12:35 PM	Atty. Nguyen Cross Examination of Witness Berry.	
7:17:26 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 5, beginning on line 12.
7:19:46 PM	Post Hearing Request	
	Note: Harward, Sonya	What percentage of the $4.54 per mWh fuel costs will be recovered via FAC charges as opposed to the base rates?
7:22:08 PM	Referenced Witness Berry's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 14.
7:25:49 PM	Referenced Response to Commission Staff's 2nd Request for Information.	
	Note: Harward, Sonya	Item 21.
7:30:00 PM	Witness Berry described the process of bringing a station back online after being idled.	
7:34:49 PM	Atty. Nguyen referenced previously filed responses.	
	Note: Harward, Sonya	Response to Commission Staff's 2nd Request for Information, Item 17.
	Note: Harward, Sonya	Response to Commission Staff's 3rd Request for Information, Item 3.
7:36:54 PM	Post Hearing Request	
	Note: Harward, Sonya	Difference in the budgeted and actual construction amounts in 2010 and 2011.
7:38:06 PM	Private Recording Activated	
7:48:12 PM	No further questions for Witness Berry from Atty. Kurtz.	
7:48:16 PM	Public Recording Activated	
7:48:18 PM	Returned to Public Session.	
7:48:20 PM	Atty. Cook Re-Cross Examination of Witness Berry.	
7:49:55 PM	Vice Chairman Gardner Cross Examination of Witness Berry.	
8:03:04 PM	Commissioner Breathitt Cross Examination of Witness Berry.	
8:09:00 PM	No further questions from the Commissioners.	
8:09:11 PM	Atty. Fisk Re-Cross Examination of Witness Berry.	
8:18:31 PM	No further questions for Witness Berry from Atty. Fisk.	
8:18:36 PM	Re-Direct Examination of Witness Berry by Atty. Kamuf.	
8:25:40 PM	Referenced KIUC - Exhibit 12.	
8:31:39 PM	Private Recording Activated	
8:35:57 PM	Public Recording Activated	
8:36:01 PM	Atty. Kurtz Re-Cross Examination of Witness Berry.	
8:37:26 PM	Chairman Armstrong interjected.	
	Note: Harward, Sonya	Witness Berry does not have the answer to Atty. Kurtz's questions.
8:37:32 PM	Atty. Fisk Re-Cross Examination of Witness Berry.	
8:40:50 PM	Atty. Nguyen Re-Cross Examination of Witness Berry.	
8:42:42 PM	No further questions for Witness Berry.	
8:43:53 PM	Witness Berry dismissed.	

8:43:58 PM	Witness David Crockett takes the stand and is sworn in.
	Note: Harward, Sonya VP of System Operations.
8:45:19 PM	Witness Crockett accepted his tesitmony as correct.
8:45:40 PM	Vice Chairman Gardner Cross Examination.
8:46:00 PM	Witness Crockett dismissed.
8:46:28 PM	Witness Ted Kelly takes stand and is sworn in.
	Note: Harward, Sonya Burns and McDonnell
8:47:08 PM	Witness Kelly accepted his testimony as correct.
8:47:29 PM	Cross Examiniation of Witness Kelly by Atty. Kurtz.
8:49:35 PM	Witness Kelly dismissed.
8:49:46 PM	Adjourned for the day.
	Note: Harward, Sonya Per Chairman Armstrong.
8:51:16 PM	Session Paused
8:51:23 PM	Session Resumed
8:51:29 PM	Session Paused
8:31:55 AM	Session Ended

Exhibit List Report

2012-00535_02July2013

Big Rivers Electric Corporation

Name:	Description:
AG - Exhibit 5	Big Rivers Application, CN 2013-00199, Direct Testimony of Billie Richert.
AG - Exhibit 6	Big Rivers Electric Corporation, Disclosure Statement, July 12, 2012
AG - Exhibit 7	Lane Kollen, page 29, Comparison of Reserve Margins For Utilities in Kentucky.
AG - Exhibit 8	Article. "Big Rivers looking to see two Kentucky coal plants", Platts, dated June 25, 2013.
KIUC - Exhibit 10	Chapter 11 Reorganization of Utility Companies by Ralph Mabey and Patrick Malone
KIUC - Exhibit 11	Article from the New York Times, May 24, 2013. "Kentucky Operator to Cease Enrichment of Uranium"
KIUC - Exhibit 12	MISO 2013 Summer Resource Assessment
KIUC - Exhibit 13	The President's Climate Action Plan, June 2013
KIUC - Exhibit 14 - CONFIDENTIAL	Exhibit Berry Rebuttal - 1, Future Projected Value of MISO Market Capacity*
KIUC - Exhibit 15 - CONFIDENTIAL	BREC Forecast Market Prices Comparison
KIUC - Exhibit 8	Estimated Rate Increases to Rural Class Due To Century Termination
KIUC - Exhibit 9	Robert Berry's Response to Ben Taylor and Sierra Club's Initial Request for Information dated Feb. 14, 2013.
SC - Exhibit 2 - CONFIDENTIAL	Big Rivers Long-Term Financial Forecast, Key Credit Metrics
SC - Exhibit 3 - CONFIDENTIAL	Big Rivers Long-Term Financial Forecast
SC - Exhibit 4 - CONFIDENTIAL	CAP X Tab from Long-Term Financial Forecast

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR AN ADJUSTMENT OF RATES	)))	CASE NO. 2012-00535

CERTIFICATE

I, Sonya J. Harward, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on July 3, 2013. Hearing Log, Exhibits, Exhibit List, and Witness List are included with the recording on July 3, 2013.

2. I am responsible for the preparation of the digital recording.

3. The digital recording accurately and correctly depicts the hearing.

4. The "Exhibit List" attached to this Certificate lists all exhibits introduced at the hearing of July 3, 2013.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of July 3, 2013 and the time at which each occurred.

Given this 9th day of July, 2013.

Sonya J. Harward

Sonya J. Harward (Boyd), Notary Public
State-at-Large

My Commission Expires: Aug. 25, 2013

Session Report - Detail

2012-00535_03July2013

Big Rivers Electric Corporation

Date:	**Type:**	**Location:**	**Department:**
7/3/2013	General Rates	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Linda Breathitt; Jim Gardner
Witness: Frank Ackerman - Sierra Club; Lindsay Barron - Big Rivers; David Brevitz - AG; Bill Cummings - KIUC; James Haner - Big Rivers; Steve Henry - KIUC; Larry Holloway - AG; Lane Kollen - KIUC; Bion Ostrander - AG; Deanna Speed - Big Rivers; Kelly Thomas - KIUC; John Wolfram - Big Rivers
Clerk: Sonya Harward

Event Time	**Log Event**
9:08:26 AM	Session Started
9:08:28 AM	Preliminary remarks to start day. Note: Harward, Sonya Chairman Armstrong
9:08:45 AM	Chairman Armstrong asked that KIUC Exhibits be admitted.
9:08:53 AM	Atty. Kamuf objected to some of the KIUC exhibits.
9:09:19 AM	Camera Lock Deactivated
9:10:32 AM	Atty. Kurtz explains Exhibits 14 and 15.
9:10:56 AM	Atty. Kamuf points out some errors in Exhibits 4 and 3.
9:11:29 AM	Atty. Kurtz explains the exhibits.
9:11:55 AM	Exhibits accepted.
9:12:00 AM	Witness Deanna Speed takes the stand and is sworn in. Note: Harward, Sonya Director of Rates and Budgets for Big Rivers
9:12:43 AM	Witness Speed accepts her testimony as correct. Note: Harward, Sonya Direct Examination by Atty. Kamuf.
9:12:58 AM	Cross Examination of Witness Speed by AG Atty. Hans.
9:13:33 AM	Referenced response to 2-22 of AG's Data Request. Note: Harward, Sonya Page 4
9:15:55 AM	Referenced Witness Speed's Rebuttal Testimony. Note: Harward, Sonya Questions regarding use of historical vs. forecasted test year.
9:25:31 AM	Referenced Witness Speed's Rebuttal Testimony. Note: Harward, Sonya Page 17, lines 11-12.
9:26:09 AM	Objection by Atty. Depp. Question is legal in nature.
9:26:22 AM	Chairman Armstrong allowed Witness Speed to answer if she knows the answer. Note: Harward, Sonya Witness Speed was unable to answer the question.
9:27:09 AM	Referenced Witness Speed's Rebuttal Testimony. Note: Harward, Sonya Page 9, lines 11-13.
9:30:03 AM	Witness Speed referencing invoices for Hanes and Boone.
9:33:03 AM	Referenced Witness Speed's Rebuttal Testimony. Note: Harward, Sonya Page 9, line 14. Note: Harward, Sonya Page 8
9:39:13 AM	Questioned concerning outside legal fees compared to other utilities.
9:40:04 AM	No further questions by Atty. Hans for Witness Speed. Note: Harward, Sonya No questions from KIUC, SC, or PSC staff.
9:40:14 AM	Vice Chairman Gardner Cross Examination of Witness Speed. Note: Harward, Sonya What is production cost modeling?
9:41:23 AM	Witness Speed is dismissed.
9:41:30 AM	Witness Lindsay Barron takes the stand and is sworn in. Note: Harward, Sonya VP of Energy Services for Big Rivers
9:42:28 AM	Witness Barron accepts her testimony as correct. Note: Harward, Sonya Direct Examination by Atty. Kamuf.

9:42:45 AM	Cross Examination of Witness Barron by AG Atty. Cook.	
9:43:07 AM	Referenced Witness Barron's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 5
9:46:06 AM	Referenced Witness Barron's Rebuttal Testimony.	
	Note: Harward, Sonya	Page 8, lines 20-21.
9:48:03 AM	Referenced Witness Barron's response to Sierra Club, 1-30.	
	Note: Harward, Sonya	Questioned about the revision to the original response.
9:52:34 AM	No further questions of Witness Barron by Atty. Cook.	
	Note: Harward, Sonya	No questions from KIUC.
9:52:41 AM	Cross Examination of Witness Barron by SC Atty. Fisk.	
9:53:26 AM	SC - Exhibit 5	
	Note: Harward, Sonya	Revised Response to KIUC, Initial Request for Information, dated Feb. 14, 2013, revised June 26, 2013.
10:06:43 AM	Referenced Witness Barron's Rebuttal Testimony.	
10:11:14 AM	Referenced SC - Exhibit 3.	
	Note: Harward, Sonya	Exhibit is confidential but not asking specific questions about the numbers on the exhibit.
10:16:50 AM	No further questions for Witness Barron by Atty. Fisk.	
	Note: Harward, Sonya	PSC staff had no questions.
10:16:57 AM	Vice Chairman Gardner Cross Examination of Witness Barron.	
10:26:33 AM	Chairman Armstrong Cross Examination of Witness Barron.	
10:28:20 AM	Commissioner Breathitt Cross Examination of Witness Barron.	
10:31:11 AM	Atty. Kurtz interjected that he has witnesses that may be able to answer some of Commissioner Breathitt's questions.	
10:31:51 AM	Re-Direct Examination of Witness Barron by Atty. Kamuf.	
10:32:46 AM	Witness Barron is dismissed.	
10:32:53 AM	Witness James Haner takes the stand and is sworn in.	
	Note: Harward, Sonya	VP Administrative Services for Big Rivers
10:33:41 AM	Direct Examination by Atty. Kamuf.	
	Note: Harward, Sonya	Witness Haner accepts his testimony as correct.
10:34:03 AM	Cross Examination of Witness Haner by AG Atty. Cook.	
	Note: Harward, Sonya	Referenced Rebuttal Testimony of Witness Haner, page 4.
10:37:12 AM	Referenced responses to requests for information.	
	Note: Harward, Sonya	AG 1-253 and PSC 1-32
10:49:09 AM	No further questions for Witness Haner by Atty. Cook.	
	Note: Harward, Sonya	No questions from KIUC and SC.
10:49:17 AM	Cross Examination of Witness Haner by PSC Atty. Cole.	
	Note: Harward, Sonya	Referenced Witness Haner's Rebuttal Testimony, pages 16 and 17.
10:50:58 AM	Post Hearing Request	
	Note: Harward, Sonya	Provide, for 2011-2012, comparison of the percent of payroll budgeted or anticipated to be reported as expensed at the time the budget for those years were approved by Big Rivers Board and actual percent of payroll reported as expensed in each of those years.
10:52:28 AM	Referenced Commission Staff's 2nd Request for Information.	
	Note: Harward, Sonya	Item 20
10:53:35 AM	Post Hearing Request	
	Note: Harward, Sonya	Comparable savings calculation to idling Coleman to that which was provided for idling Wilson.
10:53:53 AM	No further questions for Witness Haner.	
10:54:06 AM	Witness Haner dismissed.	
10:54:09 AM	Break	
10:54:13 AM	Session Paused	
11:07:29 AM	Session Resumed	

11:07:32 AM	Witness Chris Warren takes the stand and is sworn in.	
	Note: Harward, Sonya	Senior Forecasting and Financial Analyst for Big Rivers
11:08:12 AM	Direct Examination by Atty. Kamuf.	
	Note: Harward, Sonya	Witness Warren accepts his testimony as correct.
11:08:21 AM	Cross Examination of Witness Warren by Atty. Cook.	
11:09:51 AM	AG - Exhibit 9	
	Note: Harward, Sonya	Response of Travis Siewert to AG Initial Request for Information, dated Feb. 14, 2013,
11:30:13 AM	Question being answered in order not to need a Post Hearing Request	
	Note: Harward, Sonya	Regarding steps and activities company takes to verify and validate that output information is accurate.
11:32:38 AM	No further questions for Witness Warren by Atty. Cook.	
	Note: Harward, Sonya	No questions from KIUC and SC.
11:32:58 AM	Atty. Cook objection.	
	Note: Harward, Sonya	Objects to Big Rivers attorneys tag teaming when making and addressing objections and comments.
11:33:51 AM	Cross Examination of Witness Warren by Atty. Cole.	
11:34:24 AM	No further questions for Witness Warren by Atty. Cole.	
11:34:31 AM	Cross Examination of Witness Warren by Vice Chairman Gardner.	
11:42:47 AM	Cross Examination of Witness Warren by Chairman Armstrong.	
11:44:25 AM	No further questions for Witness Warren by Commissioners.	
11:44:28 AM	Re-Direct Examination of Witness Warren by Atty. Kamuf.	
11:46:10 AM	No further questions for Witness Warren.	
11:46:17 AM	Witness Warren is dismissed.	
11:46:36 AM	Witness John Wolfram takes the stand and is sworn in.	
	Note: Harward, Sonya	Principal with Catalyst Consulting LLC
11:47:21 AM	Direct Examination by Atty. Kamuf.	
	Note: Harward, Sonya	Witness Wolfram accepts his testimony as correct.
11:47:35 AM	Cross Examination of Witness Wolfram by KIUC Atty. Kurtz.	
	Note: Harward, Sonya	Referenced Witness Wolfram's Rebuttal Testimony, page 11.
11:53:18 AM	Referenced Witness Wolfram's Rebuttal Testimony.	
	Note: Harward, Sonya	5.3 Exhibit
12:04:48 PM	KIUC - Exhibit 16	
	Note: Harward, Sonya	Forecasted Test Period Filing Requirement, Tab No. 59, by Billie Richert
12:10:20 PM	Vice Chairman interjected to clarify Witness Wolframs' response.	
12:10:44 PM	Referenced KIUC - Exhibit 8	
12:14:21 PM	Vice Chairman asked a clarifing question about why credit going from 15 M to 24M after Century leaves.	
12:21:18 PM	No further questions of Witness Wolfram by Atty. Kurtz.	
12:21:22 PM	Cross Examination of Witness Wolfram by SC Atty. Fisk.	
	Note: Harward, Sonya	Referenced Exhibit 7.3 of Witness Wolfram's Rebuttal Testimony.
12:26:06 PM	Referenced Witness Wolfram's Rebuttal Exhibit 1, page 1.	
12:27:16 PM	Atty. Kurtz asked for a recess to address Atty. Fisk about his line of questioning.	
12:27:48 PM	Session Paused	
12:29:22 PM	Session Resumed	
12:29:26 PM	Atty. Fisk resumed Cross Examination of Witness Wolfram.	
	Note: Harward, Sonya	Referenced Exhibit 5.3 and 7.3 of Witness Wolfram's Rebuttal Testimony.
12:35:45 PM	SC - Exhibit 6	
	Note: Harward, Sonya	U.S. Energy Information Administration - Average Retail Price of Electricity in 2011
12:39:50 PM	No further questions for Witness Wolfram by Atty. Fisk.	
	Note: Harward, Sonya	No questions from AG.

12:40:47 PM	Cross Examination of Witness Wolfram by PSC Atty. Cole.
	Note: Harward, Sonya — Referenced Witness Wolfram's Rebuttal Testimony, page 5.
12:45:46 PM	Witness Wolfram referenced Response to KIUC Date Request, 1-39.
12:57:20 PM	No further questions for Witness Wolfram by Atty. Cole.
12:57:25 PM	Cross Examination of Witness Wolfram by Vice Chairman Gardner.
1:02:12 PM	Witness Wolfram referenced his Rebuttal Testimony, Exhibit 2.3.
1:04:11 PM	Vice Chairman asked about Witness Wolfram's Rebuttal Testimony.
	Note: Harward, Sonya — Bottom of page 11, line 22.
1:17:53 PM	Commissioner Breathitt Cross Examination of Witness Wolfram.
1:19:55 PM	No further questions for Witness Wolfram by Commissioners.
1:19:57 PM	Re-Direct Examination of Witness Wolfram by Atty. Kamuf.
	Note: Harward, Sonya — Exhibit 1, Wolfram Rebuttal
1:21:13 PM	Objection by Atty. Cook, leading question.
	Note: Harward, Sonya — Objection overruled by Chairman Armstrong.
1:23:02 PM	No further questions for Witness Wolfram from Atty. Kamuf.
1:23:05 PM	Re-Cross Examination of Witness Wolfram by Atty. Kurtz.
1:28:47 PM	Referenced KIUC - Exhibit 16
1:30:00 PM	SC Atty. Fisk passed out complete SC - Exhibit 6.
1:33:52 PM	No further questions for Witness Wolfram by Atty. Kurtz.
1:33:55 PM	Re-Cross Examination of Witness Wolfram by Atty. Cole.
1:36:06 PM	No further questions for Witness Wolfram.
1:36:14 PM	Session paused for lunch.
1:36:19 PM	Session Paused
2:49:56 PM	Session Resumed
2:50:24 PM	Commission Staff recalls Witness Richert.
	Note: Harward, Sonya — Witness Richert takes stand, confirmed that she knew she was still sworn in.
2:50:49 PM	Atty. Cole Re-Cross Examination of Witness Richert.
2:51:52 PM	Witness Richert dismissed.
2:52:11 PM	AG Atty. Howard accepts Big Rivers deviation concerning issues in filing Notice of Publication
2:52:25 PM	Witness Lane Kollen called to the stand and is sworn in.
2:53:31 PM	Direct Examination of Witness Kollen by Atty. Kurtz.
2:55:22 PM	Changes to Witness Kollen's previously filed testimony.
	Note: Harward, Sonya — Page 61, line 16, through page 62, line 1, should be stricken. No longer relevant.
	Note: Harward, Sonya — Page 68, line 3, should be 0.032. On line 4, should be 0.19.
	Note: Harward, Sonya — Page 58, line 20, year should be 2014.
2:57:14 PM	Cross Examination of Witness Kollen by BREC Atty. Miller.
	Note: Harward, Sonya — KIUC response of Commission Staff's 1-2.
3:00:42 PM	BREC - Exhibit 1
	Note: Harward, Sonya — CN 2012-00063, Direct Testimony and Exhibits of Lane Kollen, Rec'd by PSC on July 24, 2012.
3:03:30 PM	No further questions for Witness Kollen by Atty. Miller.
	Note: Harward, Sonya — No questions from AG or SC.
3:04:07 PM	Cross Examination of Witness Kollen by PSC Atty. Cole.
	Note: Harward, Sonya — Referenced Witness Kollen's Testimony, page 58, line 13.
3:04:57 PM	Post Hearing Request
	Note: Harward, Sonya — Provide the calculation of the 31.3 and 68.7 percents referenced here.
3:07:19 PM	Referenced Witness Kollen's Testimony.
	Note: Harward, Sonya — Page 64, beginning at line 4.
3:11:31 PM	No futher questions for Witness Kollen from Atty. Cole.
3:11:38 PM	Re-Direct Examination of Witness Kollen by Atty. Kurtz.
3:15:34 PM	No further questions for Witness Kollen by Atty. Kurtz.

3:15:47 PM	Cross Examination of Witness Kollen by Vice Chairman Gardner.	
3:23:29 PM	Witness Kollen describes how Big Rivers should be able to go from $68.6 million rate increase to $20+ million.	
3:25:01 PM	Atty. Kurtz interjected with follow up questions.	
3:27:34 PM	Cross Examination of Witness Kollen by Commissioner Breathitt.	
3:36:40 PM	No futher questions from the Commissioners.	
3:36:47 PM	Re-Direct Examination of Witness Kollen by Atty. Kurtz.	
3:38:32 PM	Objection by BREC by Atty. Miller.	
	Note: Harward, Sonya	Objects to Atty. Kurtz trying to testify in this case by presenting information to the Commission about opinions of previous commissions.
3:40:00 PM	Re-Cross Examination of Witness Kollen by Atty. Miller.	
3:42:10 PM	No further questions for Witness Kollen by Atty. Miller.	
3:42:17 PM	Re-Direct Examination of Witness Kollen by Atty. Kurtz.	
3:42:56 PM	KIUC - Exhibit 17	
	Note: Harward, Sonya	Annual Reports of Big Rivers Electric Corporation
3:46:54 PM	No further questions for Witness Kollen by Atty. Kurtz.	
3:47:10 PM	Re-Cross Examination of Witness Kollen by Atty. Cook.	
3:47:23 PM	No futher questions for Witness Kollen from Atty. Cook	
3:47:31 PM	Post Hearing Request	
	Note: Harward, Sonya	Copy of REA Embargo on the Commission/Letter
	Note: Harward, Sonya	Requested by Vice Chairman Gardner.
3:49:15 PM	Remarks by Chairman Armstrong.	
3:52:07 PM	Witness Kollen dismissed.	
3:52:57 PM	Witness Steve Henry takes the stand and is sworn in.	
	Note: Harward, Sonya	Domtar Paper Co., LLC
	Note: Harward, Sonya	Accepts his testimony as accurate.
3:54:04 PM	Cross Examination of Witness Henry by AG Atty. Cook.	
3:55:28 PM	No further questions for Witness Henry by Atty. Cook.	
3:55:36 PM	Cross Examination of Witness Henry by Commissioner Breathitt.	
4:01:10 PM	No further question	
4:01:16 PM	Cross Examination of Witness Henry by PSC Atty. Cole.	
4:01:48 PM	No further questions for Witness Henry.	
4:01:52 PM	Witness Henry dismissed.	
4:01:57 PM	Witness Kelly Thomas takes stand and is sworn in.	
	Note: Harward, Sonya	Aleris International
	Note: Harward, Sonya	Accepts her testimony as accurate.
4:02:57 PM	Cross Examination of Witness Thomas by PSC Atty. Cole.	
4:03:26 PM	Cross Examination of Witness Thomas by Commissioner Breathitt.	
4:07:52 PM	No further questions for Witness Thomas.	
4:07:59 PM	Witness Thomas dismissed.	
4:08:09 PM	Witness Bill Cummings takes the stand and is sworn in.	
	Note: Harward, Sonya	Accepts his testimony as accurate.
	Note: Harward, Sonya	Kimberly Clark Corp.
4:09:06 PM	Cross Examination of Witness Cummings by PSC Atty. Cole.	
4:09:44 PM	Cross Examination of Witness Cummings by Commissioner Breathitt.	
4:11:57 PM	No further questions for Witness Cummings.	
4:12:02 PM	Witness Cummings dismissed.	
4:12:20 PM	Break	
4:12:24 PM	Session Paused	
4:30:12 PM	Session Resumed	
4:30:18 PM	Session Paused	
4:30:23 PM	Session Resumed	

4:30:28 PM	Witness Frank Ackerman takes the stand and is sworn in. Note: Harward, Sonya — Synapse Energy, Senior Economist
4:31:05 PM	Direct Examination of Witness Ackerman by Atty. Cmar. Note: Harward, Sonya — Witness Ackerman accepts testimony as correct.
4:31:36 PM	Cross Examination of Witness Ackerman by BREC Atty. Kamuf. Note: Harward, Sonya — Referenced Witness Ackerman's Direct Testimony, page 29, line 15.
4:34:01 PM	Referenced Witness Ackerman's Direct Testimony. Note: Harward, Sonya — Page 30
4:35:11 PM	Referenced Witness Ackerman's Supplemental Testimony. Note: Harward, Sonya — Page 10, lines 6-11.
4:39:18 PM	Referenced Witness Ackerman's Direct Testimony. Note: Harward, Sonya — Page 24, line 12.
4:43:21 PM	No further questions for Witness Ackerman by Atty. Kamuf. Note: Harward, Sonya — No questions by AG, KIUC, or PSC Staff.
4:43:32 PM	Re-Direct Examination of Witness Ackerman by Atty. Cmar.
4:46:52 PM	Camera Lock Deactivated
4:47:13 PM	Objection by Atty. Kamuf. Note: Harward, Sonya — Regarding Witness Ackerman giving new direct testimony.
4:47:51 PM	Chairman Armstrong allowed Witness Ackerman to finish his response.
4:49:18 PM	No further questions for Witness Ackerman by Atty. Cmar.
4:49:25 PM	Cross Examination of Witness Ackerman by Vice Chairman Gardner.
4:52:10 PM	Referenced Witness Ackerman's Direct Testimony. Note: Harward, Sonya — Page 13
4:58:56 PM	Cross Examination of Witness Ackerman by Commissioner Breathitt. Note: Harward, Sonya — Referenced Witness Ackerman's Direct Testimony, page 25, lines 8-12.
5:02:23 PM	No further questions from the Commissioners.
5:02:35 PM	Witness Ackerman is dismissed.
5:02:50 PM	AG Atty. Hans remarks about prior statements of Chairman Armstrong's concerning potential impartiality.
5:04:32 PM	KIUC Atty. Kurtz comments on Atty. Hans remarks.
5:04:57 PM	SC Atty. Fisk comments on Atty. Hans remarks.
5:04:59 PM	BREC Atty. Miller comments on Atty. Hans remarks.
5:05:34 PM	Atty. Hans expands upon her comments to Chairman Armstrong.
5:06:39 PM	Chairman Armstrong responds to remarks made by Atty. Hans.
5:08:43 PM	Atty. Hans comments on Chairman Armstrong's last statement.
5:09:04 PM	Witness Larry Holloway takes the stand and is sworn in. Note: Harward, Sonya — Independent Consultant
5:09:43 PM	Direct Examination of Witness Holloway by AG Atty. Cook. Note: Harward, Sonya — Accepts all other testimony as accurate. Note: Harward, Sonya — Correction to his Testimony - Page 30, FN 24, page 66 should be page 20.
5:10:32 PM	Cross Examination of Witness Holloway by BREC Atty. Depp. Note: Harward, Sonya — Referenced Witness Holloway's Direct Testimony, page 8,
5:15:28 PM	Referenced Witness Holloway's Direct Testimony. Note: Harward, Sonya — Page 14, lines 10-14.
5:18:38 PM	Objection by Atty. Cook. to line of questioning.
5:19:31 PM	No further questions for Witness Holloway. Note: Harward, Sonya — No questions from AG, SC, or PSC Staff.
5:19:40 PM	Cross Examination of Witness Holloway by Chairman Armstrong.
5:19:59 PM	Witness Holloway dismissed.
5:20:10 PM	Witness Bion Ostrander takes the stand and is sworn in. Note: Harward, Sonya — Ostrander Consulting

5:20:55 PM	Direct Examination of Witness Ostrander by AG Atty. Cook.		
		Note: Harward, Sonya	Correction to his Testimony on page 53, line 5, second word should be February 2013 instead of January 2013.
		Note: Harward, Sonya	Accepts all other testimony as accurate.
5:21:56 PM	Cross Examination of Witness Ostrander by BREC Atty. Depp.		
5:24:55 PM	Objection by Atty. Cook.		
5:25:35 PM	Referenced Witness Ostrander's Direct Testimony.		
		Note: Harward, Sonya	Page 18, lines 10-12.
5:29:11 PM	Referenced Witness Ostrander's Direct Testimony.		
		Note: Harward, Sonya	Page 19, line 7.
5:34:13 PM	Objection by Atty. Cook, question is ambiguous.		
5:37:32 PM	Questioning regarding 2.25 percent cost-of-living pay increase.		
5:39:04 PM	Objection by Atty. Cook as to question, Witness is not an expert in area of questioning.		
5:42:47 PM	No further questions for Witness Ostrander by Atty. Depp.		
		Note: Harward, Sonya	No questions from AG, SC, or PSC Staff.
5:42:54 PM	Cross Examination of Witness Ostrander by Vice Chairman Gardner.		
5:49:00 PM	Cross Examination of Witness Ostrander by Commissioner Breathitt.		
5:50:09 PM	Referenced Witness Ostrander's Direct Testimony.		
5:53:40 PM	No further questions for Witness Ostrander.		
5:53:55 PM	Witness Ostrander dismissed.		
5:54:22 PM	Witness David Brevitz takes the stand and is sworn in.		
		Note: Harward, Sonya	Independend Consultant
5:55:17 PM	Direct Examination of Witness Brevitz by AG Atty. Cook.		
		Note: Harward, Sonya	Accepts his testimony as accurate.
5:55:41 PM	Cross Examination of Witness Brevitz by BREC Atty. Depp.		
		Note: Harward, Sonya	Referenced Witness Brevitz's Direct Testimony, page 27.
6:01:52 PM	No further questions for Witness Brevitz.		
6:02:01 PM	Witness Brevitz dismissed.		
6:02:41 PM	Post Hearing Requests due July 15, 2013.		
6:03:54 PM	Briefs due on July 26, 2013.		
6:05:32 PM	Hearing Adjourned.		
6:05:40 PM	Session Paused		
6:16:28 PM	Session Ended		

Exhibit List Report

2012-00535_03July2013

Big Rivers Electric Corporation

Name:	Description:
AG - Exhibit 9	Response of Travis Siewert to AG Initial Request for Informationk dated Feb. 14, 2013,
BREC - Exhibit 1	CN 2012-00063, Direct Testimony and Exhibits of Lane Kollen, Rec'd by PSC on July 24, 2012.
KIUC - Exhibit 16	Forecasted Test Period Filing Requirement, Tab No. 59, by Billie Richert
KIUC - Exhibit 17	Annual Reports of Big Rivers Electric Corporation
SC - Exhibit 5	Revised Response to KIUC, Initial Request for Information, dated Feb. 14, 2013, revised June 26, 2013.
SC - Exhibit 6	U.S. Energy Information Administration - Average Retail Price of Electricity in 2011

AG Hearing Exhibit No. ___/___

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES CASE NO. 2012-00535

Response to Commission Staff's Second Request for Information dated February 14, 2013

February 28, 2013

Item 1) ***Refer to the Notice of Termination of Alcan Primary Products Corporation ("Alcan") of its Retail Electric Service Agreement with Kenergy Corp. filed by Alcan on January 31, 2013. Explain in detail the implications of this notice for Big Rivers and what impact, if any, Big Rivers expects it to have on this rate proceeding.***

Response) Big Rivers is in the process of evaluating the implications of the Alcan termination notice on Big Rivers, but it should have no impact on this rate proceeding. As explained in Big Rivers' direct testimony, Big Rivers needs the rate relief sought in this proceeding beginning August 20, 2013. The termination of Alcan's retail power contract is effective January 31, 2014. Big Rivers will file a separate proceeding in June of 2013 to address the Alcan contract termination to the extent Big Rivers needs additional rate relief beginning January 31, 2014. Thus, Big Rivers sees no reason why the Alcan termination notice should impact this proceeding.

Witness) Billie J. Richert

OAG EXHIBIT ___/___

AG Hearing Exhibit No. 2

Guest column: Saving Century would carry huge price tag

By Mark Bailey
Posted July 20, 2012 at 3 a.m.

As the president and CEO of Big Rivers Electric Corp., I have been deeply involved in trying to help Century keep its aluminum smelter plant open in Hawesville, Ky. For decades, Century has been a valuable customer and an important part of the economy in western Kentucky. Everyone wants Century to succeed and remain a vital part of our community.

But at what cost?

Big Rivers is a not-for-profit power company providing reliable, low-cost electricity to approximately 112,000 homes, farms, businesses and industries in western Kentucky through our three distribution cooperative owners: Jackson Purchase in Paducah, Kenergy in Henderson and Meade County Rural Electric in Brandenburg. As a not-for-profit company, we are not beholden to stockholders. We act in the best interest of all our customers because, ultimately, they are our owners.

The bailout Century is requesting from Big Rivers through concessions is a staggering amount — $110 million per year. Granting this request would have a monumental impact on all our customers by forcing a rate increase of approximately 37 percent for residential customers and 56 percent for industrial customers.

For the average homeowner, this translates to approximately $1,000 more per year in electric utility bills. For industry, a 56 percent rate increase could endanger their existence. Rate increases of that magnitude during a time when our economy is still recovering from recession would be devastating to our customers, and we believe it's an unreasonable amount for them to pay.

Big Rivers' electric rates are among the lowest in the nation — 25 percent lower than the national average, according to the Energy Information Administration. These low rates are one reason we have two aluminum smelters in the area, Century and Rio Tinto Alcan. Big Rivers has made multiple efforts to help keep Century's Hawesville plant viable and operational. Three years ago, we negotiated a long-term contract (15 years) to keep Century's electric rates under control. In recent months, we offered significant new concessions. But we — and our other customers — cannot afford the concessions Century has requested. The problems facing the smelter are seemingly deeper and more complex than electricity rates — rates that are, by the way, among the lowest in the country.

Big Rivers has been meeting with both Century and Rio Tinto Alcan in an attempt to develop a realistic and affordable solution.

Where else can we turn for help? As a not-for-profit entity we do not have vast profits that could be diverted to bail out Century. We have no government subsidies to offer. All we can do is turn to our customers and ask them to pay for Century's bailout.

All this is taking place at a time when new regulations by the Environmental Protection Agency are making it more expensive to operate coal-generated power plants. New emission standards will require the installation of very expensive emission-control technology and equipment. These expenses do not help in the effort to keep rates low for large industrials operations such as the two aluminum smelters.

What happens if the Century plant is mothballed? Make no mistake, this is a lose-lose situation. No one wants the plant to close, but to grant Century the concessions requested would lead to staggering rate increases. Losing Century would also mean a rate hike, it's true, because of the significant revenue stream they represent due to their heavy power usage, but not to the degree it would cost to bail them out at the level they demand. As already stated, Big Rivers is looking out for the best interest of all our customers in a way that costs them the least.

We will continue to uphold our mission of safely providing low-cost, reliable wholesale power to the people and businesses of western Kentucky.

ShrinersFest car show 2013

Evansville's 10 most endangered...

Washington Square Mall boutique isn't...

July 20, 2012
12:02 p.m.

Suggest removal

Reply to this post

dj100 (Inactive) writes:

this is completely wrong. These plants pay far more for there power than most other aluminum plants in the country, big rivers rates for aluminum industry are not low compared to the rest of the country. If he runs them off the jobs will not be replaced and there are three to four thousand jobs related to these plant both directly and indirectly that will be lost including many at Big Rivers. He needs to work with century and alcan on a short term and long term solution to this problem immediatly and stop using them for his scapegoat. He needs to work with them or let them out of the contract so they can buy power on the open market for 35-40% less than big rivers wants for there power. Is Big rivers not efficient enough compete with the open market? Big Rivers needs to get back to the negotiating table and make this work for the long term future of Kentucky

July 20, 2012
10:21 p.m.

Suggest removal

Reply to this post

hendodad writes:

Residential rates will go up if Century leaves.

Residential rates will go up more if Century gets what they want.

Compromise. Up residential rates by the amount they'd go up if Century left, and use that amount to subsidize Century.

Everybody wins, or more aptly, everybody loses a little, but not as much as they could.....

Problem solved.

July 21, 2012
9:24 a.m.

Suggest removal

Reply to this post

dj100 (Inactive) writes:

Residential rates will go up sigificantly more if Century does leave because of Bailey's unwillingness to work with Century and the furure of Western Kentucky. Big Rivers problems run deep and start with Bailey, he needs to be replaced with someone with a vision for Western Kentucky . Bottom line is Aluminum Smelters are Western Kentucky's Biggest industry. Kentucky makes more aluminum than any other state in the country and should be proud of that. Century should have a chair on Big Rivers board being they are there single biggest customer buying over 50% of there power so the real facts will be presented to the public . The loss of these aluminum plants will be far reaching in our area but Mr Bailey seems to be willing let Kentucky lose without a single concern. Work with these plants on a good long term contract that will be good for them and Big Rivers. Or let them out of there contracts with Big Rivers. They can buy power far more reasonable than what Big Rivers currenty sales it for . It looks to me aluminum has been subsitizing Big Rivers for years. Why else has there power just about doubled in the last ten years ??? How come Mr Bailey

July 21, 2012
2:59 p.m.

Suggest removal

Reply to this post

ss404 writes:

Apparently you boys don't know much about the internal plans at Big Rivers. They are building power-line superstrutures across the Ohio River to sell power up north at much higher rates. Just look at the newest tower going up on the first island downstream of Henderson and on the Indiana side. Just as in the State of Washington and Oregon the Aluminum plants shut down because the power companies could get much higher rates from residential customers in California. This all happened 20 years ago and it's happening here now. That's how free enterprise works. The shareholders want maximum profits and they don't care where it comes from. Whoever pays the most for their product will get it- HOWEVER- the original basis for the Federal government putting up the capital in the 1960s to build all the local power-plants for big rivers was to provide cheap power to this area using local coal so as to attract industry and provide jobs to rural Kentuckians. Right-wingers today would call that socialism but they conveniently ignore it because their jobs are a result of it. That is how jobs have been created in America over our history because Wall Street didn't want to invest in this part of the country so the politicians did it using government money. Why do you think McConnell and other local pols always get involved every time this comes up? Big Rivers is theoretically not supposed to make a profit but all their managers are wealthy beyond reason. They have gotten away from bringing in industry and helping provide jobs for Western Ky. Their board just wants to maximize profits and selling out of state will do that. Originally they were not allowed to sell their power outside the Western Ky area but that has changed just like it did in Washington State. The Aluminum industry has disappeared there as it will here over time. Big Rivers managers are most all out-of-state people and they have demonstrated that taking care of Ky residents is not one of their priorities. Bailey's and most all other managers salaries and bonuses come from maximizing profits in what ever way necessary and they don't care if it harms Ky residents. I know that for a fact. You need to educate

More Events »

yourself on how Big Rivers began and what it's original purpose was. Things will be much more clear when you do.

August 1, 2012
9:29 a.m.

Suggest removal

Reply to this post

Eyes_and_Ears writes:

This is proof you shouldn't read forum comments for fact checking. The comments above are pure and simple, false. Century has, and always has had, the mentality of a "spoiled brat". Currently, they are doing the exact same thing in West Virginia. If you want to know what they are doing to BR and the local customers here,... read what they requested in West Virginia.

http://www.58wchs.com/includes/news_i...

To summarize, they want FREE power to be subsidized by the customers, AND they want a guaranteed profit, again subsidized by the customers. This is a no-holds-barred 'game'. Whomever gives them the better deal will get Century. Century doesn't care about Kentucky or its workers. ALL it wants to do is make the shareholders happy and its willing to hold the proverbial knife to the throats of its own overly-loyal employees to get what they want. They should be ashamed of themselves.

Big Rivers, like the US government, should not negotiate with anyone that acts like a terrorist raising wide-spread panic to get what it wants.

August 1, 2012
10:02 a.m.

Suggest removal

Reply to this post

Eyes_and_Ears writes:

A website dedicated to Century from its own former employees:

http://www.centuryaluminumretirees.com/

Just another company willing to steamroll anything in its path, even its own employees, to get its way.

Share your thoughts

Comments are the sole responsibility of the person posting them. You agree not to post comments that are off topic, defamatory, obscene, abusive, threatening or an invasion of privacy. Violators may be banned. Click here for our full user agreement

Username * Don't have an account? Sign up for a new account

Password * Can't remember? Reset your password

Comment

Preview comment

Comments can be shared on Facebook and Yahoo!. Add both options by connecting your profiles

Features

HEALTH CARE Good Medicine

Storm Shield

Good News SHINING

On the Web: Audubon Printers Databases eEdition Local Coupons Local Bands
Online Exclusives: Games Sudoku Weather cam Willard Library ghostcam Movie/TV information
Useful Links: Classified Ads Archives Special Sections Site Map
Special Features: Young Reader Services Heavy Trash Map Celebrations Expos
Local Resources: C&P Employment Opportunities Find Evansville Jobs Find Homes Find Cars
Business Directory: See directory links

AG Hearing Exhibit No. 3

STANDARD
& POOR'S
RATINGS SERVICES

RatingsDirect®

Summary:
Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

Primary Credit Analyst:
David N Bodek, New York (1) 212-438-1000; david_bodek@standardandpoors.com

Secondary Contact:
Jeffrey M Panger, New York (1) 212-438-1000; jeff_panger@standardandpoors.com

Table Of Contents

Case No. 2012-00535
Attachment to Response for AG 1-57
Witness: Billie J. Richert
Page 1 of 6

Summary:

Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

Credit Profile		
Big Rivers Electric Corp. ICR		
Long Term Rating	BB-/Negative	Downgraded
Ohio Cnty, Kentucky		
Big Rivers Electric Corp., Kentucky		
Ohio Cnty (Big Rivers Electric Corp.) poll ctrl rfdg rev bnds (Big Rivers Elec Corp Proj) ser 2010A		
Long Term Rating	BB-/Negative	Downgraded

Rationale

Standard & Poor's Ratings Services has lowered to 'BB-' from 'BBB-' its rating on Big Rivers Electric Corp., Ky., (BREC) and Ohio County, Ky.'s $83.3 million pollution control refunding revenue bonds, series 2010A (Big Rivers Electric Corp. Project) issued for Big Rivers' benefit. The outlook is negative.

The downgrade reflects our assessments of the issuer's obligations' heightened vulnerability to nonpayment after the following developments that we view as eroding the strength and stability of the utility's revenue stream:

- In August 2012, BREC's leading customer issued a 12-month notice to terminate its contract. The notice covers Century Aluminum Co.'s Hawesville, Ky., smelter. During the 12 months, Century is required to pay a base energy charge that covers its share of Big Rivers' fixed and variable costs. If it does not operate the plant during the notice period, it must still pay its share of fixed costs. The utility has accepted the termination notice. Century accounted for 36% of BREC's 2012 operating revenues.
- After the utility filed a rate case with the Kentucky Public Service Commission (KPSC) Jan. 15, 2013, and requested rate relief that would, among other things, reallocate costs borne by Century to its remaining customers, a second smelter, Rio Tinto Alcan Inc. (Alcan), issued a 12-month notice to terminate its power contract with BREC. Alcan's Jan. 31, is effective January 2014. The notice covers the company's Sebree smelter, which accounted for 28% of BREC's 2012 operating revenues. BREC's rate filing proposed raising Alcan's rates 16%.
- We believe that losing these two loads will deprive the utility of the substantial anchors that have supported much of its fixed costs. Moreover, we view the extent to which the KPSC will approve reallocating costs to remaining customers as uncertain.
- We believe it might be too onerous for remaining customers to assume the fixed costs that the smelters have historically borne, particularly because many of the counties that BREC serves have income levels that are 20%-30% below the national median household effective buying income.
- If BREC looks to competitive market sales to mitigate load losses, it is our view that sales in competitive wholesale markets could expose the utility to substantial price and volume uncertainty, which is inconsistent with sound credit quality. Moreover, BREC depends almost exclusively on coal units, which also could constrain market sales opportunities. Coal has accounted for close to 90% of its power sales and its coal units are not as economical as competing natural gas-fired resources that are benefiting from the fuel's low prices.

- Although the utility has about $60 million of unexpended bond proceeds available to retire its $58.5 million of pollution control bonds that are maturing in June, an eroding customer base might frustrate access to capital markets to replenish those funds. The utility reports the speculative grade rating will not lead to an acceleration of obligations outstanding.
- Big Rivers reports it deferred maintenance in 2012 to control expenses. Although it does not plan to defer maintenance in 2013, it is revisiting its capital program pending more certainty as to the timing and extent of rate relief.

Henderson, Ky.-based Big Rivers is a generation and transmission cooperative that produces and procures electricity for sale to three distribution cooperative members and their 112,900 retail customers. One member, Kenergy Corp., serves the two smelters. In 2011, Kenergy's 9.4 million megawatt-hour (MWh) sales were 8x greater than the sum of the other two members' MWh sales. About 86% of Kenergy's 2011 MWh sales were to industrial customers. Nearly three-quarters of its sales were to the two smelters. They accounted for more than 70% of Kenergy's operating revenues. BREC's other member distribution cooperatives--Jackson Purchase Energy and Meade County Rural Electric Cooperative--principally serve residential customers.

The smelters entered take-or-pay power contracts with Kenergy. However, the contracts allow the smelters to terminate their obligations to the distribution utility and BREC without penalty if they provide one-year's notice and cease operations.

Because the KPSC must approve requests for rate adjustments, the utility and its member distribution cooperatives are distinguishable from many other cooperative utilities that have autonomous ratemaking authority. The KPSC also regulates BREC's members' rates.

The utility is evaluating idling power plants as part of its response to losing loads. Closing plants could reduce costs, reduce market exposure and mitigate the financial impact on remaining customers. Big Rivers might also temper the burdens of cost reallocation if it can remarket some or all of the generation output that had been sold to the smelters. However, market or contract demand and prices would need to be sufficient to recoup the smelters' share of costs. We believe that market sales could transform the utility into a principally merchant generator that faces the risks inherent in being subject to market demand and prices.

BREC sells electricity to the smelters under contracts at prices that are about 30% above the 3.3 cents it earned from sales of surplus energy in wholesale markets in 2011. It sold 3 million MWh of surplus wholesale power into the market for $100.4 million in 2011.

Big Rivers' concentration in coal resources also expose the utility to potentially higher production costs as Environmental Protection Agency (EPA) regulation of power plant emissions progresses. A recent appellate decision that vacated the EPA's Cross-State Air Pollution rule could provide the utility with at least a temporary reprieve from emissions-related capital spending while the EPA revisits its rules.

The utility reported $794 million of debt as of June 30, 2012. Debt consisted of Rural Utilities Service loans and the Ohio County bonds. Big Rivers closed a $537 million loan with CoBank ACB and National Rural Utilities Cooperative Finance Corp. in July. In addition to replenishing $35 million of transition reserve funds, proceeds restructured a portion of the utility's RUS borrowing to eliminate some of the spikes in debt service requirements.

Case No. 2012-00535
Attachment to Response for AG 1-57
Witness: Billie J. Richert
Page 3 of 6

The debt portfolio exhibits uneven amortization. BREC repaid $14.2 million of principal in 2010. In 2011, it was required to repay $7.3 million of principal, but also used $35.0 million of transition reserve money to accelerate principal reduction. The utility replenished the transition reserve in 2012 with proceeds of July's borrowing from CoBank and National Rural Utilities. Loan proceeds also facilitated debt restructuring that reduced 2012's $72.1 million scheduled maturity to $12.1 million, with the remaining $60 million to be amortized later. However, 2013's maturity remains at $79.3 million, and that will likely need to be restructured. The utility forecasts about $22 million of 2014 and 2015 principal payments.

Ohio County sold bonds for the benefit of BREC, which used bond proceeds to refund auction rate securities. We understand that the financing structure obligates the utility to unconditionally pay the county's bonds' debt service. Big Rivers issued a note to the county that provides it with a security interest in the utility's assets under its mortgage indenture. The county's bonds' security interest is on par with the utility's senior-secured debt.

Debt service coverage of 1.45x in 2010 and 1.65x in 2011 was strong for a cooperative utility, in our opinion. We believe strong excess coverage margins provide a cushion against the potential for revenue stream variability.

The strength of 2011's coverage ratio partially reflects the year's very low scheduled principal payment of $7.3 million. We calculated the ratio using scheduled debt service in the denominator, compared to the $46 million of principal the utility elected to repay.

The utility maintains $152.6 million of reserves that it uses for rate stabilization to reduce rates. Because it already projects depleting these reserves by the first quarter of 2018 under a steady-state scenario, we do not view these reserves as adding value under a scenario in which the smelters close.

Outlook

The negative outlook reflects our view that the largest customers' termination notices could degrade BREC's financial performance and credit quality during our one-year outlook horizon. We believe there is significant uncertainty vis-à-vis the extent and timeliness of rate relief, particularly as substantial blocks of fixed costs need to be reallocated. We will monitor the progress of the rate case to assess whether further rating action is appropriate. We believe the customers' notice could expose the utility to the vicissitudes of merchant markets and creates the potential for substantial cost shifting to remaining customers, who might resist such efforts or find that reallocated costs are too onerous to absorb. If these risks, whether in isolation or combination, weaken BREC's business risk profile and erode financial metrics, including the strong debt service coverage that compensated for business risks in recent years, we could further lower the ratings. We do not expect to raise the ratings during our outlook period.

Related Criteria And Research

USPF Criteria: Applying Key Rating Factors To U.S. Cooperative Utilities, Nov. 21, 2007

Temporary telephone contact information: David Bodek (917-992-6466); Jeffrey Panger (646-369-4067).

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

AG Hearing Exhibit No. 4

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	)))	CASE NO. 2009-00040

ORDER

On March 2, 2009, Big Rivers Electric Corporation ("Big Rivers") filed an application requesting approval to increase its base rates for electric service in order to generate an additional $24.9 million in annual revenues. In the application, Big Rivers stated that the requested increase would not be necessary if the "Unwind Transaction" that was approved by Commission Order dated March 6, 2009 in Case No. 2007-00455[1] closed. Having closed the "Unwind Transaction" on July 16, 2009, Big Rivers filed a motion to withdraw its rate application on July 20, 2009.

The Commission applauds Big Rivers' successful efforts to regain operating control of its generating facilities through a complex transaction that has resulted in a significant infusion of cash to Big Rivers. While the current economic recession, with its greatly weakened demand and price for wholesale power, threatened to derail Big

[1] Case No. 2007-00455, The Application of Big Rivers Electric Corporation for: 1) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporations, 2) Approval of Transactions, 3) Approval to Issue Evidences of Indebtedness, and 4) Approval of Amendments to contracts; and of E.ON U.S., LLC, Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. for Approval of Transactions.

Rivers' Unwind Transaction at the last minute, the E.ON parties[2] were able to keep the transaction on track. Even though Big Rivers' balance sheet is now greatly improved, its financial fate is still tied to the state of the economy, as that directly impacts the level of operations of its two largest customers, both aluminum smelters, and its ability to remarket power not utilized by the smelters.

It is for this reason that the Commission would be remiss if it did not caution Big Rivers to be diligent in determining future expenditures to ensure that all non-essential spending is eliminated. For example, we note that Big Rivers filed this rate application on March 2, 2009, requesting a 21.6 percent increase, along with a motion to implement the increase on an interim basis 30 days thereafter, claiming that it "will not have sufficient cash to pay its bills as and when due, and its credit or operations will be materially impaired or damaged."[3] However, Big Rivers subsequently disclosed that, in the two months immediately prior to its rate filing, it paid a total of $441,000 in bonus payments to 84 employees.[4] The timing of these bonuses was clearly inappropriate in light of Big Rivers' cash crisis. Big Rivers must be diligent in determining future expenses, as well as capital investments, to ensure that it is providing a high quality of service at the lowest reasonable cost.

Having considered the motion and being otherwise sufficiently advised, the Commission finds that the motion should be granted.

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[2] The "E.ON parties" are comprised of E.ON U.S., LLC, Western Kentucky Energy Corp., and LG&E Energy Marketing, Inc.

[3] Big Rivers Application at 7.

[4] Big Rivers Response to Kentucky Industrial Utility Customers, Inc.'s May 4, 2009 Second Data Request, item 15.

IT IS THEREFORE ORDERED that:

1. Big Rivers' motion to withdraw its application for an increase in base rates is granted.

2. This case is closed and is removed from the Commission's docket.

By the Commission

ENTERED
AUG 14 2009
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST

Executive Director

Service List for Case

AG Hearing Exhibit No. 5

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. 2013-00199

DIRECT TESTIMONY

OF

BILLIE J. RICHERT
VICE PRESIDENT ACCOUNTING, RATES, AND CHIEF FINANCIAL OFFICER

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: June 28, 2013

DIRECT TESTIMONY
OF
BILLIE J. RICHERT

Table of Contents

DIRECT TESTIMONY
OF
BILLIE J. RICHERT

I. INTRODUCTION

Q. Please state your name, business address, and position.

A. My name is Billie J. Richert. I am employed by Big Rivers Electric Corporation ("Big Rivers"), 201 Third Street, Henderson, Kentucky 42420, as the Vice President Accounting, Rates, and Chief Financial Officer ("CFO").

Q. Please describe your job responsibilities.

A. I am responsible for the oversight and management of the budgeting, accounting, finance, rates, information systems and reporting functions for Big Rivers. I report directly to the Chief Executive Officer.

Q. Briefly describe your education and work experience.

A. I assumed my current role on February 1, 2013. I have been employed by Big Rivers since July 2010, first as the Oracle Accounting System Administrator, then as the Manager of Business Systems Infrastructure, and then I was promoted to Vice President, Vice President Accounting and Interim CFO in July 2012. I earned a Bachelor of Science degree in Accounting from Indiana University and a Master of Management, Finance from Northwestern University. I am a licensed Certified Public Accountant ("CPA") and a Certified IT Professional ("CITP"). Prior to my employment at Big Rivers, I served as Director of Financial Systems at DePauw University. A summary of my education and work experience is attached as Exhibit Richert-1.

Q. Have you previously testified before the Kentucky Public Service Commission ("Commission")?

A. Yes. I testified on behalf of Big Rivers in a recent financing case, Case No. 2012-00492, and I filed testimony and sponsored responses to information requests in Big Rivers' most recent rate case, Case No. 2012-00535. I also sponsored responses to information requests in Big Rivers' recent financing cases, Case Nos. 2012-00119, 2012-00492, and 2013-00125.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to: (i) provide an overview of Big Rivers' need for the rate relief requested in this proceeding and the consequences of Big Rivers failing to receive the necessary rate relief; (ii) describe the test period Big Rivers chose for this proceeding; (iii) describe the Times Interest Earned Ratio ("TIER") Big Rivers is requesting; (iv) describe Big Rivers' proposal to temporarily offset the proposed increase by accelerating the use of the Economic Reserve and Rural Economic Reserve accounts; (v) provide an overview of the forecast development process that Big Rivers relied upon for producing this filing and for the on-going management of the utility; and (vi) sponsor certain filing requirements from 807 KAR 5:001.

Q. Are you sponsoring any exhibits?

A. Yes. I have prepared the following exhibits to my prepared testimony:

Exhibit Richert-1 Professional Summary for Billie J. Richert

Exhibit Richert-2	MFIR Calculation
Exhibit Richert-3	G&T Comparison Analysis
Exhibit Richert-4	Credit Rating Agencies' Reports

III. OVERVIEW OF NEED FOR RATE RELIEF

Q. Please provide an overview of Big Rivers' need for the rate increase it is requesting in this proceeding.

A. In this proceeding, Big Rivers is seeking approval for an increase of $70.4 million in rates to eliminate Big Rivers' revenue deficiency in the same amount based on test period revenues and expenses. This increase is necessary to replace the net revenues that Big Rivers will lose beginning January 31, 2014, as a result of the termination of the retail power contract of Alcan Primary Products Corporation ("Alcan"). Big Rivers needs the full amount of the increase it is seeking beginning January 31, 2014, to safely deliver reliable electricity, to meet its financial obligations to its creditors, and to attract necessary capital in order to continue to provide adequate and reliable service to its members.

Q. What will happen if Big Rivers fails to receive the requested rate relief?

A. If Big Rivers does not receive the full amount of the increase it is seeking in this proceeding, it will be in a position from which it may not be able to recover. In my direct testimony in Big Rivers' last rate case, Case No. 2012-00535 (the "Century Rate Case"), I described in detail Big Rivers' agreements with its creditors. Among other requirements, those credit agreements require Big Rivers to achieve a minimum 1.10

Margins for Interest Ratio ("MFIR"). Big Rivers needs the relief requested in this proceeding so that it can have the revenue necessary to make up for the Alcan contract termination and be able to satisfy that minimum MFIR requirement.

If Big Rivers fails to achieve the minimum MFIR requirement, it faces potential consequences under its credit agreements that include having to pay higher interest rates on debt, losing the contractual ability to borrow money on a secured basis, having its existing loans accelerated, having its lines of credit terminated, and having its ability to obtain letters of credit under its existing credit agreements terminated. Additionally, if Big Rivers is unable to achieve the minimum MFIR requirement or if it defaults on its current credit agreements, it will become more difficult, if not impossible, for Big Rivers to access the credit markets to secure the capital needed to run its business.

Q. Why is it important for Big Rivers to maintain the ability to borrow funds under its current credit agreements and in the credit markets?

A. Big Rivers must have the ability to borrow money on a long-term, secured basis. A utility the size of Big Rivers that operates generation and transmission facilities will always have periodic cash and borrowing requirements for both anticipated and unanticipated needs.

For example, Big Rivers will have approximately $60,000,000 in pollution control equipment expenditures in 2013 and 2014. Big Rivers expects initially to finance these expenditures with a new short-term loan from the National Rural Utilities Cooperative Finance Corporation ("CFC"), and then convert that short-term borrowing to long-term financing with the Rural Utilities Service ("RUS"). The long-term financing with RUS and the interim bridge financing with CFC must be secured under

Big Rivers' existing Indenture. These mandatory pollution control facilities must be installed on Big Rivers' generating units by April 2015 for Big Rivers to be in compliance with the Mercury and Air Toxics Standards ("MATS") rule and continue operating its generating facilities after that date. If Big Rivers fails to achieve a MFIR of 1.10, it will lose the right to secure debt under the Indenture until after Big Rivers has achieved a 1.10 MFIR for a 12-month period described in the Indenture.

Also, Big Rivers relies on its existing $50 million revolving credit agreement with CFC to supplement its liquidity needs required in its normal business operations, including but not limited to, the issuance of standing letters of credits required by the Midcontinent Independent System Operator, Inc. ("MISO"), formerly the Midwest Independent Transmission System Operator, Inc., by counterparties with whom Big Rivers executes wholesale power transactions, and by fuel suppliers. In addition, this revolving credit agreement provides Big Rivers the ability to comply with cash balance requirements as defined by the Big Rivers Financial Policy. Access to funds under this agreement and Big Rivers' ability to renew this agreement after it expires in 2014 are very important to Big Rivers, to the credit rating agencies, and to Big Rivers' creditors generally because of the significant liquidity it provides. Thus, Big Rivers must maintain the ability to borrow.

Q. **Will the rates proposed by Big Rivers produce revenues that will meet Big Rivers' revenue requirements, including enabling Big Rivers to comply with the minimum MFIR requirement?**

A. In all likelihood, yes. The calculation of MFIR for the test year of February 1, 2014, through January 31, 2015, assuming the proposed rates are in effect, produces an MFIR of 1.11. That calculation is shown in attached Exhibit Richert-2. Based upon the information we have about the period immediately following the date on which the new rates are anticipated to go into effect – and noting, however, that there is very little room for contingencies -- Big Rivers can reasonably expect the proposed rates to produce at least a 1.10 MFIR for fiscal year 2014.

Q. What is the difference in margins that results in a MFIR of 1.11, rather than 1.10 for the test period?

A. The difference between Big Rivers earning a 1.11 MFIR for the test period (as it is projected to do under the proposed rates) and Big Rivers earning a 1.10 MFIR for the test period is only about $633,000. This is a very narrow margin of error for a business with a forecasted annual cost of service of $371 million for the test period.

Q. What was Big Rivers' MFIR in fiscal year 2012?

A. Big Rivers' MFIR for fiscal year 2012 was 1.25 based upon margins of $11.3 million. Big Rivers attained its MFIR for that period by very carefully planning and executing its business strategies including taking extraordinary steps to lower its expenses as a result of lower prices for power in the wholesale market. A major part of the business strategy was corporate-wide cost-cutting and implementation of cost deferral measures, primarily consisting of rescheduling planned generating unit maintenance outages, and to a lesser extent including transmission maintenance and general and administrative discretionary expenses.

Q. What will happen if Big Rivers is granted the rate relief it is seeking?

A. As explained in the Direct Testimony of Mark A. Bailey, if Big Rivers receives the full amount of the increase sought in this case and in the Century Rate Case, it will be on a path to recovery and will be reasonably well-positioned for the future. The proposed increases will allow Big Rivers to have access to the capital markets and to be able to continue to prudently operate and maintain its utility plant and to meet the requirements of its loan agreements, all while maintaining reasonable rates. Alternatively, if Big Rivers does not receive the increase it is seeking, it is at great risk of being unable to satisfy its loan obligations and to secure the capital needed to run its business.

IV. <u>TEST PERIOD</u>

Q. Is Big Rivers using a historical test period or forecasted test period in this filing?

A. Big Rivers is filing revenue requirements based on a fully forecasted test period corresponding to the 12 months beginning February 1, 2014, and ending January 31, 2015.

Q. Why was the fully forecasted test period of February 1, 2014, through January 31, 2015, selected?

A. This test period was selected because it is the first full twelve calendar months following the termination of the Alcan contract, and is thus most representative of Big Rivers' expected operations and financial condition after that date. The fully forecasted test period is better suited than the historic test period for capturing the significant changes to Big Rivers' operations and financial performance that will result from the Alcan contract termination.

V. TIER

Q. What is the TIER that Big Rivers is requesting?

A. Big Rivers is requesting a TIER of 1.24. In its November 17, 2011, Order (the "November 17 Order") in the rate case Big Rivers filed in 2011, Case No. 2011-00036 (the "2011 Rate Case"), the Commission accepted the use of the 1.24 Contract TIER. Big Rivers believes it is appropriate to continue the use of the 1.24 TIER.

Q. What is the difference between "Contract TIER" and conventional TIER, and which do you recommend for this case?

A. "Contract TIER" was how TIER was defined in the Century and Alcan power contracts. The difference between the calculation of Contract TIER and the calculation of conventional TIER relates to interest on the Transition Reserve account that Big Rivers established at the closing of the transaction known as the "Unwind Transaction" that was approved in Case No. 2007-00455. Since both the Alcan and Century Aluminum of Kentucky General Partnership retail power contracts have been terminated, those contracts will no longer place limitations on the Contract TIER Big Rivers can earn, and there is no need to continue using Contract TIER as the basis for setting rates. As such, Big Rivers is requesting a 1.24 conventional TIER in this case.

Q. What is the distinction between the definition of TIER and the definition of MFIR that are used in your testimony and referred to in the testimony of others in this case?

A. The distinction can be shown using simplified formula definitions of each term:

- TIER (Times Interest Earned Ratio) = (Net Margins + Interest Expense on Long Term Debt) / Interest Expense on Long Term Debt
- MFIR (Margins For Interest Ratio) = (Net Margins + Interest Expense on Long Term Debt + Income Tax) / Interest Expense on Long Term Debt

Q. Why is it reasonable for Big Rivers' to propose rates based on achieving the 1.24 TIER in this proceeding?

A. As explained in the Direct Testimony of Mr. Daniel M. Walker, a 1.24 TIER is very low for a generation and transmission cooperative ("G&T") and lower than Big Rivers needs for the long-term now that the Century and Alcan contracts are terminated. Nevertheless, Big Rivers believes it is appropriate to maintain a target TIER of 1.24 at this time because of the magnitude of the rate relief requested in this case and the fact that it follows on the heels of the Century Rate Case. However, anything less than a 1.24 TIER puts Big Rivers at risk of defaulting on its loan obligations because it would leave Big Rivers an unreasonably narrow window in which to operate. As I explained previously, Big Rivers' loan agreements require it to have a minimum 1.10 MFIR; so, the MFIR serves as a floor or a lower bound for Big Rivers' financial performance.

For 2011, the average TIER or MFIR for G&Ts with debt ratings in the "A" and "B" category is 1.60. Big Rivers' 2011 TIER of 1.12 is the lowest TIER earned by any of the rated G&Ts reported in the G&T Accounting & Finance Association Annual Directory dated June 2012. This is evident from the data provided in Exhibit Richert-3, which is a table of G&Ts with investment-grade credit ratings and their TIER or MFIR (as of June 2012).

It is important that Big Rivers establish base rates in this proceeding that will provide it with a reasonable opportunity to achieve a 1.24 TIER, which will allow Big

Rivers to access the capital necessary to continue to safely provide adequate and reliable service to its members, although, as explained in the Direct Testimony of Mr. Daniel M. Walker, only on a limited basis. If this is not accomplished, Big Rivers faces potential consequences that range from having to pay higher interest rates on debt, to being unable to find sources of credit and defaulting under its credit agreement covenants.

Q. Why is Big Rivers proposing rates based on achieving the 1.24 TIER rather than proposing rates designed to achieve the 1.10 MFIR?

A. The 1.10 MFIR is a minimum requirement under Big Rivers' credit agreements, not a target that allows Big Rivers to operate and maintain its plants appropriately and attract capital. Achieving only a 1.10 MFIR after the conclusion of this rate case would make it much more difficult for Big Rivers to regain its investment grade credit ratings. It would provide Big Rivers no margin of error, exacerbate the uncertainty of Big Rivers' current financial position, and make it very likely that Big Rivers will default on its obligations. The higher the revenue increase that is awarded in this proceeding, the higher the TIER that Big Rivers is likely to achieve, and the further along Big Rivers will be in the recovery process described in the Direct Testimonies of Mr. Mark A. Bailey and Mr. Daniel M. Walker. Even with rates based on a TIER of 1.24, there is very little room for unexpected events that could create negative variance from Big Rivers' forecast.

Q. Does Big Rivers currently have two investment grade credit ratings?

A. No. Big Rivers' debt ratings from all three of the major credit ratings agencies (Moody's, S&P, and Fitch) are below investment grade. A copy of the most recent report from each of these agencies is attached to my testimony as Exhibit Richert-4.

VI. RESERVE FUNDS

Q. Did Big Rivers examine the possible use of the two remaining reserve accounts to mitigate the impact of the proposed rate increase on member billings?

A. Yes.

Q. Please describe the reserve accounts.

A. An integral part of the Unwind Transaction was the establishment of an economic reserve with an initial principal amount equal to $157 million (the "Economic Reserve") and a second economic reserve with an initial principal amount equal to $60.9 million (the "Rural Economic Reserve"). The Economic Reserve was established to help Big Rivers cushion the effect of future rate increases for fuel and environmental expenses on its rates to its Rural Delivery Service and Large Industrial Customer rate classes. The Rural Economic Reserve account was established to help Big Rivers cushion the effect of future rate increases for fuel and environmental expenses on its rates to its Rural class only, upon exhaustion of the Economic Reserve.

Q. How does Big Rivers propose to use the Economic Reserve and Rural Economic Reserve in this case?

A. Big Rivers proposes to accelerate the use of the Economic Reserve and Rural Economic Reserve to fully offset the rate increase proposed in this case until the reserve accounts are exhausted. The reserve accounts would continue to provide the offsets they currently provide, and an additional amount would be withdrawn from the reserve accounts each month to offset the full amount of the increase granted in this case. Under Big Rivers' proposal, the Economic Reserve would continue to benefit both the Rural and Large Industrial rate classes, while the Rural Economic Reserve would continue to benefit only the Rural rate class. The mechanics of this new offset are further described in the Direct Testimony of Mr. John Wolfram.

Big Rivers projects that without this new approach, the Economic Reserve would be depleted by April 2015, and the Rural Economic Reserve would be depleted by March 2017. With the new offset, Big Rivers projects that the Economic Reserve will be depleted in July 2014, and the Rural Economic Reserve will be depleted in April 2015. So, although the reserve accounts will be depleted earlier than they otherwise would have, under the rates proposed by Big Rivers, the increase to the Large Industrials resulting from this case will be delayed for approximately four months, while the increase to the Rurals resulting from this case will be delayed for approximately fourteen months.

Q. **Why does Big Rivers believe it is appropriate to accelerate the use of the reserve accounts in this case when it opposed the acceleration of the reserve accounts in previous cases?**

A. Big Rivers believes the unusual nature of two large increases in such a short period of time makes accelerating the use of the reserve accounts appropriate. Century and Alcan represented approximately two-thirds of Big Rivers' load and approximately 64% of its revenues in 2012. The loss of these two customers only months apart is a unique situation that is unlikely to be repeated. Big Rivers feels that spreading the two increases apart as far as possible minimizes rate shock while preserving the funds for the exclusive application to the Rural and Large Industrial classes, which is appropriate. Additionally, delaying the impact of this rate increase will allow Big Rivers time to continue to work on its mitigation plan, as described in the Direct Testimony of Mr. Robert W. Berry, which will minimize the amount of time that retail customers are subject to the full impact of both the Century and Alcan contract terminations.

VII. OVERVIEW OF FORECAST DEVELOPMENT

Q. How was the forecast for the fully forecasted test period developed?

A. The forecast for 2014 and 2015 (and therefore for the fully forecasted test period of February 1, 2014, through January 31, 2015) was developed in accordance with Big Rivers' standard business policies and procedures for developing its budget and financial plan, with the exception of the timing of the process, which had to be accelerated so that Big Rivers could file this case in sufficient time to ensure that it could place the proposed rates into effect prior to January 31, 2014. This process and the accelerated timing are described in detail in the Direct Testimony of Mr. Jeffrey R. Williams. The final proposed forecast was presented to Big Rivers' Board of Directors and approved on May 17, 2013.

Q. What are the key inputs to the Big Rivers forecast, as described in detail by other witnesses in this filing?

A. The Big Rivers financial model described in the Direct Testimony of Mr. Christopher A. Warren is an integral component of the forecast development process. Data from the forecast and from the Big Rivers financial model are used in the derivation of the $70.4 million revenue deficiency. Outputs from the load forecast described in the Direct Testimony of Ms. Lindsay N. Barron are used in the Big Rivers financial model. Labor and labor-related cost information described in the Direct Testimony of Mr. James V. Haner is an input to the forecast. Capital and operating expense projections and production cost modeling outputs described in the Direct Testimony of Mr. Robert W. Berry and the Direct Testimony of Mr. David G. Crockett are used as inputs to the

Big Rivers financial model and to the forecasting process. Information from the Big Rivers financial model, from the forecast, and from the load forecast are used as inputs to the cost of service study described in the Direct Testimony of Mr. John Wolfram. Other components of the Big Rivers forecast development process are described in the Direct Testimony of Mr. Jeffrey R. Williams.

VIII. FILING REQUIREMENTS

Q. Have you reviewed the answers provided in Tabs 1-59, which address Big Rivers' compliance with the filing requirements under 807 KAR 5:001 and its various subsections?

A. Yes. I hereby incorporate and adopt those portions of Tabs 1-59 for which I am identified as the sponsoring witness.

IX. CONCLUSION

Q. What are your conclusions and recommendations to the Commission in this proceeding?

A. The Alcan contract termination notice and the $70.4 million revenue deficiency described in this filing puts Big Rivers in a position that, without rate relief, it will be unable to attract capital, to regain its investment grade credit ratings, and to meet its debt covenant obligations, and it faces potential default on its credit agreements. Big Rivers does not take lightly the decision to seek this increase; however, this base rate increase is absolutely required. The rates proposed herein, including the accelerated use of the Economic Reserve and Rural Economic Reserve accounts, are fair, just and reasonable and should be approved by the Commission.

Q. **Does this conclude your testimony?**

A. Yes.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

VERIFICATION

I, Billie J. Richert, verify, state, and affirm that I prepared or supervised the preparation of my direct testimony filed with this Verification, and that testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Billie J. Richert

Billie J. Richert

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this the 20 day of June, 2013.

Mary Bowles

Notary Public, Ky. State at Large
My Commission Expires 8-8-2016

Professional Summary

Billie J. Richert, CPA, CITP
Vice President Accounting, Rates, and Chief Financial Officer
Big Rivers Electric Corporation
201 3rd Street
Henderson, Kentucky 42420

Professional Experience

Big Rivers Electric Corporation 2010 to present

Vice President Accounting, Rates, and Chief Financial Officer

Vice President, Vice President Accounting and Interim CFO

Manager, Business Systems Infrastructure

Oracle Accounting System Administrator

DePauw University 2006 - 2009

Director of Financial Systems

REL-TEK Systems & Design, Inc. 1982 - 1999

President, CEO and founder

Landau and Bartelstein CPAs 1978 - 1982

Senior Staff Accountant and Business Consultant

Deloitte LLP (formerly Haskins & Sells) 1973 – 1977

Senior Tax Accountant
Auditor

Certifications

Licensed Certified Public Accountant (CPA)
Certified Information Technology Professional (CITP)

Education

Master of Management, Finance, 1982

Northwestern University J. L. Kellogg Graduate School of Management

Bachelor of Science, Accounting 1973

Indiana University

Big Rivers Electric Corporation
Case No. 2013-00199
Margins For Interest Ratio ("MFIR")
Fully Forecasted Test Period (February 2014 to January 2015)

Margins[1]	5,009,005
Interest Expense on LTD	43,765,994
Taxes	885
Total Numerator	48,775,884
Interest Expense on LTD	43,765,994
Total Denominator	43,765,994
MFIR	1.11

[1] Test Period Margins include proposed rate increase

Big Rivers Electric Cooperation
Case No. 2013-00199

G&T TIER and MFI ANALYSIS FOR 2011

	Moodys	Fitch	S&P	TIER or MFI
Golden Spread	NR	A	**A(Stable)**	3.17
Arkansas	A1	A+	**AA-(Stable)**	2.37
Central Iowa	NR	A	**A(Stable)**	2.18
Brazos	NR	A	**A-(Positive)**	1.95
Corn Belt	NR	A-	**A-(Stable)**	1.88
Hoosier	A3	NR	**A(Stable)**	1.83
South Miss.	NR	A-	**A-(Stable)**	1.72
South Texas	NR	A-	**A-(Stable)**	1.70
San Miguel	NR	A-	**A-(Stable)**	1.57
Buckeye	A2	A	**A-(Stable)**	1.50
Associated	A1	AA	**AA(Stable)**	1.49
East Kentucky	NR	BBB	**BBB(Stable)**	1.48
Wabash Valley	NR	NR	**A-(Stable)**	1.47
Power South	NR	A-	**A-(Stable)**	1.44
Dairyland	A3	NR	**A(Stable)**	1.43
Minnkota	NR	NR	**A-(Stable)**	1.43
Seminole	NR	NR	**A-(Stable)**	1.41
Central-SC	NR	NR	**AA-(Stable)**	1.40
Chugach	NR	A-	**A-(Stable)**	1.30
Western Farmers	NR	A-	**BBB+(Positive)**	1.29
North Carolina	NR	A-	**A-(Stable)**	1.29
Basin	A1	A+	**A(Stable)**	1.26
Great River	Baa1	A-	**A-(Stable)**	1.22
Old Dominion	A3	A	**A(Stable)**	1.22
Oglethorpe	Baa1	A	**A(Stable)**	1.14
Average				**1.61**
Big Rivers	**Ba1 (Negative)**	**BB (Negative)**	**BB- (Negative)**	**1.12**

NR: No Rating

Source: G&T Accounting & Finance Association Annual Directory June 2012, Fitch U.S. Public Power Peer Study June 2012, S&P Report Card: Rate Adjustments Compensate For U.S. Cooperative Utilities Regulatory and Economic Risks May 22, 2012

STANDARD
& POOR'S
RATINGS SERVICES

RatingsDirect®

Summary:
Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

Primary Credit Analyst:
David N Bodek, New York (1) 212-438-1000; david_bodek@standardandpoors.com

Secondary Contact:
Jeffrey M Panger, New York (1) 212-438-1000; jeff_panger@standardandpoors.com

Table Of Contents

Summary:
Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

Credit Profile		
Big Rivers Electric Corp. ICR		
Long Term Rating	BB-/Negative	Downgraded
Ohio Cnty, Kentucky		
Big Rivers Electric Corp., Kentucky		
Ohio Cnty (Big Rivers Electric Corp.) poll ctrl rfdg rev bnds (Big Rivers Elec Corp Proj) ser 2010A		
Long Term Rating	BB-/Negative	Downgraded

Rationale

Standard & Poor's Ratings Services has lowered to 'BB-' from 'BBB-' its rating on Big Rivers Electric Corp., Ky., (BREC) and Ohio County, Ky.'s $83.3 million pollution control refunding revenue bonds, series 2010A (Big Rivers Electric Corp. Project) issued for Big Rivers' benefit. The outlook is negative.

The downgrade reflects our assessments of the issuer's obligations' heightened vulnerability to nonpayment after the following developments that we view as eroding the strength and stability of the utility's revenue stream:

- In August 2012, BREC's leading customer issued a 12-month notice to terminate its contract. The notice covers Century Aluminum Co.'s Hawesville, Ky., smelter. During the 12 months, Century is required to pay a base energy charge that covers its share of Big Rivers' fixed and variable costs. If it does not operate the plant during the notice period, it must still pay its share of fixed costs. The utility has accepted the termination notice. Century accounted for 36% of BREC's 2012 operating revenues.
- After the utility filed a rate case with the Kentucky Public Service Commission (KPSC) Jan. 15, 2013, and requested rate relief that would, among other things, reallocate costs borne by Century to its remaining customers, a second smelter, Rio Tinto Alcan Inc. (Alcan), issued a 12-month notice to terminate its power contract with BREC. Alcan's Jan. 31, is effective January 2014. The notice covers the company's Sebree smelter, which accounted for 28% of BREC's 2012 operating revenues. BREC's rate filing proposed raising Alcan's rates 16%.
- We believe that losing these two loads will deprive the utility of the substantial anchors that have supported much of its fixed costs. Moreover, we view the extent to which the KPSC will approve reallocating costs to remaining customers as uncertain.
- We believe it might be too onerous for remaining customers to assume the fixed costs that the smelters have historically borne, particularly because many of the counties that BREC serves have income levels that are 20%-30% below the national median household effective buying income.
- If BREC looks to competitive market sales to mitigate load losses, it is our view that sales in competitive wholesale markets could expose the utility to substantial price and volume uncertainty, which is inconsistent with sound credit quality. Moreover, BREC depends almost exclusively on coal units, which also could constrain market sales opportunities. Coal has accounted for close to 90% of its power sales and its coal units are not as economical as competing natural gas-fired resources that are benefiting from the fuel's low prices.

- Although the utility has about $60 million of unexpended bond proceeds available to retire its $58.5 million of pollution control bonds that are maturing in June, an eroding customer base might frustrate access to capital markets to replenish those funds. The utility reports the speculative grade rating will not lead to an acceleration of obligations outstanding.
- Big Rivers reports it deferred maintenance in 2012 to control expenses. Although it does not plan to defer maintenance in 2013, it is revisiting its capital program pending more certainty as to the timing and extent of rate relief.

Henderson, Ky.-based Big Rivers is a generation and transmission cooperative that produces and procures electricity for sale to three distribution cooperative members and their 112,900 retail customers. One member, Kenergy Corp., serves the two smelters. In 2011, Kenergy's 9.4 million megawatt-hour (MWh) sales were 8x greater than the sum of the other two members' MWh sales. About 86% of Kenergy's 2011 MWh sales were to industrial customers. Nearly three-quarters of its sales were to the two smelters. They accounted for more than 70% of Kenergy's operating revenues. BREC's other member distribution cooperatives--Jackson Purchase Energy and Meade County Rural Electric Cooperative--principally serve residential customers.

The smelters entered take-or-pay power contracts with Kenergy. However, the contracts allow the smelters to terminate their obligations to the distribution utility and BREC without penalty if they provide one-year's notice and cease operations.

Because the KPSC must approve requests for rate adjustments, the utility and its member distribution cooperatives are distinguishable from many other cooperative utilities that have autonomous ratemaking authority. The KPSC also regulates BREC's members' rates.

The utility is evaluating idling power plants as part of its response to losing loads. Closing plants could reduce costs, reduce market exposure and mitigate the financial impact on remaining customers. Big Rivers might also temper the burdens of cost reallocation if it can remarket some or all of the generation output that had been sold to the smelters. However, market or contract demand and prices would need to be sufficient to recoup the smelters' share of costs. We believe that market sales could transform the utility into a principally merchant generator that faces the risks inherent in being subject to market demand and prices.

BREC sells electricity to the smelters under contracts at prices that are about 30% above the 3.3 cents it earned from sales of surplus energy in wholesale markets in 2011. It sold 3 million MWh of surplus wholesale power into the market for $100.4 million in 2011.

Big Rivers' concentration in coal resources also expose the utility to potentially higher production costs as Environmental Protection Agency (EPA) regulation of power plant emissions progresses. A recent appellate decision that vacated the EPA's Cross-State Air Pollution rule could provide the utility with at least a temporary reprieve from emissions-related capital spending while the EPA revisits its rules.

The utility reported $794 million of debt as of June 30, 2012. Debt consisted of Rural Utilities Service loans and the Ohio County bonds. Big Rivers closed a $537 million loan with CoBank ACB and National Rural Utilities Cooperative Finance Corp. in July. In addition to replenishing $35 million of transition reserve funds, proceeds restructured a portion of the utility's RUS borrowing to eliminate some of the spikes in debt service requirements.

The debt portfolio exhibits uneven amortization. BREC repaid $14.2 million of principal in 2010. In 2011, it was required to repay $7.3 million of principal, but also used $35.0 million of transition reserve money to accelerate principal reduction. The utility replenished the transition reserve in 2012 with proceeds of July's borrowing from CoBank and National Rural Utilities. Loan proceeds also facilitated debt restructuring that reduced 2012's $72.1 million scheduled maturity to $12.1 million, with the remaining $60 million to be amortized later. However, 2013's maturity remains at $79.3 million, and that will likely need to be restructured. The utility forecasts about $22 million of 2014 and 2015 principal payments.

Ohio County sold bonds for the benefit of BREC, which used bond proceeds to refund auction rate securities. We understand that the financing structure obligates the utility to unconditionally pay the county's bonds' debt service. Big Rivers issued a note to the county that provides it with a security interest in the utility's assets under its mortgage indenture. The county's bonds' security interest is on par with the utility's senior-secured debt.

Debt service coverage of 1.45x in 2010 and 1.65x in 2011 was strong for a cooperative utility, in our opinion. We believe strong excess coverage margins provide a cushion against the potential for revenue stream variability.

The strength of 2011's coverage ratio partially reflects the year's very low scheduled principal payment of $7.3 million. We calculated the ratio using scheduled debt service in the denominator, compared to the $46 million of principal the utility elected to repay.

The utility maintains $152.6 million of reserves that it uses for rate stabilization to reduce rates. Because it already projects depleting these reserves by the first quarter of 2018 under a steady-state scenario, we do not view these reserves as adding value under a scenario in which the smelters close.

Outlook

The negative outlook reflects our view that the largest customers' termination notices could degrade BREC's financial performance and credit quality during our one-year outlook horizon. We believe there is significant uncertainty vis-à-vis the extent and timeliness of rate relief, particularly as substantial blocks of fixed costs need to be reallocated. We will monitor the progress of the rate case to assess whether further rating action is appropriate. We believe the customers' notice could expose the utility to the vicissitudes of merchant markets and creates the potential for substantial cost shifting to remaining customers, who might resist such efforts or find that reallocated costs are too onerous to absorb. If these risks, whether in isolation or combination, weaken BREC's business risk profile and erode financial metrics, including the strong debt service coverage that compensated for business risks in recent years, we could further lower the ratings. We do not expect to raise the ratings during our outlook period.

Related Criteria And Research

USPF Criteria: Applying Key Rating Factors To U.S. Cooperative Utilities, Nov. 21, 2007

Temporary telephone contact information: David Bodek (917-992-6466); Jeffrey Panger (646-369-4067).

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

MOODY'S
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Issuer Comment: Big Rivers Electric Corporation – Credit Opinion

Global Credit Research - 07 Feb 2013

Rating Drivers

» Increased need for rate increases and dependence on off-system sales following contract termination notices from two aluminum smelters

» Rates subject to regulation by the Kentucky Public Service Commission (KPSC)

» Revenues from electricity sold under long-term wholesale power contracts with member owners

» Ownership of generally competitive coal-fired generation plants; pursuing environmental compliance plan approved by regulators; environmental cost surcharge in place

Corporate Profile

Big Rivers Electric Corporation (Big Rivers) is an electric generation and transmission cooperative (G&T) headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives-- Jackson Purchase Energy Corporation; Kenergy Corp; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to about 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Recent Events

Effective February 6, 2013 we downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Ba1 from Baa2 and the rating remains under review for downgrade. The rating action primarily reflects significantly increased financial and operating risks for Big Rivers due to the January 31, 2013 announcement by Alcan Corporation that its subsidiary, Alcan Primary Products Corporation (Alcan) issued a 12-month notice to terminate its power contract with BREC. This announcement came on the heels of the August 20, 2012 announcement by Century Aluminum Company that its subsidiary, Century Aluminum of Kentucky (Century) issued a 12-month notice to terminate its power contract with Big Rivers for its Hawesville, Kentucky smelter. See press release of February 6, 2013 posted to moodys.com for further details relating to this action.

Rating Rationale

The Ba1 senior secured rating considers credit risk related to the fact that Big Rivers' largest member owner, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century and Alcan), both of whom face credit challenges due to the significant volatility in both metal prices and demand. In addition, these smelters have served notice of intent to terminate their respective power purchase arrangements with Big Rivers, consistent with requirements for a one-year notice period and meeting other conditions to do so. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector. Big Rivers' credit profile also reflects the financial benefits of several steps it took 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.

Detailed Rating Considerations

High Smelter Load Concentration; Credit Challenge Tied to Anticipated Loss Of Smelter Load

Under historical operating conditions, the two smelters served by Kenergy have been consuming approximately 7 million MWh of energy annually, representing a substantial load concentration risk (e.g. about two-thirds of member energy load and close to 60% of member revenues for Big Rivers in 2011). This risk is a significant constraint to Big Rivers' rating, making its financial and operating risk profile unique compared to peers. This risk was magnified in August 2012 and most recently in January 2013 when each of the two smelters (Century and Alcan), gave notice to terminate the power purchase contract with Big Rivers. Under the terms of the contract, termination of the contract requires the terminating party to give notice to Big Rivers of their decision twelve months prior to the planned termination date. During the twelve month period, each of the terminating parties (Century and Alcan, in this case) must continue to make payments to Big Rivers over the 12 month period. Under the Century contract, the 12 month period ends in August 2013 while the 12 month period ends in January 2014 under the Alcan contract. Although Century and Alcan are required to pay base energy charges as defined in their respective agreements with Big Rivers) for power (482 MW and 368 MW, respectively, at 98% capacity factor) during the 12-month notice periods, neither one is required to continue operating their smelter plants.

Following this development, Big Rivers is evaluating a number of options to mitigate the substantial loss in smelter load. While challenges exist for the cooperative to implement some of the mitigation strategies, the near completion of several of Big Rivers' multiple transmission capacity upgrade projects undertaken in recent years will enhance Big Rivers' ability to sell electric output in the wholesale market. To that end, Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO) in December 2010. As a result, Big Rivers has enhanced its reliability and transmission capability helping to ensure compliance with mandated emergency reserve requirements established by regulators. Also, these steps along with legislation that permits sales to non-members provide additional flexibility for Big Rivers to move excess power off system following termination notices from Century and Alcan.

Improved Balance Sheet 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 and Western Kentucky Energy Corp. At the same time, Big Rivers terminated other agreements and entered into various new arrangements whereby it has been selling to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement represents a concentration of load risk for Big Rivers, which is now exacerbated by the contract termination notices served by the two aluminum smelters. Still, there were key credit positives resulting from consummation of all the unwind transactions as follows: elimination of Big Rivers' deficit net worth, with equity of $379.4 million at December 31, 2009, which increased to $389.8 million as of December 31, 2011 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.

Under a contract times interest earned ratio (TIER) arrangement with the two smelters, Rivers targets a minimum TIER of 1.24 times, which is above the level required under its financial covenants. Under current market conditions and given contract termination notices from the two aluminum smelters, Big Rivers has filed for rate relief as it anticipates that the TIER will otherwise drop below the 1.24 times target should the contracts with Century and Alcan be terminated.

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 197 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 reasonable 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 4.7 cents per kWh (including the beneficial effects of the member rate stability mechanism). This compares to the average wholesale rate of 4.4 cents per kWh to serve the two smelter loads in 2011.

Because Big Rivers is substantially dependent on coal-fired generation, it faces uncertainty with regard to future environmental regulations, including the final 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. Big Rivers received KPSC approval for a $26.7 million (6.17%) base rate increase effective November 17, 2011. We consider this a reasonably good outcome versus the approximate $30 million rate increase that was requested. The net effects of various appeals in this case decision resulted in the Kentucky PSC largely reaffirming its decision in January 2013; importantly, some corrections to calculations resulted in an approximately $1 million increase to the previously approved revenue amount. The rate increase is intended to bolster wholesale margins, address increased depreciation costs, administrative costs tied to joining the MISO, and maintenance costs incurred during generation plant outages.

Following this rate case outcome, Big Rivers filed a rate case with the KPSC on January 15, 2013, seeking approval for a $74.5 million rate increase. While the substantial majority of this sizable request is due to impending load loss when Century's notice period expires, additional amounts would make up for declining margins from off system sales and other cost pressures. The actual percentage rate impact would vary by customer class and we note the availability of funds in the economic and rural economic reserve accounts that can be used to offset the significant impact for the non-smelter customer classes through credits to the fuel adjustment clause and the environmental surcharge. Since filing its rate case in January, Big Rivers has responded to additional data requests from the KPSC and is requesting that new rates become effective August 20, 2013. If the case is not decided by then, Big Rivers would be permitted under state statutes to implement the rate increase, subject to refund, pending a final KPSC decision in the rate case. Given the recent contract termination notice from Alcan, we expect that Big Rivers will file another rate case later this year for rate increases to take effect by January 31, 2014.

Wholesale Power Contracts Support Big Rivers' Credit Profile

The revenues derived under Big Rivers' long-term wholesale contracts with its members for sales to non-smelter customers 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. From a historical perspective, the relatively low cost power provided under the contracts mitigated the credit risk that would typically stem from member disenchantment. However, we believe going forward the pending rate case filed in January and another case likely to follow raise the specter for member unrest as the level of requested increases is quite substantial in the January filing alone. The currently overall sound member profile helps provide a degree of assurance of this revenue stream, which is integral to servicing Big Rivers' debt.

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 expire on July 16, 2014 and July 27, 2017, respectively. The $50 million NRUCFC facility provides for issuance of up to $10 million of letters of credit. As of September 30, 2012 Big Rivers had approximately $113 million of cash and temporary investments and it had about $45 million of unused capacity available under the NRUCFC facility. The NRUCFC facility has a condition that precludes use of the facility upon termination of a contract with either of the smelters, so Big Rivers is negotiating amendment and extension of this facility ahead of August 20, 2013, to ensure it maintains access to the facility. The CoBank facility has a condition that precludes use of the facility when termination notice is provided, so Big Rivers plans to address this through negotiation of an amendment to re-establish access. Some of the cash on hand will be used to repay the impending $58.8 million tax-exempt debt maturity due June 1, 2013. We anticipate that Big Rivers will internally fund its maintenance capex and management indicates that there may be some flexibility in that budget; however, we understand that the cooperative is arranging funding for environmental related capex, which is currently estimated to be about $60 million during 2013-2014. Beyond the June 2013 maturity, long-term debt maturities are very modest amortizations of existing debt around $21 million to be paid in quarterly installments.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenors 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. 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 and as noted above is currently unavailable given the contract termination notices served. 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. We understand that Big Rivers will pursue steps to amend and extend existing bank credit facilities to shore up liquidity as it copes with credit challenges going forward.

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 rating is under review for downgrade as we assess the financial and operating effects and what mitigating strategies Big Rivers will pursue following contract termination notices from the two aluminum smelters.

What Could Change the Rating - Up

In light of the rating review for possible downgrade and the uncertainty at Big Rivers that persists following the announcements by Century and Rio Tinto, the rating is not likely to be upgraded or stabilized in the near term.

What Could Change the Rating - Down

Several factors are likely to cause us to further lower Big Rivers' rating including our assessment of the likelihood of success in implementing the numerous mitigation strategies on the drawing board. Of particular interest to the rating review is the degree to which Big Rivers' future financial results will depend upon the margins from the unregulated wholesale power market through both short-term and long-term off-system sales as well as our assessment of the cooperative's ability to secure needed rate increases from the non-smelter member load. The rating could also be negatively affected should efforts to shore up external liquidity sources fail to meet our understanding of Big Rivers' near-term objectives. Further, downward rating pressure could occur should environmental capital requirements increase substantially particularly with the lack of a clear regulatory mechanism in place.

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 is based on historical data through December 31, 2011. 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. The Indicated Rating under the Methodology largely reflects 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 in 2009. Notwithstanding the current A2 Indicated Rating for Big Rivers under the Methodology, its actual senior secured rating of Ba1 reflects the unique risks relating to Big Rivers' load concentration to the smelters, the smelter termination notices and the fact receipt of the notices will not impact cash flow until August 2013 (Century) and until January 2014 (Alcan).

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FitchRatings

FITCH DOWNGRADES BIG RIVERS ELECTRIC CORP, KY'S 2010A POLLUTION CONTROL RFDG REV BONDS TO 'BB'

Fitch Ratings-New York-06 February 2013: Fitch Ratings has downgraded the rating on Big Rivers Electric Corporation's $83.3 million County of Ohio, KY's pollution control refunding revenue bonds series 2010A to 'BB' from 'BBB-'.

The Rating Outlook is revised to Negative.

SECURITY

The bonds are secured by a mortgage lien on substantially all of the Big Rivers' owned tangible assets, which include the revenue generated from the sale or transmission of electricity.

SENSITIVITIES/RATING DRIVERS

SPECULATIVE GRADE RISK: The rating downgrade and Outlook revision reflect Fitch's view that the credit quality of Big Rivers has become increasingly speculative, following the recent decisions by Alcan Primary Products Corporation (Alcan) and Century Aluminum Co. (Century) to terminate their respective power supply agreements with Big Rivers.

SALES DOMINATED BY SMELTERS: Alcan and Century both own and operate large aluminum smelting facilities served by Big Rivers, through its largest member Kenergy Corp. Together the two facilities account for approximately 65% and 70% of Big Rivers' total energy sales and revenues, respectively.

INCREASED RELIANCE ON WHOLESALE MARKET: Long-term stability at Big Rivers is likely to become increasingly reliant on less predictable off-system sales and related margins following closure of the smelting facilities. The use of cash reserves will partially mitigate this risk, but prevailing low power prices will stress results.

ABUNDANT LOW COST RESOURCES: Big Rivers benefits from abundant low-cost coal-fired power resources and an average wholesale system rate ($39.07/MWh in 2011, net of credits) that is regionally competitive and among the lowest in the nation.

SUBJECT TO RATE REGULATION: The electric rates charged by Big Rivers and its members are regulated by the Kentucky Public Service Commission (KPSC), which could limit the cooperative's financial flexibility and may delay the timing or amount of necessary rate increases.

LIQUIDITY SOLID BUT FINANCIAL RESULTS UNCERTAIN: Big Rivers reported cash of $113.25 million at Sept. 30, 2012, excluding restricted funds available for member rate mitigation. Funds are available to support operations and may be used to meet the cooperative's June 2013 scheduled debt maturity ($58.8 million). Longer-term financial forecasts are being developed.

WHAT COULD TRIGGER A RATING ACTION

INABILITY TO FIND ACCEPTABLE PURCHASERS: Extended overreliance on short-term power sales as a replacement for the Century and Alcan agreements to meet debt service payments.

INSUFFICIENT REGULATORY SUPPORT: Inadequate or untimely support by the KPSC would be viewed negatively.

IMPLEMENTATION OF REASONABLE MITIGATION PLAN: Implementation of a mitigation plan that maintains reasonable financial and operating stability would be supportive of credit quality.

CREDIT PROFILE

Big Rivers provides wholesale electric and transmission service to three electric distribution cooperatives. These distribution members provide service to a total of about 112,500 retail customers located in 22 western Kentucky counties. Kenergy Corporation, the largest of the three systems, is unique in that its electric load is dominated by two aluminum smelting facilities, owned and operated by Alcan and Century.

CENTURY AGREEMENT TERMINATED AUGUST 2012

Under the power supply agreements between Kenergy and the smelters, which expire in 2023, the smelters are required to take-or-pay for specific quantities of energy, irrespective of their needs. The contracts further provide for termination on one years' notice without penalties subject to certain conditions including the termination and cessation of all aluminum smelting operations at the relevant facilities.

On Aug. 20, 2012, Century issued a notice to terminate its power agreement with Big Rivers and stated its intent to close its Hawesville, KY smelter. Century claimed that the smelter was not economically viable despite electric rates well below the national average.

BIG RIVERS IMPLEMENTS MITIGATION PLAN

Big Rivers began looking into alternative arrangements with other power purchasers to redeploy its excess generating capacity immediately after the Century notice, consistent with the mitigation plan previously developed by management to address the potential loss of aluminum smelter load. In addition, Big Rivers has also filed for an increase in rates with the Kentucky Public Service Commission to eliminate anticipated short-falls in revenue as a result of the loss of the Century smelting load. The filing, submitted on Jan. 15, 2013, requests an increase in total revenue of $74.5 million or 21.4%.

ALCAN FOLLOWS WITH TERMINATION NOTICE

Alcan delivered notice to Big Rivers' on Jan. 31, 2013 of its decision to terminate its power supply agreement noting, in particular, the Jan. 15, 2013 rate filing and anticipated increase in electric rates. Similar to the Century notice, Alcan stated that the planned rate increase would make the smelting facility in Robards, KY unprofitable, and that all smelting operations would be ceased at the end of the one-year notice period.

Closure of the smelting facilities has significant potential implications for Big Rivers, which has acknowledged that the termination notices are valid. Besides the impact of the loss of some 1,400 plant workers, the remaining residential and commercial customers of Big Rivers will most likely have to absorb meaningfully higher rates, with the increase reflecting the amount, pricing and contractual provisions of surplus power sold to new customers.

Big Rivers has redoubled its efforts to secure alternative power supply customers in the wake of the Alcan notice, but future firm contractual arrangements are unlikely over the near term. As a result, it is expected that Big Rivers will seek to modify its request for rate relief from the KPSC to reflect the loss of the full smelter load over time.

Fitch notes that Big Rivers and Kenergy have also reportedly entered into negotiations with Century to enter into an agreement to assist Century to access market power in order to keep the smelting operations open beyond Aug. 20, 2013. Alcan has requested a similar accommodation. Fitch expects that any such accommodation would be part of broader plan to address the operating and financial effect on Big Rivers

FUTURE FINANCIAL RESULTS UNCLEAR

Big Rivers margins are expected to remain adequate to service financial obligations through at least August 2013 since both Century and Alcan remain obligated to make all required payments to Kenergy. For the nine months ended Sept. 30, 2012, Big Rivers reported operating revenue, earnings before interest, taxes and depreciation and net margins, that were all largely in line with budget, and the same nine month period through 2011.
Positively, Big Rivers reported cash and cash equivalents of $113.25 million at Sept. 30, 2012, excluding additional amounts held as special, restricted funds available for member rate mitigation. Big Rivers' unrestricted funds are available to support operations and may be used to meet the cooperative's June 2013 scheduled debt maturity ($58.8 million).

As time passes, however, it will be necessary for Big Rivers' to develop and implement a revised business and financial plan that captures the related regulatory decisions, contractual negotiations and anticipated revenue volatility, and for Fitch to assess the impact on the cooperative's ability to meet scheduled debt service payments.

For additional information on the rating, see Fitch's report, 'Big Rivers Electric Corporation', dated Aug. 31, 2011.

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

In addition to the sources of information identified in Fitch's Revenue-Supported Rating Criteria and U.S. Public Power Rating Criteria, this action was informed by information from CreditScope.

Applicable Criteria and Related Research:
--'U.S. Public Power Rating Criteria' (Dec. 18, 2012);
--'Revenue-Supported Rating Criteria'(June 12, 2012);
--'Big Rivers Electric Corporation'(Aug. 31, 2012).

Applicable Criteria and Related Research:
U.S. Public Power Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=696027
Revenue-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=681015
Big Rivers Electric Corporation

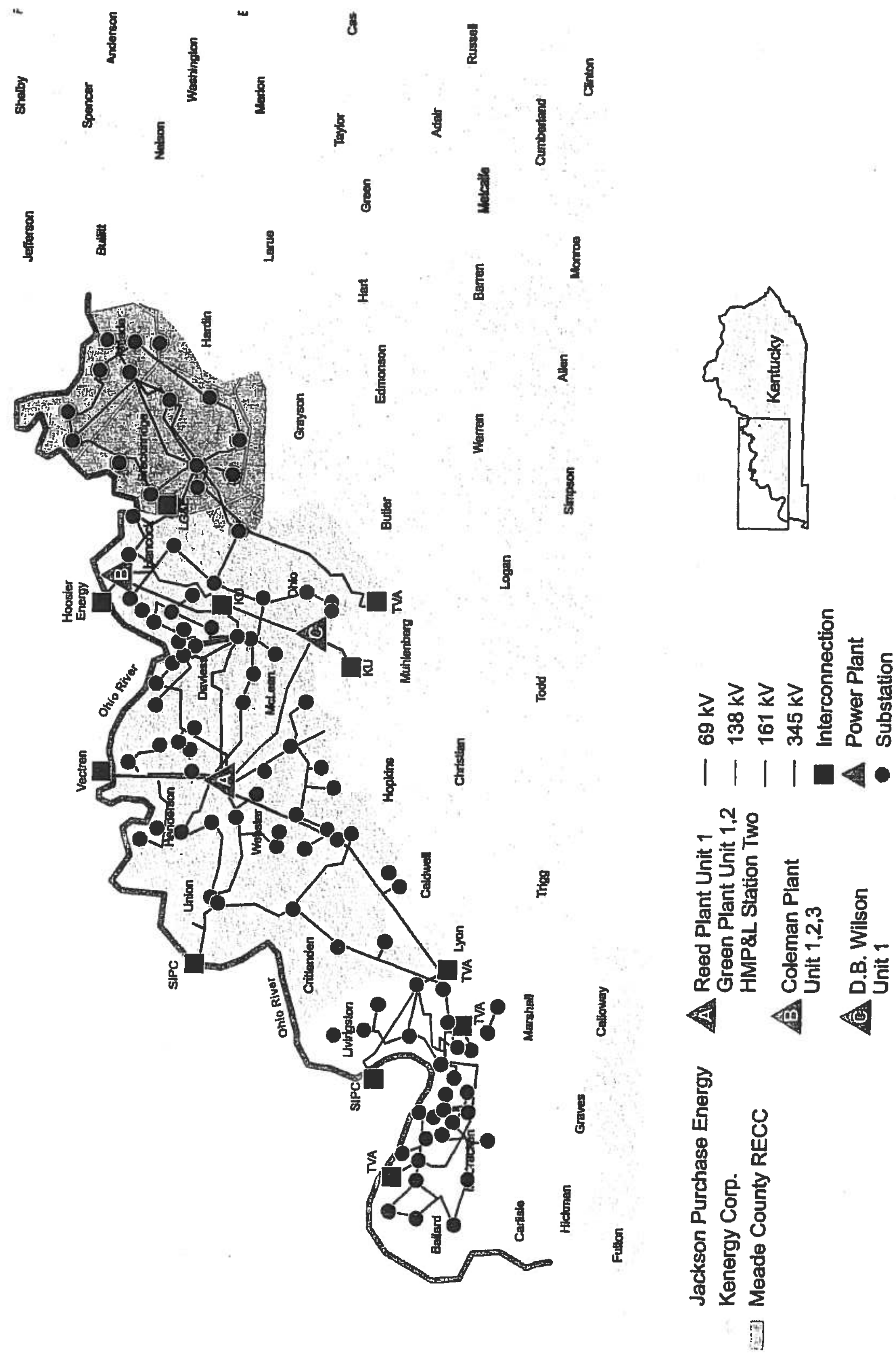
AG Hearing Exhibit No. 6

BIG RIVERS ELECTRIC CORPORATION

DISCLOSURE STATEMENT

July 12, 2012

TABLE OF CONTENTS



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Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420

Officers

Mark A. Bailey, President and Chief Executive Officer
Robert W. Berry, Vice President of Production

Senior Staff

David G. Crockett, Vice President of System Operations
James V. Haner, Vice President of Administrative Services
Mark A. Hite, Vice President of Accounting and Interim Chief Financial Officer
Eric M. Robeson, Vice President of Environmental Services and Construction
Albert M. Yockey, Vice President of Governmental Relations & Enterprise Risk Management

Directors

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

Members

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

BIG RIVERS ELECTRIC CORPORATION

INTRODUCTION

General

Big Rivers Electric Corporation ("Big Rivers" or the "Company") is an electric generation and transmission ("G&T") rural electric cooperative corporation. It was organized as a not-for-profit rural electric cooperative under the laws of Kentucky in June, 1961 to enable its Members (as defined herein) to pool their resources and provide for the power and transmission needs of their combined service territories. The Company currently operates as a taxable cooperative. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Critical Accounting Policies – Accounting for Income Taxes." Big Rivers provides wholesale electric service to its 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 Corp. ("Kenergy") for service to two aluminum smelters required by the Smelters Agreements (as defined herein). The two aluminum smelters are Rio Tinto Alcan ("Alcan"), a product group of Rio Tinto, 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." For a discussion of certain recent statements made on behalf of the Smelters, see the discussion under the caption "THE SMELTER AGREEMENTS."

Big Rivers owns 1,444 net MW of electric generating facilities, described herein under "GENERATION AND TRANSMISSION ASSETS – Generation Resources" and approximately 1,266 miles of transmission lines and 22 substations, described herein under "GENERATION AND TRANSMISSION ASSETS – Transmission."

In addition to its owned electric generation and transmission facilities, Big Rivers operates 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 Big Rivers (the "Station Two Operation Agreement"), and purchases all the power and energy from Station Two not used by HMP&L to serve the needs of the City of Henderson, Kentucky (the "City" or the "City of Henderson"), in accordance with a Power Sales Contract between HMP&L and Big Rivers dated August 1, 1970 (the "Station Two Power Sales Contract"). See "GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources – *Station Two Facility*."

In 2011, the Company's average wholesale revenue per kWh to the Members, including amounts withdrawn from the economic reserve, was \$.04678 per kWh for rural loads and \$.04168 per kWh for large industrial loads (exclusive of the Smelter loads and Domtar cogenerator backup served by Kenergy). The Company's average wholesale revenue per kWh to Kenergy to serve the two Smelter loads in 2011 was \$.04448 per kWh on sales of 6.9 million MWh. Excluding the Smelters, sales to its Members were 3.3 million MWh in 2011, 2.4 million MWh for rural loads and 0.9 million MWh for large industrial loads. Member Non-Smelter MWh sales in 2011 decreased by 2.0% from 2010. Rural loads in 2011 decreased by 4.4% from 2010 while large industrial loads increased by 4.3%. To the extent surplus capacity and energy are available, Big Rivers may sell electricity to non-Member utilities and power marketers ("Non-Members"). During 2011, the Company sold approximately 3.1 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

The Members of Big Rivers are Kenergy, Meade County Rural Electric Cooperative Corporation ("Meade") and Jackson Purchase Energy Corporation ("Jackson Purchase", and collectively with Kenergy and Meade, the "Members"). 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, 2011, the Members served approximately 113,000 member-customers (meters). Kenergy has approximately 55,300 retail members, Meade has approximately 28,500 retail members and Jackson Purchase has approximately 29,200 retail members. See APPENDIX B – "MEMBER FINANCIAL AND STATISTICAL INFORMATION."

Bankruptcy and Subsequent Operation

In September 1996, Big Rivers filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. The filing was precipitated largely by the Company's inability to sell its capacity in excess of that required to serve its Members at prices sufficient to cover all of its 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 the operations of the Company and resulted in the restructuring of the Company's long-term debt.

In accordance with the Plan of Reorganization, the Company leased all of its generating facilities to Western Kentucky Energy Corp. ("WKEC"), a wholly-owned subsidiary of LG&E Energy Corp. (LG&E, and subsequently E.ON U.S., LLC ("E.ON"). WKEC assumed and agreed to perform and discharge all of the Company's 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 the generating facilities owned by the Company, WKE Station Two Inc. ("WKE Station Two"), another wholly owned subsidiary of LG&E, assumed responsibility for the operation of Station Two and the Company's obligation to purchase power from Station Two under the Station Two Power Sales Contract. Pursuant to the Plan of Reorganization, WKEC and WKE Station Two (which was subsequently merged into WKEC) became responsible for the Company's prior responsibilities to operate and maintain the generating facilities owned by the Company and Station Two. Capital costs for these generating facilities were shared by WKEC and the Company in several different ratios depending upon whether or not the capital expenditures were 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. 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 the Company and LG&E Energy Marketing Inc. ("LEM"). The LEM Power Purchase Agreement established minimum hourly and annual power purchase amounts that Big Rivers was required to take and certain maximum hourly and annual power purchase amounts that LEM was required to make available to the Company. The Company 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 owned by the Company and operated by WKE Station Two.

Throughout the duration of the LG&E Arrangements Big Rivers 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 Big Rivers from LEM. The Company was 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 Big Rivers an average of approximately $18 million annually, which amount corresponded to the estimated margins the Company had anticipated to realize from sales to its 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 Big Rivers to LEM.

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

Unwind of LG&E Arrangements

In March 2007, Big Rivers executed a Transaction Termination Agreement (the "Termination Agreement") among LEM, WKEC and Big Rivers setting forth the term and conditions upon which the Company 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.

Summary of Major Provisions of Unwind

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

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

- WKEC waived the requirement in the LG&E Arrangements that the Company 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 the Company's owned generating facilities and Station Two. Additionally, WKEC conveyed to the Company certain utility plant assets used in connection with the operation of the Company's owned generating plants previously leased to WKEC. The value of these items was approximately $188.0 million.

- The Company 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 the Company cushion the effect of any potential future rate increases for fuel, environmental, and purchase power expenses on its rates to the Members for service to their non-Smelter members. The Transition Reserve account was established as a financial reserve account that would help the Company mitigate financial costs, if any, associated with the termination of the Smelter Agreements by a Smelter. In 2011 Big Rivers used the $35 million from the Transition Reserve to prepay a portion of its Rural Utilities Service ("RUS") related debt and Big Rivers will use a portion of the proceeds of a bank loan to replenish the Transition Reserve. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Executive Overview."

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

- WKEC conveyed to the Company 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 the Company owed to LEM.

- WKEC conveyed to the Company 14,000 sulfur dioxide ("SO_2") allowances allotted by the United States Environmental Protection Agency ("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 the Company resumed its 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, the Company prepaid $140.2 million of the indebtedness it owed to the RUS and the schedule of maximum permitted outstanding balances on the amortizing debt the Company owed 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. The Company's debt to RUS was incurred primarily to finance its generating assets. In connection with the Unwind the Company obligated itself to reduce the maximum permitted outstanding balances of its RUS debt by $60.0 million by October 1, 2012 and $200.0 million by January 1, 2016. The Company is using the proceeds of certain bank loans to satisfy these obligations. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Executive Overview."

The chart set forth below shows the impact of the Unwind on the Company's outstanding debt.

Debt Instrument	Pre-Unwind Balance	Unwind Close Transaction (In millions of dollars)	Post-Unwind Balance
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) Big Rivers payment to RUS on Unwind closing date.
(2) Forgiveness of debt by E.ON.
(3) Big Rivers payment to Philip Morris Capital Corporation on Unwind closing date.

As a result of the Unwind, the Company went from an equity to total capitalization ratio of -19% as of December 31, 2008, to 35.3% as of December 31, 2011.

Resumption of Operational Responsibilities in Connection with Generating Facilities

In connection with the Unwind, the lease of the Company generating facilities to WKEC was terminated and the Company resumed responsibility for the operation of its generating facilities. Thus, the Company assumed responsibility for the risks associated with such operation (e.g. fuel, capital costs associated with change in law). The Company intends to use the output of its generating facilities to supply the needs of the Members, including approximately 850 MW of power that is necessary for Kenergy to supply its contractual obligations to the Smelters, which were primarily serviced by LEM prior to the Unwind. See "THE SMELTER AGREEMENTS" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS." Power and energy generated above the 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 Big Rivers (the "All Requirements Contracts") providing that Big Rivers sells and delivers to the Member, and the Member purchase and receive from Big Rivers, 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 Big Rivers has 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 the Company 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, the Company 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 the Company 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 the Company's written consent and the written consent of the RUS, or (ii) paid a portion of the outstanding indebtedness on the notes and the Company's other commitments and obligations then outstanding, such portion to be determined by the Company 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 the Company and RUS may agree.

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

The All Requirements Contracts require the Company's Board of Directors to review the rates at least annually and to revise such rates as necessary to produce revenue as described above. Big Rivers must give Members no less than thirty (30) days' or more than forty-five (45) days' written notice of every rate revision. The Company's electric rate revisions are subject to the approval of the RUS and the KPSC, after which the Members are permitted to incorporate such rate changes into their own rate structures. See "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, Big Rivers and Kenergy are parties to two wholesale electric service agreements under which the Company provides a fixed amount of power and energy of 850 MW that is necessary for Kenergy to supply 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 D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

Existing Generation and Transmission Resources

The Company owns 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 the Company with approximately 1,444 MW of capacity. See "GENERATION AND TRANSMISSION ASSETS – Generation Resources" for a discussion of the Company's existing generation facilities. The Company also has a variety of purchase arrangements, including the Station Two Power Sales Contract with the City of Henderson and a contract with (the "SEPA Contract") the Southeastern Power Administration ("SEPA"), which together supply the Company with up to 375 MW of power. The Company purchases 197 MW from HMP&L pursuant to the Station Two Power Purchase Agreement and up to 178 MW under the SEPA Contract. The Company normally uses its entitlement under the SEPA Contract for peaking; however, as a result of problems with certain dams on the Cumberland River hydro system, the Company's capacity entitlement has been suspended and the Company currently is receiving only energy. See "GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources" for a discussion of the Company's power purchase arrangements. The Company also owns 1,266 miles of transmission lines and 22 substations and has additional access to approximately 100 MW of firm transmission service through an agreement with another utility. The Company is a participant in the Midwest Independent System Operator, Inc. ("MISO"). MISO is a non-profit regional transmission organization operating in 13 states in the Midwest United States and Manitoba, Canada. MISO has functional control of the operation of its participants transmission facilities of 100 kilovolts ("kV"). In addition to operating the bulk transmission system of its participants, MISO also operates the Midwest Market (the "MISO Market"). In the MISO Market, the Company and other participants submit day-ahead or real-time bids and offers for the purchase or sale of energy at various locations. MISO then directs each MISO Market participant whether to operate its generation facilities and determines the price of energy at each location for a particular time period.

SELECTED FINANCIAL DATA

The following financial data present selected information relating to the Company's financial condition and results of operations. The Balance Sheet data as of December 31, 2011 and 2010 and the Statement of Revenues and Expenses data for years ended December 31, 2011, 2010 and 2009 were derived from the Company's audited financial statements included in APPENDIX A. The Balance Sheet data as of December 31, 2009 and the Statement of Revenues and Expenses data for the years ended December 31, 2008 and 2007 were derived from the Company's 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)

	Year Ended December 31, (Audited)				
	2011	2010	2009	2008	2007
Operating revenues:					
Member tariff electric energy revenues	$456,351	$432,100	$259,579	$114,513	$113,281
Other electric energy revenues	102,021[1]	82,390	67,151	90,006	148,611
Lease revenue	—	—	32,027	58,423	58,265
Other operating revenues	3,617	12,834	14,603	10,239	9,713
Total operating revenues	561,989	527,324	373,360	273,181	329,870
Operating expenses:					
Operations:					
Fuel for electric generation	226,229	207,749	80,655	—	—
Power purchased and interchanged	112,262	99,421	116,883	114,643	169,768
Production, excluding fuel	50,410	52,507	22,381	—	—
Transmission and other	39,085	35,273	35,444	28,600	27,196
Maintenance	47,718	46,880	29,820	4,258	4,240
Depreciation and amortization	35,407	34,242	32,485	31,041	30,632
Total operating expenses	511,111	476,072	317,668	178,542	231,836
Electric operating margins	50,878	51,252	55,692	94,639	98,034
Interest expense and other:					
Interest, net of capitalized interest	45,226	46,570	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	100	259	1,025	5,934	—
Other, net	220	166	112	123	103
Total interest expense and other	45,546	46,995	63,207	79,578	70,954
Operating margin before non-operating margin	5,332	4,257	(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	—	—	537,978	—	—
Interest income and other	268	2,734	867	4,013	7,616
Total non-operating margin	268	2,734	538,845	12,755	20,097
Net margin	$5,600	$6,991	$531,330	$ 27,816	$ 47,177

[1] Includes Domtar cogenerator backup power revenues.

BALANCE SHEET
(dollars in thousands)

	December 31, (Audited) 2011	2010	2009
Assets:			
Utility plant, net	$1,092,063	$1,091,566	$1,078,274
Restricted investments under long-term lease	–	–	–
Restricted Investments – Member rate mitigation	163,162	217,562	243,225
Other deposits and investments, at cost	5,911	5,473	5,342
Current Assets:			
Cash and cash equivalents	44,849	44,780	60,290
Accounts receivable	44,287	45,905	47,493
Fuel inventory	33,894	37,328	37,830
Non-fuel inventory	25,295	23,218	20,412
Prepaid expenses	4,217	2,502	3,233
Total current assets	152,542	153,733	169,258
Deferred loss–termination of sale-leaseback	–	–	–
Deferred charges and other	4,244	3,851	9,384
Total assets	$1,417,922	$1,472,185	$1,505,483
Equities (Deficit) and Liabilities:			
Capitalization:			
Equities (deficit)	$389,820	$386,575	$379,392
Long-term debt	714,254	809,623	834,367
Total capitalization	1,104,074	1,196,198	1,213,759
Current liabilities:			
Current maturities of long-term debt and obligations	72,145[2]	7,373	14,185
Notes payable	–	10,000	–
Purchased power payable	1,878	1,516	3,362
Accounts payable	28,446	29,782	30,657
Accrued expenses	10,380	10,627	9,864
Accrued interest	9,899	11,134	9,097
Total current liabilities	122,748	70,432	67,165
Deferred credits and other:			
Regulatory liabilities – Member rate mitigation	169,001	185,893	207,348
Other	22,099	19,662	17,211
Total deferred credits and other	191,100	205,555	224,559
Total equities and liabilities	$1,417,922	$1,472,185	$1,505,483

[2] Includes $60 million due to the RUS by October 1, 2012, that the Company intends to refinance with the proceeds of certain bank loans.

CAPITALIZATION

The Company's capitalization derived from the financial statements included in APPENDIX A is as follows:

	December 31, (Audited) 2011
	(in thousands)
Long-Term debt:	
Secured by the Mortgage Indenture:	
RUS Series A Note	$521,250
RUS Series B Note	123,049
1983 Series Pollution Control Bonds	58,800
2001A Series Pollution Control Bonds	83,300
Total long-term debt	$786,399
Less: current portion	72,145[3]
Total long-term debt, excluding current portion	714,254
Equity:	
Accumulated Margins	397,098
Other Equities and Accumulated Other Comprehensive Income	(7,278)
Total Equities	$389,820
Total capitalization	$1,104,074

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[3] Includes $60 million due to the RUS by October 1, 2012, that the Company intends to refinance with the proceeds of certain bank loans.

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

Caution Regarding Forward Looking Statements

This Disclosure Statement contains forward-looking statements regarding matters that could have an impact on the Company's 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 the Company's 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 Big Rivers' industry and unanticipated changes in operating expenses, capital expenditures and tax liabilities. Some of the factors that could cause the Company's actual results to differ from those anticipated by these forward-looking statements are described under the caption "RATE AND ENVIRONMENTAL REGULATIONS." Any forward-looking statement speaks only as of the date on which the statement is made, and the Company undertakes 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

Under the Unwind, the Company obligated itself to reduce the maximum permitted balances of its RUS Series A Note by $60.0 million on October 1, 2012 and $200.0 million on January 1, 2016. The Company expects to meet these obligations through the issuance of long-term debt. The Company also has significant projected capital expenditures including approximately $283.5 million in pollution control expenditures in order to keep its coal-fired units in compliance with various EPA standards. Big Rivers sought KPSC approval for its 2012 environmental compliance plan ("ECP") in an April 2012 filing. Big Rivers expects to finance the costs of the ECP using an unsecured line of credit as bridge financing to permanent, long-term financing. The Company also has a $50.0 million unsecured revolving credit agreement with CoBank ACB ("CoBank") that expires July 16, 2012, that it is seeking to renew for a five year term as described below.

The Company has entered into letters of intent with CoBank and the National Rural Utilities Cooperative Finance Corporation ("CFC"). Big Rivers will borrow $235 million from CoBank in the form of a secured term loan. Also, Big Rivers will enter into an unsecured revolving credit agreement with CoBank to replace its current revolving credit agreement with CoBank. Big Rivers will borrow $302 million from CFC under a secured term loan. On July 2, 2012 Big Rivers borrowed $25 million under the existing CFC revolving credit agreement and prepaid that amount on the RUS Series A Note. Big Rivers plans to repay this borrowing in connection with the closing of the bank loans. The proceeds of both the CFC and the CoBank loans will be used primarily to prepay a portion of the RUS Series A Note. It is expected that the application of the prepayment, together with the use of a portion of the proceeds of the CFC and the CoBank loans will result in the reduction of the maximum debt balance on the RUS Series A Note from $561.6 million to $84.6 million. A portion of the CoBank loan will also be used to replenish the Transition Reserve investment account in the amount of $35 million. Big Rivers expects to use a combination of loan proceeds, cash flows from operations, secured debt offerings in the public debt market and/or loans from the Federal Financing Bank ("FFB") guaranteed by RUS to finance its operating costs and its capital expenditures, including the ECP, through 2015.

On March 28, 2012, Big Rivers filed an application to the KPSC seeking approval to issue both secured and unsecured debt in connection with the CoBank and the CFC loans. The application was approved May 25, 2012, and Big Rivers plans to close the loans July 27, 2012. Since the closing is not scheduled until later this month, the Company and CoBank have extended the term of the expiring CoBank revolving credit agreement for a period of six months.

The Company is currently forecasting a MFI Ratio (as defined herein under the caption "Cooperative Operations – Coverage Ratio") of 1.10 for 2012, as required by the Indenture dated as of July 1, 2009, as supplemented and amended (the "Mortgage Indenture"), which MFI Ratio will result in net margins of $4.5 million. During the year ended December 31, 2011, Big Rivers achieved net margins of approximately $5.6 million and the MFI Ratio was 1.12.

Critical Accounting Policies

General

The Company prepares its financial statements in conformity with accounting principles generally accepted in the United States. Management exercises judgment in the selection and application of these principles, including making certain estimates and assumptions that impact the Company's results of operations and the amount of its total assets and liabilities reported in the Company's financial statements. The Company considers critical accounting policies to be those policies that, when applied by management under a particular set of assumptions or conditions, could materially impact the Company's 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 the Company's operations change and accounting guidance evolve, its accounting policies and estimates may be revised. The Company has identified a number of critical accounting policies and estimates that require significant judgments. The Company bases its judgments and estimates on experience and various other assumptions that the Company believes are reasonable at the time of application. The Company's judgments and estimates may change as time passes and more information about the environment in which it operates becomes available. If actual results are different than the estimated amounts recorded, adjustments are made taking the new information into consideration. The Company discusses its critical accounting policies, significant estimates and other certain accounting policies with the Board of Directors, as appropriate. The Company's critical accounting policies and significant estimates are discussed below.

Regulatory Accounting

The Company's 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 the Company and periodically issue orders and instructions on various accounting and ratemaking matters. The Company's operations meet the criteria for application of regulatory accounting treatment. As a result, the Company records approved regulatory assets and liabilities that result from the regulated ratemaking process that would not ordinarily be recorded under Generally Accepted Accounting Principles. The Company had no Regulatory Assets at December 31, 2011 and the Company's Regulatory Liabilities were $169.0 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 the Company's regulator to mitigate the net effect on the Members of fuel and environmental surcharges and surcredits. These amounts are recorded in revenue as the underlying fuel and environmental costs are incurred. The Company continually assesses whether any regulatory account it has is probable of future recovery or refund 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, the Company believes its 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 a regulatory asset or refund of a regulatory liability ceases 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

The Company had no off-balance sheet arrangements as of December 31, 2011.

Accounting for Loss Contingencies

The Company is involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of its financial statements, the Company makes judgments regarding the future outcome of contingent events and records 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. The Company regularly reviews 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 the Company's future operating results, financial position or cash flows. The Company had no contingent matters requiring accrual at December 31, 2011.

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. The Company 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. These depreciation rates remained in effect up to December 1, 2011.

On March 1, 2011, the Company filed a new depreciation study with the KPSC as part of a request for approval of an increase in member rates. The new depreciation study, which was approved by the KPSC in its order dated November 17, 2011, resulted in an 11% increase in depreciation expense and became effective December 1, 2011.

Accounting for Income Taxes

The Company was 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 the Company's receipts must be generated from transactions with the Members. In 1983, sales to Members did not meet the 85% requirement due to sales to Non-Members. Since 1983, the Internal Revenue Service ("IRS") considers the Company a taxable organization. Beginning with 2010, post-Unwind, the Company believes that its sales to Members satisfy the 85% requirement and the Company now could qualify for exempt status. In order to qualify for exempt status the Company would need to apply to the IRS. The Company has no current intentions of applying for exempt status. The Company is 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 the Company's 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 its deferred tax assets, the Company considers 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, the Company's 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 the Company believes its assessment of its income tax estimates are reasonable, actual results could differ from the estimates.

At December 31, 2011, the Company reported deferred tax assets of $53.9 million, of which $12.8 million related to net operating losses and $19.7 million related to the RUS Series B Note. At December 31, 2011, accrued net operating losses totaled $32.4 million, expiring at various times between years 2011 and 2031. Additionally, at December 31, 2011, the Company reported deferred tax liabilities of $9 thousand resulting from pollution control bond refunding costs.

Pension and Other Postretirement Benefits

The Company has noncontributory defined benefit pension plans covering approximately 100 of its 627 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, the Company 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.

The Company also provides certain postretirement medical benefits for retired employees and their spouses. Generally, except for retirees who were part of the generation union, the Company pays 85% of the premium cost for all retirees age 62 to age 65. It pays 25% of the premium cost for spouses under age 62. For salaried retirees age 55 to age 62, the Company 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, the Company 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 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. The Company believes 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. The Company's defined benefit pension plans are fully funded for the purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Company has made additional voluntary contributions. At December 31, 2011, for the defined benefit pension plans, the fair value of plan assets exceeded the present value of the accumulated benefit obligation by $2.5 million. The Company funds it's 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, 2011, the present value of the projected benefit obligation for the other postretirement benefit plans was $18.0 million.

Cooperative Operations

Utility Margins

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

Rate Structure

Under the wholesale power contracts, the Members pay the Company 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, the Company has a fuel adjustment clause, an environmental surcharge clause, and a purchased power adjustment clause for purchased power not recovered in the fuel adjustment clause above a base amount under which it can increase or decrease charges to the Members based on the variance between the Company's actual cost and the cost included in its base rates. See APPENDIX D – "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 the Company to establish and collect rates for the use or the sale of the output, capacity or service of its electric generation and transmission 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. For the definition of "Margins for Interest" and "Interest Charges" see APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants." A failure by the Company to actually achieve a 1.10 MFI Ratio will not itself constitute an 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 Event of Default if such failure continues for 30 days after the Company receives 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 the Company's inability to obtain regulatory approval. However, in order to issue additional Obligations under the Mortgage Indenture, the Company must certify that its 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, the second preceding fiscal year) or during any consecutive 12-month period within the 15 month period immediately preceding the request for the issuance of additional Mortgage Indenture Obligations. The 2011 net margins were $5.6 million and the MFI Ratio was 1.12.

Results of Operations

Sales to Members

Electric sales to the Members are made pursuant to wholesale power contracts with each Member. The table below sets forth the Sales to Members in MWhs for 2011, 2010 and 2009. The Smelter sales are shown both before and after the closing of the Unwind. Before the closing of the Unwind, the Company supplied only a small portion of the Smelters' needs. Since the Unwind, the Company supplies 850 MW of the Smelters' needs. The wholesale rate to Kenergy for the Smelters averaged $44.48 per MWh for 2011, $44.05 per MWh for 2010 and $46.22 per MWh for 2009.

Rural Member sales include residential and commercial loads. The 2011 rural Member sales reflect a .11 million MWh decline or a 4.44% decrease from 2010. This decline is attributable to the mild weather in 2011. The 2010 rural member sales reflect a .24 million MWh increase or a 10.71% increase from 2009 primarily due to the hot summer weather. Industrial Member sales were relatively flat over the three year period.

Smelter sales in 2011 were .50 million MWh or 7.87% higher than 2010. The increase is primarily due to restarting an idle potline at Century. Smelter sales in 2010 were 2.88 million MWh or 83.00% higher than 2009, reflecting a full year of post-Unwind sales.

Sales to Members
(in millions of MWhr)

	2011	2010	2009
Rural Member	2.37	2.48	2.24
Industrial Member*	0.97	0.93	0.92
Smelter (Pre-Unwind)	0.00	0.00	0.58
Smelter (Post-Unwind)	6.85	6.35	2.89
	10.19	9.76	6.63

*Excludes Domtar cogeneration backup power.

Sales to Non-Members

The table below sets forth the Sales to Non-Members in megawatt-hours for 2011, 2010 and 2009. After the closing of the Unwind on July 16, 2009, the Company had access to all of the generation available from its production assets, which enabled it to sell any excess on the open market. The excess generation was sold in the market to third parties. Non-Member sales in 2011 reflect a .85 million MWh or 38.46% increase from 2010 due to a full year of MISO membership. The 2010 Non-Member sales are 1.04 million MWh or 88.89% higher than 2009, reflective of a full year of post-Unwind operations.

Sales to Non-Members
(in millions of MWhr)

	2011	2010	2009
Non-Member............................	3.06	2.21	1.17

*Includes Domtar cogeneration backup power.

Other Revenue

The table below sets forth the Other Revenue for 2011, 2010 and 2009. After the closing of the Unwind on July 16, 2009, the lease payments from E.ON for the Company's generation assets were terminated, resulting in a decrease of $32.0 million in 2010. In December 2010, Big Rivers became a member of MISO. As a result, other operating revenue declined in the subsequent year. Other operating revenue in 2011 was $9.2 million or 71.82% lower than 2010 due to the first full year of MISO membership. Prior to MISO membership, other operating revenue was an equal off-set to certain related operating expenses below. Increases and decreases were due to changes in transmission revenue from the Company's internal Non-Member energy services departmental activities. Since entrance into MISO, other operating revenue provides only a partial offset to the related operating expenses.

Other Revenue
(in thousands)

	2011	2010	2009
Lease revenue..........................	---	---	$32,027
Other operating revenue...........	$3,617	$12,834	14,603
	$3,617	$12,834	$46,630

Operating Expenses

The table below sets forth the Operating Expenses for 2011, 2010 and 2009. Fuel, production and maintenance expenses in 2011 were $17.2 million or 5.61% higher than in 2010. Higher fuel expense resulting from increased generation and higher fuel pricing was the primary driver. These expenses were $174.3 million or 131.18% higher in 2010 than in 2009 due to the first full year of post-Unwind operation. After the closing of the Unwind on July 16, 2009, the Company became responsible for the operating expenses for the generating fleet. The 2011 power purchased was $12.8 million or 12.92% higher than 2010 as a result of the first full year of MISO membership. The 2010 power purchased was $17.5 million or 14.94% lower than in 2009. Prior to the Unwind, the Company purchased all of its power while post-Unwind the Company primarily purchased replacement power. Transmission expenses for 2011 were $3.81 million or 10.81% higher than 2010 as a result of the first full year of membership fees due to membership in MISO. Depreciation expense increased during the last 3 years as a result of a higher capital balance being depreciated.

Operating Expenses
(in thousands)

	2011	2010	2009
Fuel for electric generation	$226,229	$207,749	$ 80,655
Power purchased and interchanged	112,262	99,421	116,883
Production, excluding fuel	50,410	52,507	22,381
Transmission and other	39,085	35,273	35,444
Maintenance	47,718	46,880	29,820
Depreciation	35,407	34,242	32,485
	$511,111	$476,072	$317,668

Interest and Other Charges

The table below sets forth Interest and Other Charges for 2011, 2010 and 2009. The Company paid RUS $140.2 million at closing of the Unwind, which served to decrease the Company's interest expense going forward. The Company continued to make debt service payments in 2010 and 2011, including utilizing the $35 million from the Transition Reserve to prepay the RUS Series A Note in 2011.

Interest and Other Charges
(in thousands)

	2011	2010	2009
Interest, net of capitalized interest	$45,226	$46,570	$59,898
Amort. of loss from termination of lease	-	-	2,172
Income tax expense	100	259	1,025
Other, net	220	166	112
	$45,546	$46,995	$63,207

Operating Margin

The table below sets forth the Operating Margin for 2011, 2010 and 2009. Operating Margin for 2011 was $1.1 million or 25.25% higher than 2010. During 2011 the KPSC issued an order approving an increase in Member base electric rates resulting in a 6.19% increase in total Member revenue. The increase was effective as of September 1, 2011. During 2011 Big Rivers also completed its first full year of membership with MISO. The MISO administration fees largely offset the increase in net sales margin in 2011. Operating Margin for 2010 was $11.8 million higher than 2009. After the closing of the Unwind on July 16, 2009, a major 8.5 week planned outage for the D.B. Wilson Unit No. 1 Plant ("Wilson Plant")was completed in the fall. This expense, coupled with lower Member sales due to the weather, resulted in the lower operating margin in 2009 versus 2010.

Operating Margin
(in thousands)

	2011	2010	2009
Operating Margin	$5,332	$4,257	$(7,515)

Non-Operating Margin

The table below sets forth the amount of Non-Operating Margins for 2011, 2010 and 2009. The Non-Operating Margin in 2011 included interest income and patronage allocations. In addition to interest income and patronage allocations, the Non-Operating Margin in 2010 also included a write-off of the reserve for obsolescence that was established for certain materials and supplies inventory upon the Unwind closing. The Non-Operating Margin in 2009 resulted predominantly from the closing of the Unwind.

Non-Operating Margin
(in thousands)

	2011	2010	2009
Gain on Unwind	-	-	$537,978
Interest income and other	268	$2,734	867
	$268	$2,734	$538,845

Net Margin

The 2011 net margin was $1.4 million or 19.90% lower than 2010. Three items account for the majority of the decline in 2011 net margin. First, 2011 reflects an additional expense of $4.6 million related to a full year of MISO membership fees. Second, following a thorough analysis during 2010, the balance of the reserve for obsolescence that was established for certain materials and supplies inventory upon the Unwind closing was written off, resulting in a positive impact of $1.9 million to the 2010 net margin. Third, largely offsetting the unfavorable expense variance is a $5.0 million increase in net sales margin (electric sales revenue less variable cost) in 2011. This is principally due to the Member rate increase and higher Smelter and off-system sales volumes in 2011, largely offset by lower market pricing in off-system sales.

The 2010 net margin was $524.3 or 98.68% lower than 2009. While the 2009 net margin was $531.3 million, when the one-time $538 million Unwind gain is excluded, 2009 reflected a $6.6 million loss. There are three items that explain the majority of the $13.6 million net improvement, excluding Unwind gain, in the 2010 net margin. First, interest expense reflected a $16.2 million favorable variance, primarily due to a $222.1 million reduction in long-term debt since 2008. Second, the balance of the reserve for obsolescence that was previously discussed was written off, resulting in a non-operating margin of $1.9 million. Third, electric operating margin reflected a $4.4 million unfavorable variance for the first full year of post-Unwind operations, principally due to a depressed market price for off-system sales.

Net Margin
(in thousands)

	2011	2010	2009
Net Margin....................................	$5,600	$6,991	$531,330

Financial Condition

As of December 31, 2011 compared to December 31, 2010

The Company's total assets decreased $54.3 million, to $1,417.9 million as of December 31, 2011, from $1,472.2 million as of December 31, 2010. The primary reasons are that in 2011 Big Rivers used $35 million from the Transition Reserve to prepay a portion of its RUS Series A Note, and the continuing use of the Economic Reserve to mitigate the non-smelter member rate impact stemming from the fuel adjustment clause and the environmental surcharge. Regarding long-term debt, a $60 million bullet payment on the RUS Series A Note is due by October 1, 2012 and was reclassified from long-term debt to current maturities in the balance sheet. As a result, working capital at December 31, 2011, decreased $53.5 million and long-term obligations decreased by $95.3 million from 2010 primarily due to the debt prepayment and current maturities. The Company will refinance the payment relating to the RUS Series A Note with the proceeds of a bank loan.

Operating revenues for the year ended December 31, 2011, were $34.7 million higher than the year ended December 31, 2010, as a result of a combination of off-system sales, Century restarting a potline, and the Member base rate increase effective September 1, 2011. Operating expenses for 2011 increased to $511.1 as compared to $476.1 in 2010. Additional fuel expenses resulting from increased generation and higher fuel pricing was the primary driver. Net margins were $5.6 million in 2011, a $1.4 million decline from 2010 primarily due to a full year of MISO membership fees, largely offset by the improved net sales margin (electric sales revenues less variable costs) resulting from the Member base rate increase.

As of December 31, 2010 compared to December 31, 2009

The Company's total assets decreased to $1,472.2 million as of December 31, 2010, from $1,505.5 million as of December 31, 2009, reflecting a voluntary prepayment of $23.9 million in 2010 on the RUS Series A Note, which the Company has since clawed back by avoiding quarterly debt service payments. As a result, working capital at December 31, 2010, decreased $18.8 million and long-term obligations decreased by $24.8 million from 2009.

Operating revenues for the year ended December 31, 2010, were $153.9 million higher than the year ended December 31, 2009, as a result of the first full year of operation after the Unwind. Operating expenses for 2010 increased to $476.1 as compared to $317.7 in 2009, also the result of the first full year of operation after the Unwind. Net margins were $7.0 million in 2010, a $524.3 million decline from 2009 resulting from the $538 million gain recorded in 2009 due to the July 16, 2009, Unwind closing.

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

The Company's total assets increased to $1,505.5 million as of December 31, 2009, from $1,074.4 million as of December 31, 2008, reflecting cash and other compensation it 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. The Company's long-term obligations decreased by $153.0 million primarily reflecting the payment of $140.2 million on its 5.75% RUS Series A Note on the closing date of the Unwind. The Company's equity increased to $379.4 million as of December 31, 2009, from $(154.6) million as of December 31, 2008, again reflecting compensation to the Company 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 a result of the Unwind.

Liquidity and Capital Resources

At December 31, 2011, the Company held cash and cash equivalents of approximately $44.8 million. The Company expects to rely upon its cash flows from operations and existing cash and cash equivalents, revolving credit agreements, and loan proceeds to fund its operating costs and capital requirements during 2012.

In July 2009, the Company 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 April 30, 2012, the Company had no outstanding amount under the CoBank credit agreement. Since the closing on its new revolving credit agreement with CoBank is not scheduled until later this month, the Company has recently extended this facility until January 16, 2013. This agreement will be replaced with a similar CoBank revolving credit agreement with a five year term discussed under "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Executive Overview."

In July 2009, the Company 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 letters of credit. As of April 30, 2012, letters of credit in the aggregate amount of $6.8 million were outstanding under the CFC credit agreement. The Company recently drew down $25 million under this facility and applied it to a portion of the $60.0 million reduction in the maximum permitted balances of the RUS Series A Note due on October 1, 2012. The Company plans to repay this borrowing in connection with the closing of the bank loans under "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Executive Overview."

Amounts available under these revolving credit facilities are accessible should there be a need for additional short-term financing. The Company expects that a combination of loan proceeds, cash flows from operations, the existing cash and cash equivalents balance, revolving credit agreements and secured debt offerings in the public debt market and/or RUS-guaranteed loans from the FFB will be sufficient to fund its operating costs and capital requirements during 2012 through 2015.

For a discussion of financing for the Company's projected capital expenditures, see "*Budgeted Capital Expenditures of Big Rivers Electric Corporation*" and "*Capital Requirements*" below.

Budgeted Capital Expenditures of Big Rivers Electric Corporation

The Company annually budgets expenditures required for additional electric generation and transmission facilities and capital for enhancement of existing facilities. The Company reviews these projections frequently in order to update its calculations to reflect changes in future plans, construction costs, market factors and other items affecting its forecasts. The actual capital expenditures could vary significantly from the budget because of unforeseen construction, changes in resource requirements, changes in actual or forecasted load growth or other issues. The Company's 2012 approved budget for capital expenditures, excluding the City's share of Station Two and capitalized interest, is $82.6 million. The Company's long range capital plan details actual and projected construction requirements and system upgrades of approximately $550.4 million, excluding the City's share of Station Two and capitalized interest, for the years 2012 through 2015 as follows:

Budgeted Capital Expenditures*

	2012	2013	2014	2015	Total
Environmental Additions	$13,894,230	$100,464,745	$130,000,000	$70,000,000	$314,358,975
Transmission	11,998,799	6,266,285	5,266,884	2,170,387	25,702,355
Generation	52,359,189	50,672,121	50,740,554	41,554,812	195,326,676
Administration	4,374,393	2,210,864	6,491,000	1,962,164	15,038,421
	$82,626,611	$159,614,015	$192,498,438	$115,687,363	$550,426,427

**Excludes the City's share of Station Two and capitalized interest.*

Some of the more significant capital investments in generation and environmental additions that are represented in the table above for each year are as follows:

For 2012, major capital investments in the budget include $13.9 million on Cross-State Air Pollution Rule ("CSAPR") and Mercury and Other Air Toxins ("MATS") related assets for environmental compliance; $4.5 million for the Robert D. Green Plant ("Green Plant") Units No. 1 and 2 FGD refurbishment project; $3.0 million for the finishing superheater project and $3.0 million for the secondary air heater project at the Wilson Plant; $2.5 million is included for the Coleman Plant Unit No. 1 hot reheat section tube replacement. Additionally, transmission expenditures include the two-way radio project budgeted for $2.8 million and the White Oak substation project for $2.5 million.;

In 2013, major capital investments in the budget include $100.5 million on continued costs related to the CSAPR and MATS projects to meet environmental standards; $2.8 million for the continuation of the White Oak substation relating to transmission; $2.8 million for continued costs on the Green Plant Units No. 1 and 2 FGD refurbishment project; $2.5 million for the Wilson Plant burner replacement project. Additionally, the Coleman Plant had 3 major projects: $2.0 million for the water treatment facility dike elevation, $2.0 million for the Coleman Unit No. 2 primary superheater and $2.5 million for the Coleman Unit No. 2 hot reheat tube replacement.

For 2014 and 2015, the major emphasis of capital spending in the budget will be the environmental projects relating to the CSAPR and MATS. Budgeted spending for these environmental projects will be $130.0 million in 2014 and $70.0 million in 2015.

Big Rivers expects to spend approximately $283.5 million from 2012 thru 2016 for projects identified in its 2012 ECP submitted to the KPSC on April 2, 2012. Major components of this plan include replacement of the FGD system at the Wilson Plant and installation of selective catalytic reduction ("SCR") equipment at Green Plant Unit No. 2.

Historically, RUS loan guarantees have provided the principal source of financing for generation and transmission cooperatives. The availability and magnitude of RUS-guaranteed loan funds are subject to annual federal budget appropriations and thus cannot be assured. Currently, RUS-guaranteed loan funds are subject to increased uncertainty because of budgetary and political pressures faced by Congress. The President's budget proposal for fiscal year 2013 provides for $6.1 billion in loans – a reduction of less than 10% from 2012 levels. Not more than $2 billion could be made available for environmental improvements to fossil-fueled generation that would reduce emissions, with the remaining funding limited to renewable energy, transmission, distribution and carbon-capture projects on generation facilities, and low emission peaking units affiliated with energy facilities that produce electricity from solar, wind and other intermittent sources of energy. Although Congress has historically rejected proposals to dramatically curtail the RUS loan program, there can be no assurance that it will continue to do so. Because of these factors, the Company cannot predict the amount or cost of RUS-guaranteed loans that may be available to it in the future. In addition, RUS has a moratorium on any loans for new base load coal or nuclear generation. The Company also seeks borrowing opportunities to issue secured debt in the public market, private and public, including tax-exempt bond financing, and borrowing from banks.

Capital Requirements

The Company expects to finance substantially all of its projected capital expenditures for the years 2012 through 2015 with a combination of loan proceeds, internally generated funds, revolving credit agreements, secured debt offerings in the capital market and/or RUS-guaranteed loans.

Debt and Lease Obligations

Big Rivers' long-term debt totaling $786.4 million as of December 31, 2011 is detailed in Note 4 (Debt and Other Long-Term Obligations) of the audited financial statements included in APPENDIX A. Outstanding debt consists of the RUS Series A Note ($521.3 million), the RUS Series B Note ($123.0 million), and two pollution control issues (totaling $142.1 million) as described below.

The Company has 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 a variable rate. 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. The Company also has outstanding $83.3 million County of Ohio, Kentucky Pollution Control Refunding Revenue Bonds (Big Rivers Corporation Project), Series 2010 Bonds which bear interest at a fixed interest rate of 6% per annum.

The scheduled maturities of the Company's long-term debt at December 31, 2011 were as follows:

Payments Due by Period

	Total	2012	2013	2014 (in millions)	2015	Thereafter
Long-Term Debt[(1)(2)]	$786.4	$72.1	$79.3	$21.7	$23.0	$590.3

(1) In the operation of its business the Company has 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 the Company's long-term power purchase obligations, see "GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources."

(2) Payments do not reflect the planned prepayment of the RUS Series A Note and the reduction of the maximum debt balance on such Note from $561,603,000 to $84,603,000 expected to take place on June 29, 2012.

Ratings Triggers

The Company's credit ratings as of the date of this Disclosure 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 the loan agreement with RUS, if the Company fails to maintain two investment grade credit ratings, it 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 maintain two investment grade credit ratings, the Company 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 the Company would be impacted by this restriction, both Fitch and S&P would have to downgrade it 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 the Company's credit rating also would have an impact on the current CoBank revolving credit agreement. This agreement contains an adjustment to the annual fees and interest rate paid on any advances based on Big Rivers' existing credit rating. An improvement in the credit rating would lower the Company's cost and a deterioration in the Company's credit rating would increase its cost under this agreement. This agreement allows the Company to utilize its highest unsecured credit rating in setting fees and interest rates. Currently, Moody's is the Company's highest secured credit rating and sets the costs under this agreement at the rating level equal to one notch lower. A one-step downgrade by Moody's would result in a .0250% increase in the unused fee and a .50% increase in the interest rate margin.

RATE AND ENVIRONMENTAL REGULATIONS

General

Many aspects of the Company's 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 the Company's rates for the sale of wholesale power to the Members. Among other things, Kentucky law authorizes the KPSC to (i) approve the Company's rates on a "fair, just and reasonable" standard, (ii) regulate the Company's construction of new generation and transmission facilities by issuing certificates of public convenience and necessity, (iii) approve changes in ownership or control of the Company through sales of assets or otherwise, (iv) approve the issuance or assumption of securities or evidence of indebtedness, other than to RUS, and (v) administer the state laws assigning each jurisdictional electric utility the exclusive right to provide electric service within specified geographic boundaries.

In its order approving the Unwind Transaction, the KPSC stipulated that Big Rivers file a rate case within three years of the Unwind closing date or by July 2012. On March 1, 2011, the Company filed an application with the KPSC requesting, among other things, authority to adjust its rates for wholesale electric service. The KPSC entered an order on November 17, 2011, granting Big Rivers an annual revenue increase of $26.7 million. After several appeals and procedural events, this case is back before the KPSC for rehearing on four issues raised by Big Rivers, and three issues raised by an intervenor. The intervenor in the case seeks, among other things, an approximate $6.2 million reduction in the revenue relief granted in the order in connection with the depreciation study, and will presumably ask that any relief obtained be retroactive to the effective date of the rates approved in the order (September 1, 2011). The matters raised by Big Rivers on rehearing could increase Big Rivers' annual revenue by $2.7 million.

On March 28, 2012, Big Rivers submitted its application to the KPSC seeking approval to issue a term note secured under the Indenture to CoBank in the amount of $235 million, issue an unsecured note to CoBank in the amount of $50 million, issue a term note secured under the Indenture to CFC in the amount of $302 million and, in connection with the CFC term loan, to purchase interest bearing capital term certificates from CFC in the amount of approximately $43.2 million. The application with the KPSC was approved on May 25, 2012, and the planned closing date for these transactions with CoBank and CFC is June 29, 2012.

Big Rivers submitted an application on April 2, 2012, seeking KPSC approval for its 2012 ECP. This ECP will consist of $283.5 million of capital projects, primarily for a new scrubber at the Wilson Plant and a new SCR facility at the Green Plant, and certain additional operations and maintenance costs. The purpose of the ECP is to allow Big Rivers to comply, in the most cost-effective manner, with the EPA's rules for CSAPR and MATS.. Among other things, the ECP filing will seek to recover the costs of the ECP through the environmental surcharge tariff rider, an automatic cost-recovery mechanism that is similar in function to the fuel adjustment clause. The regulatory process is expected to last six months after the filing date.

RUS Regulation

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

Environmental Regulations

Big Rivers is 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 Big Rivers to undertake considerable efforts and substantial costs to obtain licenses, permits and approvals from various federal, state and local agencies. If Big Rivers fails to comply with these laws, regulations, licenses, permits or approvals, Big Rivers could be held civilly or criminally liable. Big Rivers' 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 Big Rivers' 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 Big Rivers' facilities will not become materially more stringent, or that Big Rivers will always be able to obtain and renew all required operating permits. Big Rivers cannot predict at this time whether any additional legislation or rules will be enacted that will affect its operations, and if such laws or rules are enacted, what the cost to Big Rivers might be in the future because of such actions.

From time to time, Big Rivers 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, Big Rivers may be defending notices of violation, enforcement proceedings or challenges to draft or final construction or operating permits. In addition, Big Rivers may be involved in legal proceedings arising in the ordinary course of business.

Clean Air

Clean Air Act. The Clean Air Act, as amended (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 Big Rivers', 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, the

Company may incur greater costs than competing generating sources to bring facilities up to current standards. Several of the Company's 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 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. The Company has sufficient SO_2 allowances to comply for the foreseeable future according to the Company's modeled emissions and allowance allocations.

Cross-State Air Pollution Rule. On July 11, 2008, the United States Court of Appeals for the D.C. Circuit ("D.C. Circuit") vacated the Clean Air Interstate Rule ("CAIR"), which was promulgated by the EPA in March 2005 to reduce nitrogen oxides ("NO_x") and SO_2 air emissions that move across certain state boundaries, primarily in the eastern United States. The CAIR would have been applicable in 28 eastern states, including Kentucky. The D.C. Circuit remanded the CAIR to EPA to promulgate a rule that is consistent with the court's opinion. On December 23, 2008, the court held that the original CAIR program will remain in effect until EPA promulgates such a new regulation.

On July 6, 2010, EPA published a proposed rule, known as the Transport Rule, as the replacement to the CAIR. On July 7, 2011, EPA published the final rule, now known as CSAPR. The CSAPR requires 27 states in the eastern half of the United States, including Kentucky, to significantly improve air quality by reducing power plant emissions that cross state lines and contribute to ground-level ozone and fine particulate pollution in other states. The final rule maintains the January 1, 2012 and January 1, 2014 phase-in dates that were in the proposed Transport Rule. The CSAPR imposes tighter emissions caps than the proposed Transport Rule. The CSAPR emission limits may be further reduced as the EPA finalizes more restrictive ozone and particulate matter National Ambient Air Quality Standards ("NAAQS") in the 2012-2013 timeframe.

The CSAPR is being challenged in the D.C. Circuit. On December 30, 2011, the court granted a stay of the CSAPR and directed the EPA to continue the administration of CAIR program in the interim. The court subsequently ordered an expedited schedule and heard oral arguments in April 2012. It is unknown when the court will issue its decision on the merits, but under the expedited schedule, the decision may be issued in the next few months. Big Rivers is in compliance with the current version of CAIR, Big Rivers projects it will have to reduce SO_2 emissions approximately 50% during Phase 3 of CSAPR and NO_x annual emissions by 16%. Big Rivers filed the ECP with the KPSC on April 2, 2012. Included in the filing are projects to replace the FGD at Wilson Plant and install an SCR at Green Plant Unit No. 2. Big Rivers believes that these two projects, along with other minor improvements, should allow Big Rivers to comply with the emission reductions contemplated in the CSAPR. Big Rivers has not yet obtained the necessary regulatory approval of its plans or environmental permits for these projects.

Mercury. In May 2005, EPA issued the Clean Air Mercury Rule ("CAMR") to permanently cap and reduce mercury emissions from fossil-fuel-fired electric utility steam generating units. CAMR was expected to reduce utility emissions of mercury from 48 tons per year to 38 tons per year in 2010 then to 15 tons per year in 2018. On February 8, 2008, the D.C. Circuit vacated CAMR, and reinstated the status of mercury as a hazardous air pollutant under the Clean Air Act. The result of this decision is that mercury emissions from such generating units are subject to the more stringent requirements of maximum achievable control technology ("MACT") applicable to hazardous air pollutants. In resolution of the CAMR litigation, the EPA entered into a consent decree that requires it to publish final hazardous air pollutants regulations for emissions from fossil-fuel-fired electric utility steam generating units by November 15, 2011.

On February 16, 2012, the final rule to reduce emissions of toxic air pollutants from fossil-fuel-fired electric utility steam generating units and to revise the new source performance standards ("NSPS") for fossil-fuel-fired electric utility steam generating units was published. The final rule, known as the MATS rule, requires coal-fired electric generation plants to achieve high removal rates of mercury, acid gases and other metals from air emissions. To achieve these standards, coal units with no pollution control equipment installed (i.e., uncontrolled coal units) will have to make capital investments and incur higher operating expenses. Coal units with existing controls that do not meet the required standards may need to upgrade existing controls or add new controls to comply. The MATS rule requires generating stations to meet the new standards three years after the rule takes effect, with specific guidelines for an additional one or two years in limited cases. The rule took effect on April 16, 2012. Big Rivers also included plans in its ECP filing that would address the mercury reductions contained in MATS. Big Rivers plans on installing activated carbon and dry sorbent injection systems at its Wilson, Coleman and Green Plants to meet these emission reductions. Big Rivers has not yet obtained the necessary regulatory approval of its plans or environmental permits for these projects.

Multi-Pollutant Legislation. In recent years, bills proposing mandatory emission reductions of NO_x, SO_2 and mercury and in some cases, carbon dioxide ("CO_2"), from electric utilities, have been introduce to the United States Senate. The proposed emission reductions were ultimately more stringent than the emission controls under prior Clean Air Act regulatory programs, CAIR and CAMR. The Senate did not pass any of these bills, but similar bills could be introduced and considered in the future. The Company 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 the Company.

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 state implementation plans ("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. Kentucky submitted revisions to its regional haze SIP revisions to EPA on May 28, 2010. On March 30, 2012, EPA issued a final rule concluding its review of Kentucky's regional haze SIP revisions. In that final rule, EPA issued a limited approval of the revisions, which results in approval of Kentucky's entire regional haze SIP and all the elements. The EPA also issued a limited disapproval of the SIP revisions to the extent that the revisions rely on the CAIR program to address the impact of emissions from Kentucky's fossil-fuel-fired electric utility steam generating units. The issuance of the limited disapproval provides EPA with the authority to issue a federal implementation plan ("FIP") at any time.

On December 30, 2011, EPA proposed to find that the trading program in the CSAPR would achieve greater reasonable progress towards visibility goals than would BART in the states in which CSAPR applies. Based on this proposed finding, EPA also proposed to revise the regional haze rule to allow states to substitute participation in the CSAPR trading programs for source-specific BART. In order to address the deficiencies in SIPs that rely on their participation in CAIR to satisfy certain regional haze requirements, EPA also proposed a FIP, which allow states to replace reliance on the CAIR requirements in those SIPs with reliance on the CSAPR as an alternative to BART. EPA has not taken final action on this proposed rule yet.

Under Kentucky's regional haze SIP, the Company's facilities are exempt from the requirement to install BART for SO_2, NO_x and PM emissions. The exemption for SO_2 and NO_x emissions is based on Kentucky's participation in the CAIR program. Because the CAIR program was invalidated, states cannot rely on their participation in the CAIR program as a substitute for meeting BART requirements. As discussed above, EPA has proposed to allow states subject to CSAPR to rely on their participation in the CSAPR trading programs to substitute source-specific BART. If that rule is not finalized, states, including Kentucky, may have to evaluate SO_2 and NO_x emissions from fossil-fuel-fired electric utility steam generating units, including Big Rivers' facilities. It is therefore possible that the Company will be required to install BART for SO_2 and NO_x emissions at certain facilities. The determination under the regional haze SIP to exempt the Company's facilities from BART for PM emissions was based on air quality modeling information submitted by the Company in May 2007. At that time, the modeling information showed that PM emissions from the Company's 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 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 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 NO_x, SO_2, ozone, and PM. 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 Big Rivers cannot determine such impacts at this time.

Opacity. PM emissions from the Company's 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, Coleman 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. The Company continues 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 the Company, the Company has 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 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. The Company cannot predict whether EPA or other governmental authorities will consider any of the past maintenance projects or capital improvements at its facilities to have violated NSR requirements as a result of the uncertain interpretation of this program and recent court decisions. If violations are established, the Company 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 greenhouse gases ("GHG") 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 EPA has the authority to regulate GHG emissions under the Clean Air Act. Air pollutants, including GHGs, which are regulated by actually controlling emissions under any Clean Air Act program, must be taken into account when considering permits issued under other programs, such as the PSD Permit Program or the Title V Permit Program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of such sources and contains requirements including but not limited to the application of BACT. Title V permits must be applied for within one year a source becomes subject to the program. Title V permits are operating permits for major sources that consolidate all Clean Air Act requirements (arising, for example, under the Acid Rain, New Source Performance Standards, National Emission Standards for Hazardous Air Pollutants, and/or PSD programs) into a single document, provide for review of the documents by EPA, state agencies and the public, and contain monitoring, reporting and certification requirements.

On May 13, 2010, EPA issued a final rule for determining the applicability of the PSD and Title V programs to GHG emissions from major stationary 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 that comprise the collective GHG defined by EPA. The Tailoring Rule established two initial steps for phasing in the GHG permitting requirements and indicated a third phase would be established at a later date.

The first step became effective on January 2, 2011, and requires sources 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) 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 ("tpy") on a CO_2e basis. New and modified major sources required to obtain a PSD permit would be required to conduct a BACT review for their GHG emissions. According to EPA guidance, most of the initial permitting decisions will focus on improved energy efficiency.

With respect to Title V requirements under the first step of the Tailoring Rule, effective January 2, 2011, sources required to have Title V permits for non-GHG pollutants are required to address GHGs as part of their Title V permitting. When any source applies for, renews, or revises a Title V permit, Clean Air Act requirements for monitoring, recordkeeping and reporting will be included in the renewed permit. This part of the rule does not create any new emissions controls or limitations for GHGs; it only creates the requirement for these sources to monitor, record and report their GHG emissions. In the Tailoring Rule, EPA notes that the existing requirements created by the October 30, 2009, final rule for mandatory monitoring and annual reporting of GHGs from various categories of facilities including electric generating facilities will generally be sufficient to satisfy these new Title V requirements. The GHG monitoring and reporting rule requires facilities to have begun data collection on January 1, 2010. On March 18, 2011, EPA issued a final rule extending the deadline to submit the first annual reports from March 31, 2011, to September 30, 2011. The second step of the Tailoring Rule was effective July 1, 2011, and is applicable to new facilities or modification to existing facilities that exceed certain GHG emission thresholds, even if the facility is not subject to PSD or non-GHG emissions. The second phase requirements apply to any new, major sources as well as to any major modification of existing facilities, depending on their levels of emissions of both GHG and non-GHG pollutants

On March 8, 2012, EPA's proposed rule for the third step in the Tailoring Rule was published. EPA proposes to maintain the applicability thresholds for GHG-emitting sources at the current levels. EPA also proposes two permitting streamlining approaches to improve the administration of the PSD and Title V permitting programs.

In addition to the PSD permit program, EPA is also in the process of developing a GHG regulatory program under the NSPS provisions of the Clean Air Act. On December 23, 2010, EPA entered a settlement agreement and agreed to issue NSPS and emission guidelines for GHG emissions from new and modified fossil-fuel-fired fossil-fuel-fired electric utility steam generating units. On April 13, 2012, EPA's proposed rule for standards of performance for GHG emissions for new fossil-fuel-fired electric utility steam generating units was published. EPA may issue more rulemakings in order to meet the terms of the settlement agreement.

The Company's 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 the Company's existing units.

Federal Legislation

In addition to EPA's regulatory actions establishing federal regulation of GHG emissions, the United States Congress has considered several energy and climate change-related pieces of legislation that proposed, 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. The 112th Congress may consider new GHG proposals and it is possible that Congress will agree to set limits on GHG emissions or set clean or renewable energy standards for the electric utility sector. 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. Plaintiffs have asserted in some cases that GHG emissions from electric generation are causing a public nuisance and should be abated by electric generation facilities. The Company 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 its operations, or its 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 the Company's NPDES permits are awaiting review by the Kentucky Division of Water. The Company has all other material required permits under the program for all of its electric generating plants. The water quality regulations require the Company to comply with Kentucky's water quality standards, including sampling and monitoring of the waters discharged from the facilities. The Company continually samples and monitors the discharges and reports the results thereof in accordance with its 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 published the new 316(b) rules on April 20, 2011, and EPA is required to finalize the rulemaking no later than July 27, 2012.

The impact of Section 316(b) on Big Rivers is limited to the Robert A. Reid Plant ("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, the Company expects 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 Plant and Coleman Plant.

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. Big Rivers historically has 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, the Company can become a PRP with respect to such sites. The Company is 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, the Company has experienced and is 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 the Company 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, the Company may be required to take remedial actions at its 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. The Company's coal-based generating facilities produce coal ash waste that requires disposal. The Company disposes of the coal ash in its onsite landfills and impoundments and possesses the proper industrial solid waste permits to operate its landfills in accordance with local, state and federal regulations and laws. However, the Company must continually expand the capacity of its landfills and waste management facilities to accommodate larger amounts of ash. If the Company becomes unable to dispose of coal ash on site, its disposal costs may increase considerably. On the other hand, the Company is continually evaluating methods for beneficial reuse of waste ash. Currently, all of the ash the Company generates is exempt from regulation as "hazardous waste."

On June 21, 2010, the EPA published 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 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 the Company's liability for cleanup of past and future coal ash disposal.

EPA issued a Notice of Data Availability for comment on October 12, 2011. EPA is conducting a human health risk assessment on coal combustion residual beneficial use to be released prior to the final rule. EPA has not decided which regulatory approach it will take with respect to the management and disposal of coal ash. The Company is 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 the Company's facilities. A dam safety assessment report for Reid Plant, Green Plant 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 the Company's geotechnical information was not complete – but no critical deficiencies were noted. Minor repairs required by EPA during this review were completed during the 2010 construction season. The geotechnical investigation recommended by EPA has been completed by the Company. Coal ash waste management and disposal is an evolving issue and the Company expects to continue to incur costs to upgrade and expand its ash impoundments as regulations change.

FERC Regulation

As a transmission owning, generation owning, and market participant member of the MISO, the Company's sale of power at wholesale and its transmission of power in interstate commerce are regulated by the Federal Energy Regulatory Commission ("FERC"). The KPSC maintains jurisdiction over the Company's wholesale power rates to its Members and over the transmission rates applicable under the MISO's FERC-approved Open Access Transmission, Energy and Operating Reserve Markets Tariff ("MISO Tariff").

Energy Policy Act of 1992

The Energy Policy Act of 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 the Company to provide interconnection and transmission services to the applicant. After notice and an opportunity for hearing, FERC may issue an order under Section 210 or 211 of the Federal Power Act ("FPA") requiring such interconnection or 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 public utilities any unfair advantage over competitors resulting from their ownership and control of transmission facilities by requiring each FERC-jurisdictional public utility to file a pro forma OATT and to follow certain rules of conduct for open-access providers, including a requirement to separate operationally power sales from transmission. 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 pro forma OATT 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 the Company must provide comparable transmission service as a condition of receiving service from jurisdictional utilities under the pro forma OATT. The Company's transmission facilities located in the Eastern Interconnection provided transmission service under an OATT that was approved by FERC for reciprocity purposes until the Company became a member of MISO in December 2010 and its OATT was terminated. Since December 2010, the Company's transmission facilities have been under the functional control of MISO and operated under the terms and conditions of the MISO Tariff.

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 the Company 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, the Company generally is 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 would certify as the Electric Reliability Organization ("ERO"); authorized the Department of Energy 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 FPA. Section 211A authorizes FERC to order non-rate-regulated utilities like the Company 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 established under Section 205 and 206 of the FPA that are 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 on a case-by-case basis. In December 2011, FERC issued its first order under Section 211A in which FERC directed a non-jurisdictional transmission provider to provide transmission service on terms and conditions that are comparable to those under which the transmission provider provides transmission service to itself and that are not unduly discriminatory or preferential. That order is currently pending rehearing.

In 2006, FERC used its authority under Section 215 of the FPA to certify the North American Electric Reliability Corporation ("NERC") as the ERO responsible for the development of mandatory reliability standards subject to FERC review and approval. NERC's mandatory reliability standards apply to any entity that owns, operates or uses the bulk power system. Under EPAct 2005, FERC and the ERO have authority 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 first set of reliability standards 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. Since 2007, the Commission has approved and directed modification to many more NERC reliability standards. As an owner and operator of generation and transmission facilities, the Company is subject to certain of the NERC reliability standards. The Company is currently scheduled for a routine audit of its compliance with the reliability standards. The audit is scheduled to occur at the Company's facility from May 6, 2013, to May 10, 2013. If the auditors identify areas of non-compliance, the Company could be subject to penalties or sanctions.

EPAct 2005 also added new sections 220, 221 and 222 to the FPA, 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.

Order No. 1000

In 2011, FERC issued Order No. 1000 to build on certain of its reforms in Order No. 888 and Order No. 890. The requirements set forth in Order No. 1000 apply only to "new transmission facilities" and include the consideration and evaluation of possible transmission alternatives at a regional transmission planning level and the development of a regional transmission plan; the development of procedures for interregional planning to determine whether interregional transmission facilities are more efficient or cost effective than certain regional facilities; the development of methods for regional and interregional cost allocation that is roughly commensurate with the estimated benefits; and, for those projects eligible for cost sharing, removal of transmission providers' "right of first refusal" in order to allow competition from non-incumbent developers. In general, Order No. 1000 permits each region to develop its own processes and procedures to comply with the requirements. MISO, of which Big Rivers is a member, continues to progress through a stakeholder process to discuss and develop proposals for compliance with Order No. 1000. As of the date of this Disclosure Statement, however, since MISO has not fully developed such processes and procedures, the impact of Order No. 1000 on the Company cannot be determined.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management Policies

The Company is 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 its variable rate debt instruments and fixed income investments. The Company's 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 its ability to generate sufficient revenue to cover the Company's operational costs. Big Rivers has established comprehensive risk management policies to monitor and manage these risks. The Company's vice president of enterprise risk management and strategic planning is responsible for monitoring and reporting on its risk management policies, including delegation of authority levels. The Company has an Internal Risk Management Committee that regularly meets and the vice president of enterprise risk management and strategic planning reports to the Board of Directors monthly. The vice president of enterprise risk management and strategic planning is responsible for oversight of market risk, credit risk, etc., including monitoring exposure limits.

To manage the Company's market risks, it 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 the Company from unauthorized use of such derivative instruments. The Company has established certain risk management strategies relating to the sales and purchase prices for the commodities which form its core business, in order to provide insulation from volatile market prices. With respect to the Company's power sales, the 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 the Board of Directors on a monthly basis, and counterparties must meet capitalization requirements before the Company will engage with such counterparty.

Electricity and Coal Price Risk

The Company is exposed to the impact of market fluctuations in the prices of electricity and coal as a result of its ownership and operation of electric generating facilities. The Company's 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. Generally, the remaining one-third of the non-FAC purchase power adjustment cost, related to the non-smelter members, is deferred as a regulatory account over a twelve month period beginning July 1 of a given year through June 30 of the following year. The non-smelter member recovery (whether positive or negative) begins on September 1, two months after the end of the deferral period, and ends twelve months later on August 31.

Price risk represents the potential risk of loss from adverse changes in the market price of electricity or coal. Because the Company is long on power, both capacity and energy, it is exposed to the illiquidity of the long-term power market and volatility of the market price of electricity and coal. The Company's long position in the energy market is approximately 150 MWs or 8% of its 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.

The Company generally only enters 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 the Company's financial statements until settlement or physical delivery.

In a further effort to mitigate coal price volatility, the Company has established a hedge policy in which near-term requirements of fuel are secured at a higher percentage and future year coal requirements are contracted at a varying percent of open fuel position per year across a five-year time horizon. Thus, in any given year within the five-year hedge plan, there is a portion of fuel supply contracted at known prices.

Marketable Securities Price Risk; Pension Plan Assets

The Company maintains investments to fund the cost of providing its non-contributory defined benefit retirement plans. Those investments are exposed to price fluctuations in equity markets and changes in interest rates. The Company has established asset allocation targets for its 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. The 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 the Company to increase its 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 its results of operations in those periods. A 10% decline in the fair value of the Company's plan assets equals $2.8 million.

Interest Rate Risk

The Company is 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 its various portfolios. The Company manages its interest rate exposure by limiting the total amount of its variable rate exposure to within a particular amount of its total debt and by actively monitoring the effects of market changes in interest rates. As of December 31, 2011, $727.6 million of $786.4 million of outstanding long-term indebtedness secured under the Mortgage Indenture accrued interest at fixed rates to their final maturity. As of December 31, 2011, the Company had outstanding variable rate debt of $58.8 million. This debt consists of the Series 1983 Bonds which mature in 2013.

Commodity Price Risk

The average rate to the Members is affected by the price Big Rivers can obtain in the market for energy produced by its generating facilities in excess of the Members' requirements. Higher prices produce greater Non-Member revenue that is used to offset Member revenue requirements. The Company's exposure to the risk of fluctuating power prices is declining as its historically high levels of excess generation are being used to meet increasing Member requirements, including the Smelters. The Company's excess capacity generation in 2011 is approximately 8%.

Additionally, if one or more the Company's generating facilities is not able to produce power when required due to operational factors, the Company 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 the Company would incur if a counterparty failed to perform under its contractual obligations. To reduce credit exposure, the Company establishes credit limits and seeks to enter into netting agreements with counterparties that permit it to offset receivables and payables. To control the credit risk associated with credit sales of power the Company utilizes a credit approval process, monitor counterparty limits and require that counterparties have adequate credit ratings. The Company attempts to further reduce credit risk with certain counterparties by entering into agreements that enable it 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, the Company also obtains 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.

The Company generally executes only physical delivery contracts. The Company frequently uses 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 the Company's 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, the Company could sustain a loss that could have a material impact on its financial results. The probability of a material impact is lessened by the fact that the Company only has a relatively small amount of power to sell long-term and presently does not plan on transacting multi-year long-term contracts.

BIG RIVERS' MEMBERS

General

The Members are local consumer-owned cooperative corporations serving retail residential, commercial and industrial customers on a non-profit basis. The territories served by the Members include portions of 22 counties in western Kentucky. The Members serve approximately 113,000 consumers. The majority of the Members' customers are individual residences.

Territorial Integrity

Distribution cooperatives generally exercise a monopoly in their service areas, except in certain areas where a municipality or the Tennessee Valley Authority ("TVA") may have the concurrent right to provide retail electric service. 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

The 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.

The Members are the Company's owners and not its subsidiaries. Except with respect to the obligations of the Members under their respective wholesale power contracts and the Smelter Agreements, Big Rivers has no legal interest in, or obligation in respect of, any of the assets, liabilities, equity, revenue or margins of its Members, other than its rights under these contracts. The revenues of the Members are not pledged to Big Rivers, but their revenues are the source from which they pay for power and energy and transmission services purchased from Big Rivers. Revenues of the Members are, however, often pledged under their respective mortgages. Tables 1 through 6 in Appendix B present a three-year summary of the balance sheets, statements of operations and selected statistical information with respect to the Members.

Statistical Information

The Company serves 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 2011 for the Members.

2011 Sales By Members (1)

	kWh Sales (in thousands)	kWh Sales (%)	Revenue (in thousands)	Revenue (%)
Farm & Residential	1,530,359	14%	$112,855	23%
Commercial and Industrial (excluding the Smelters)	1,746,161	17%	86,044	17%
Aluminum Smelters	7,228,844	69%	303,364	60%
Other	3,409	0%	437	0%
Total	10,508,773	100%	$502,700	100%

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

THE SMELTER AGREEMENTS

The Company 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 the Company's 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 the Company sells 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, the Company supplies 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. The Company 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 the Company and a Smelter. Due to the pass-through nature of the principal obligations between the Company 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 D – "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 the Company if such Smelter ceases all smelting operations in Kenergy's service territory. See APPENDIX D – "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 at least the rate charged to large direct-served industrial customers having an equivalent load factor, plus $.25 per MWh. 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 the Company in achieving positive margins in each year. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Smelter Payment Obligations."

The Smelters intervened in the Company's last rate case, and pressed their case by saying that keeping the Smelter rates low and predictable was important to reduce the risk that the Smelters would have to cease operations upon the next downward cycle in the world price of aluminum. The Smelters say that they are very sensitive to the price they pay for electricity because the cost of electricity is approximately one-third of the cost of the aluminum smelting process.

Although the KPSC's November 17, 2011, Order in the rate case did not give the Company the full amount of the rate increase it sought, the Smelters have since been lobbying state government in Kentucky for financial relief to enhance the financial viability of their respective Kentucky operations. The Smelters have made public statements that the unanticipated magnitude of the current and future rate increases projected by Big Rivers as well as Big Rivers' recent evaluation of the impact of environmental legislation is what drives the current need for a statewide solution to the Smelters' increasing utility costs. Local representatives of Alcan informed economic development officials in state government in February of this year that projected power rates in 2013-2015 make it difficult for Alcan to envision a long-term future for the Sebree plant. Alcan said that a power rate of $26-$28/MWh would generally ensure that the Sebree smelter remains profitable during a periodic downturn in the London Metals Exchange ("LME") price, and would ensure continued operation for the foreseeable future. They say that without relief their Sebree smelter cannot sustain the next downturn in the world price of aluminum.

At the same time Century informed the same officials that for the immediate future, a rate averaging about $34/MWh from mid-2012 through 2015 would be a competitive rate for its Hawesville smelter. Local representatives of Century have told Big Rivers and others in state government that rates at the status quo level are not sustainable for Century's Hawesville smelter even in the short term, and that $50/MWh power puts their smelter's viability at great risk. Century wrote Big Rivers on April 18, 2012, stating that at the current LME prices the Hawesville aluminum smelter cannot sustain operations at Big Rivers' current and projected power rates, and requesting to renegotiate the power rate provisions of its contract. Big Rivers has commenced discussions with Century relating to the sustainability of the Hawesville smelter. Century reported on April 24, 2012, that with the current power price forecast and assuming that the LME remains at its current level, the Hawesville plant is not viable from an economic standpoint. Century publicly stated that the future of the Hawesville smelter would be discussed by Century's Board of directors at its late June meeting. This meeting has taken place and the Company is not aware of what actions, if any, were taken by Century's Board relating to the Hawesville smelter.

The Smelters have been pursuing projects that they say improve the profitability of their respective facilities. Century completed the restart of a fifth potline in 2011. Alcan completed a $50 million bake furnace project, and announced in February 2012 that it is undertaking a $20 million project to boost electric amperage and produce greater volumes of aluminum. Alcan has also reached agreement with Kenergy and Big Rivers to purchase an additional 10 MW of energy for the one year period beginning July 1, 2012, through June 30, 2013.

Alcan announced in October of 2011 that it had put 13 of its smelter operations worldwide on the block for potential sale. The Sebree smelter was included on the list. According to the Alcan release, there is no timeline for any of these sales to occur.

On June 14, 2012, at the request of the Governor of Kentucky, representatives of the Commonwealth met with representatives of Big Rivers and the Smelters to discuss ways to reduce the Smelters' costs in order to make them more economically viable. A number of approaches were discussed including, but not limited to, suggestions that Big Rivers reduce rates to the Smelters to a rate averaging about $35/MWh. Any reduction in the rates to the Smelters would involve an increase in the rates for other industrial customers and rural customers. The discussions that took place on June 14 were preliminary and will be followed by further exploratory discussions in the near future. Any reduction in the rates charged by Big Rivers to the Smelters and concomitant increase in the rates charged to other customers would require action by the Board of Big Rivers and by the KPSC, among others. In addition, it would likely result in renegotiation of the Smelter Agreements. Other approaches that have been advanced include allowing the Smelters more freedom in purchases from other sources and termination of the Smelter Agreements.

Since the meeting on June 14th, the Smelters have advanced other proposals to Big Rivers requesting significant rate reductions for the Smelters. Big Rivers offered a counterproposal and it has been rejected by the Smelters. On June 25, 2012, Big Rivers advised the Smelters that the gap between their demand and the Big Rivers' proposal is far larger than Big Rivers has the ability to close. There can be no assurances as to the outcome of this situation and as to whether one or both of the Smelters will give one year's notice, terminate its Smelter Agreement and close its smelting operations. Also, on July 8, 2012 Century informed Big Rivers that it was hiring a consultant to evaluate the available transmission capacity, potential congestion, and potential voltage stability issues if the Hawesville plant were to import power for its entire load into Big Rivers' system under a variety of operational scenarios of Big Rivers' generation. Big Rivers can give no assurances as to the outcome of this development.

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

POWER SUPPLY PLANNING

Every other year Big Rivers prepares 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 load forecast was prepared and filed in 2011. 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 last IRP was filed with the KPSC in November 2010. The next IRP will be filed with the KPSC in 2013. 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 the Company's 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	197	1973/1974
Total		1,756	1,641	

(1) Big Rivers operates but does not own the two units at Station Two and not all net capacity of such facility is available to it
(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 2011 was 92.9%.

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 British thermal unit ("Btu"), and the use of a FGD system which is 97% effective in reducing SO_2 emissions. Coleman Plant's permitted SO_2 emissions limit is a maximum of 5.2 pounds per million Btu. The Coleman Units do not have a Title V permit NO_x limit.

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 2011 was 94.4%.

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 0.7 pounds per million Btu.

Robert A. Reid Plant

The 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 combustion turbine is used for power emergencies and for peaking purposes. The equivalent availability factor for the Reid Plant for 2011 was 92.6%.

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. The Reid unit does not have a Title V permit NO_x limit.

D.B. Wilson Unit No. 1 Plant

The single unit Wilson Plant is the largest and newest generating unit in the Company's 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 2011 was 94.8%.

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 2011 was 89.8%.

In connection with the Unwind, in July 2009, the Company 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, the Company and WKEC entered into an Indemnification Agreement under which WKEC has agreed to indemnify the Company against potential lost revenue if the contract provisions of the Station Two Power Sales Contract are interpreted against the Company (See "Station Two Power Sales Contract").

Station Two Operation Agreement

The Company operates Station Two in accordance with the Station Two Operation Agreement. The Station Two Operation Agreement provides that the Company 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 the Company's Reid Plant which shares some common facilities with Station Two. The Station Two Operation Agreement provides that the Company prepares 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 the Company, with an annual reconciliation of such budgeted expenditures and the actual annual expenditures for Station Two. The Station Two Operation Agreement obligates the Company 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

The Company purchases a portion of the power and energy produced by Station Two in accordance with a Power Sales Contract between the City of Henderson and the Company (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 the Company 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 the Company a rolling five years' advance notice of the allocation of capacity between the City of Henderson and the Company, but changes of up to 5 MW in the City's allocation are permitted on a yearly basis. 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 the Company 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. The Company's right to take its 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 the Company's right to "Excess Henderson Energy" described below. The current capacity allocations of the City of Henderson and the Company effective June 1, 2012, are 37% and 63%, respectively.

The Company and the City of Henderson share capacity costs for Station Two in accordance with each party's 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 the Company under the terms of the Station Two Operation Agreement. The Company and the City of Henderson are each responsible for providing their respective portions of the fuel consumed by Station Two based on each party's 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, the Company's obligation to make payments for its allocated capacity of Station Two is not excused for any reason including the occurrence of "uncontrollable force".

The Station Two Power Sales Contract permits the City of Henderson to terminate that agreement on 30 days' notice for the Company's 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 the Company on 5 days' notice to the Company and to apply the proceeds of such sales to the capacity charges the Company owes.

In accordance with the Station Two Power Sales Contract, the Company 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 the Company and the City of Henderson. In accordance with the Station Two Power Sales Contract, the Company has agreed to fund up to $1.05 million to fund its 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

Big Rivers and the City of Henderson are engaged in an arbitration proceeding regarding their respective rights under the Station Two Power Sales Contract to energy associated with the City of Henderson's reserved capacity that the City of Henderson does not require for service to its native load. Big Rivers' position is 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"), Big Rivers 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. Big Rivers further asserts that the Station Two Power Sales Contract precludes the City of Henderson from offering Excess Henderson Energy to a third party without first offering Big Rivers the opportunity to purchase in accordance with the preceding sentence. The City of Henderson alleges that the Station Two Power Sales Contract permits the City to schedule and take energy from its allocated capacity of Station Two, and sell it to third parties after first offering such energy to Big Rivers at the price a third party is willing to pay. The arbitration panel issued its award on May 31, 2012, finding, among other things, that the disputed "excess energy shall be considered to belong to [the City of Henderson] which it may offer to third parties subject to Big Rivers first right to purchase such energy" at "the price at which [the City of Henderson] has a firm offer from a third party." On June 26, 2012, attorneys for the City of Henderson placed a demand on Big Rivers for the amount of $3,753,013.09, which, they allege, represents the amount of fixed costs associated with Excess Henderson Energy from August 2009 to May 30, 2012 minus a credit to Big Rivers for the $1.50 for each MWh taken. Big Rivers and its counsel are still analyzing the implications of the award, Big Rivers' options under the circumstances and the recent demand letter from the City of Henderson. In addition, as described above under the caption "*Station Two Facility*", WKEC and Big

Rivers have entered into an Indemnification Agreement relating to the Station Two Power Sales Contract and Big Rivers understands that WKEC and its counsel are also analyzing the implications of the award, WKEC's option under the circumstances and the recent demand letter from the City of Henderson.

SEPA Contract

In addition to the Company's generation resources, the Company fulfills its power supply responsibilities to the Members with their allocations from SEPA. The Company normally uses entitlement under the SEPA Contract for peaking. However, as a result of problems with certain dams on the Cumberland River hydro system, the Company's capacity entitlement has been suspended and it currently is receiving only energy. Generally, the Company 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 the Company pays a fixed monthly charge in the amount of approximately $260,937 and $17.69 per MWh for energy. These charges will continue until the dam work is completed and the SEPA Contract is restored to full service. SEPA cannot give notice of termination prior to October 1, 2029, with an effective date of September 30, 2032.

Transmission

In December 2010, the Company transferred functional control of its transmission system operated at 100 kV and above to MISO. In addition to operating the bulk transmission system of its participants, MISO also operates the MISO Market. In the MISO Market, the Company and other participants submit day-ahead or real-time bids and offers for the purchase or sale of energy at various locations. MISO then directs each MISO Market participant whether to operate its generation facilities and determines the price of energy at each location for a particular time period. The Company operates and maintains its transmission facilities and provides transmission services to the Members and Non-Members through MISO. As of December 31, 2011, the Company had in service 834 miles of 69 kV transmission lines, 14 miles of 138 kV transmission lines, 350 miles of 161 kV transmission lines and 68 miles of 345 kV transmission lines. The Company also owns 22 substations. The Company has completed or substantially completed six of the seven system improvements identified as phase two transmission projects. The Company has a construction work agreement with the TVA whereby TVA will pursue the completion of the one remaining project. The Company's available transfer capability for exporting power off system is approximately 1,202 MW with the completion of the six phase two transmission improvements. The current firm transmission capability is sufficient to allow the Company to export all available excess generation capacity plus an amount equal to the peak demand of both Smelters on its system. With the completion of the TVA construction projects currently estimated to be in 2014-2015, the Company's export capability will be increased to approximately 1,263 MW to TVA and 1,210 MW to MISO in 2016.

Southeastern Electric Reliability Council ("SERC") Investigation

Big Rivers is currently the subject of a non-public investigation initiated by SERC in February 2009. The staff from NERC and FERC also participated in the investigation. In June 2011, SERC initiated a formal assessment to determine the Company's compliance relative to eight reliability standards and requirements as a result of findings of possible violations by the investigation team. Aside from one minor instance, which has been disclosed to SERC, Big Rivers believes that it has been, and is, in compliance with all reliability standards and requirements. However, penalties for violations of reliability standards can be substantial. SERC recently has determined that two of the eight possible violations are not violations. At this time the assessment is still ongoing and the Company cannot estimate the amount or range of potential liability, if any.

Interconnections

Big Rivers has several interconnections between its 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. Big Rivers currently has interconnection agreements with seven power suppliers: HMP&L, MISO, Southern Illinois Power Cooperative, Hoosier Energy Rural Electric Cooperative, and Southern Indiana Gas and Electric Company – Vectren, Kentucky Utilities Company and Louisville Gas and Electric Company, and TVA. However, Big Rivers 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 Big Rivers to interchange power and energy with four utilities located in the southern United States.

In addition to interconnections with neighboring transmission systems, Big Rivers has also received a request from an independent power producer that may locate within its local balancing area and interconnect new generators to the transmission system. This independent power producer has applied through MISO to connect to Big Rivers' transmission facilities. MISO worked with Big Rivers to study the impacts of such interconnection and to identify the cost of accommodating the interconnection. This generation interconnection will be effectuated through a standard-form, three-way interconnection agreement among Big Rivers, MISO and the independent power producer seeking use of MISO's transmission service.

Open Access Transmission Tariff

Effective December 2010 the use of the Company's transmission facilities is governed by the MISO Tariff. The Company provides the MISO with its revenue requirement for use in establishing the rate for transmission services under the MISO Tariff, but such revenue requirement is not directly reviewed by FERC. As a MISO transmission owner, the Company also participates in the MISO transmission planning process, and is responsible for investments in transmission projects assigned to it in accordance with that process. Participation in the MISO transmission planning process increases the scope of the Company's regional planning process and subjects it to decisions by the MISO and, ultimately, FERC, concerning allocations of costs for meeting regional transmission needs. Finally, the Company is subject to the MISO reserve requirements established pursuant to Module E of the MISO Tariff.

MANAGEMENT

Big Rivers is 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 the Company's 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 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.

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 and Interim Chief Financial Officer, 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. He was appointed Interim Chief Financial Officer in 2012.

Eric M. Robeson, Vice President of Environmental Services and Construction, graduated from Rose Hulman Institute of Technology in 1977 with a Bachelor of Science in Mechanical Engineering and Ball State University in 1988 with a Masters of Business Administration. He is a registered Professional Engineer in the state of Indiana. Mr. Robeson worked at Vectren (and its predecessor company Sigeco) from 1980 to 2011. He served a variety of engineering and managerial positions including Plant Manager, Director of Generation Planning, and Director of Infrastructure Services. He joined Big Rivers in 2011 as Vice President of Construction overseeing environmental compliance efforts and assumed his current position in February 2012.

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 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.

Big Rivers has 627 full-time employees. The International Brotherhood of Electrical Workers, Local 1701, represents 371 of Big Rivers' generation and transmission operating employees. The Company's contracts with this union expire on September 14, 2012, and October 14, 2012, respectively. The Company believes that its relations with labor are good.

AG Hearing Exhibit No. 7

excess capacity that is not used or useful in serving its remaining customers as the Century load is lost and then the Alcan load is lost.

Comparison of Reserve Margins
For Utilities in Kentucky

	Generating Capacity MW	Peak Load MW	Reserve Margin MW	Reserve Margin Percentage
Kentucky Power Company [1]	1,526	1,240	286	23%
Kentucky Utilities Company	5,104	4,292	812	19%
Louisville Gas and Electric Company	3,431	2,704	727	27%
Duke Energy Kentucky	1,141	894	247	28%
East Kentucky Power Cooperative	3,099	2,481	618	25%
Big Rivers With Smelters	1,819	1,478	341	23%
Big Rivers Without Century	1,819	996	823	83%
Big Rivers Without Century and Alcan	1,819	628	1,191	190%

Source data: FERC Form 1s, and RUS Form 12s, 10-K for KPCo, and BREC filing in this proceeding.

[1] The Kentucky Power Company generating capacity reflects its MLR share of the AEP system and its peak load is shown at the AEP system summer peak so the capacity and peak load are matched.

As shown on the table, the Company's present reserve margin of 23% is reasonable compared to other utilities in the Commonwealth and compared to the MISO planning reserve margin of 16.7%. However, the reserve margin first increases to an unreasonable level when the Century load is lost, from 23% to 83%, and then increases to an even more unreasonable level when the Alcan load is lost, from 83% to 190%.

AG Hearing Exhibit No. 8

Big Rivers looking to sell two Kentucky coal plants

Louisville, Kentucky (Platts)--25Jun2013/336 pm EDT/1936 GMT

Big Rivers Electric is looking to sell two of its western Kentucky coal-fired power plants, Coleman and D B Wilson, representing nearly 900 MW of generating capacity, and plans to idle both baseload facilities next winter if it has no buyers or long-term power purchase agreements in hand by then, a Big Rivers spokesman said Tuesday.

With the impending loss of its two largest customers, aluminum smelters in Hawesville and Sebree owned by Century Aluminum, the Henderson, Kentucky-based generation and transmission co-op has no need for the output of the 444-MW Coleman plant and 443-MW D.B. Wilson plant to serve its predominantly rural load, Big Rivers spokesman Marty Littrel said.

He said Big Rivers recently responded to a number of electric utility requests for proposals by offering to sell power from Coleman and Wilson and/or the plants themselves.

Article continues below...

"The offers are out, the proposals are given," Littrel said. "We haven't been turned down," although Big Rivers also does not yet have a tentative PPA/plant sale agreement.

Earlier this month, Big Rivers asked the Public Service Commission to allow Century to bypass the co-op and buy less expensive electricity from the wholesale power market for the Hawesville smelter. The electric market is fully regulated in Kentucky.

Century says it will shutter the 260,000 mt/year smelter on August 20 unless it is purchasing power from the market by then. On January 31, Century's newly acquired 205,000 mt/year Sebree smelter will cease buying power from Big Rivers. Big Rivers is expected to ask state regulators for a similar wholesale market power arrangement for Sebree.

Together, the two smelters consume about 850 MW, or roughly 70% of Big Rivers' total load.

If the two plants are sold or idled next year, Big Rivers will continue operating the 454-MW Green baseload coal plant, Littrel said.

Big Rivers also operates the 310-MW Station Two coal plant owned by the city of Henderson and previously announced plans to convert its smallest facility, the 100-MW Reid coal and gas plant, to natural gas in the next couple of years.

Big Rivers supplies three member co-ops that serve more than 112,000 customers in 22 western Kentucky counties.

--Bob Matyi, newsdesk@platts.com
--Edited by Jason Lindquist, jason.lindquist@platts.com

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013**

AG Hearing Exhibit No. 9

February 28, 2013

Item 61) ***Provide a comparison of the October 2008 Unwind Financial Model filed with the Commission as Exhibit 79 in Case No. 2007-00455 (Commission approval of "Unwind Transaction") and per Commission's November 17 Order in the 2011 rate case (per Ms. Richert testimony, p. 8, lines 3 to 7) to the information including in this current rate case proceeding (and related projected financial results, adjustments, transactions, credit ratings, TIER/MFIR and other factors) and address the following:***

- ***a. Identify and explain all differences between Big Rivers' "Unwind Transaction" model in the prior proceeding to related amounts and projections included in this rate proceeding, and provide supporting calculations and assumptions for all differences.***
- ***b. Provide all updates to the original "Unwind Transaction" model, from the prior proceeding through 2013 YTD, and provide supporting documentation.***
- ***c. Identify material changes to the Financial Model and its structure, comparing the model filed in this rate case to the financial model presented in the "Unwind" case.***

Response) Big Rivers objects that this request is unduly burdensome and not reasonably calculated to lead to the discovery of admissible evidence.

Notwithstanding these objections, and without waiving the same, Big Rivers states as follows.

a. There are numerous differences that have occurred since the "Unwind Transaction" model was developed and it would be time consuming and difficult to make a meaningful comparison. These changes include, but are not limited to: environmental regulations, fuel pricing, off-system pricing, interest rates, staffing levels, depreciation rates and debt financings. With that in mind, the two models referenced are being provided for analysis. The Unwind model is being provided in response to AG 1-7. The Financial Model used in this rate case is the Microsoft Excel file titled "PSC 1-57 – Financial Forecast (2013-2016) Filed – CONFIDENTIAL.xlsx" provided on the confidential CD accompanying the response to PSC 1-57.

b. No updates to the "Unwind Transaction" model have occurred since the Unwind Transaction. Please see the response to item (c) below.

c. The financial model in this rate case and the financial model used in the "Unwind" case are not comparable. The financial model in this rate case was developed "in-house" after the

Unwind in an RUS financial statement format to be used for forecasting and budgeting purposes.

Witness) Travis A. Siewert

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL OF ITS 2012 COMPLIANCE PLAN, FOR APPROVAL OF ITS AMENDED ENVIRONMENTAL COST RECOVERY SURCHARGE TARIFF, FOR CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY, AND FOR AUTHORITY TO ESTABLISH A REGULATORY ACCOUNT	) CASE NO. 2012-00063

RECEIVED
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DIRECT TESTIMONY

AND EXHIBITS

OF

LANE KOLLEN

ON BEHALF OF THE

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

July 2012

BIG RIVERS EXHIBIT ___/___

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL OF ITS 2012 COMPLIANCE PLAN, FOR APPROVAL OF ITS AMENDED ENVIRONMENTAL COST RECOVERY SURCHARGE TARIFF, FOR CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY, AND FOR AUTHORITY TO ESTABLISH A REGULATORY ACCOUNT	)	CASE NO. 2012-00063

TABLE OF CONTENTS

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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DIRECT TESTIMONY OF LANE KOLLEN

I. QUALIFICATIONS AND SUMMARY

Q. Please state your name and business address.

A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

Q. Please state your occupation and employer.

A. I am a utility rate and planning consultant holding the position of Vice President and Principal with the firm of Kennedy and Associates.

Q. Please describe your education and professional experience.

A. I earned a Bachelor of Business Administration in Accounting degree and a Master of Business Administration degree from the University of Toledo. I also earned a Master of Arts degree from Luther Rice University. I am a Certified Public Accountant ("CPA"), with a practice license, and a Certified Management Accountant ("CMA").

I have been an active participant in the utility industry for more than thirty years, as a consultant in the industry since 1983 and as an employee of The Toledo Edison Company from 1976 to 1983. I have testified as an expert witness on planning, ratemaking, accounting, finance, and tax issues in proceedings before regulatory commissions and courts at the federal and state levels on more than two hundred occasions, including proceedings before the Kentucky Public Service Commission ("Commission"). I have testified in several Big Rivers Electric Corporation ("BREC" or "Company") proceedings before the Commission. My qualifications and regulatory appearances are further detailed in my Exhibit___(LK-1).

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Kentucky Industrial Utility Customers, Inc. ("KIUC"), a group of large customers taking electric service on the Big Rivers Electric Corporation system.

Q. What is the purpose your testimony?

A. The purpose of my testimony is to summarize the KIUC recommendations in response to the Company's request for approval of its proposed 2012 environmental compliance plan ("ECP"), certificates of public convenience and necessity, amended environmental cost recovery ("ECR") tariff, and for authority to establish a regulatory asset for the costs related to this proceeding.

Q. Please summarize your testimony.

A. The Commission should reject the Company's proposed ECP projects 4 (replacement of Wilson scrubber) and 5 (addition of Green 2 SCR) included by the Company in its "Build" case.[1] The Company has not met its burden of proof that these projects are reasonable and cost-effective. To the contrary, the Company initially failed to provide any quantitative support for its proposed ECP and the alternatives and sensitivities it presented in summary form on a single page exhibit.

Through an unnecessarily arduous and time-consuming process, KIUC ultimately obtained the models used by the Company and its consultants. Consequently, KIUC was able to review the Company's assumptions and data, run the models used by ACES Power Marketing ("ACES") and Big Rivers, and review the Company's analyses in a more detailed manner, as well as develop its

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[1] KIUC does not oppose the Company's proposed ECP projects 6 (convert Reid 1 to natural gas), 7 (install recycle pump and new motors on ID fans at HMP&L 1 and 2), 8 (install activated carbon injection, dry sorbent injection and monitors at Coleman 1, 2, and 3), 9 (install activated carbon injection, dry sorbent injection and monitors at Wilson), 10 (install activated carbon injection, dry sorbent injection and monitors at Green 1 and 2), and 11 (install particulate monitors at HMP&L 1 and 2).

own analyses using the Company's models. KIUC witness Mr. Philip Hayet of Hayet Power Systems Consulting describes this process in greater detail.

Based on our review, we conclude that the Company's quantitative analyses are unreliable and do not support the Company's conclusion that the Build case is the least cost alternative. In our review, we found that the Company's quantitative analyses are replete with errors and unreasonable assumptions and data. These problems significantly affect the net present value of the Company's alternatives, the ranking of those alternatives, and mask the catastrophic effects of the Smelter load loss sensitivities. I subsequently describe the problems that we identified with the Company's financial model that it used to quantify the net present value of its alternatives and sensitivities. Mr. Hayet describes the problems that we identified with the Company's production cost modeling, which include the following:

- Build Case. DB Wilson Emissions Removal Rate. DB Wilson's upgrade will not be completed until 2016. ACES had the emissions reduction rate change beginning January 2015.

- Build Case. The Build Case has the HMPL 1&2 environmental upgrade project completed January 1, 2014. According to Exhibit Berry-2 page 1 of 2, it should be 2015.

- Build Case. VO&M at Green 2 is the same in the Build and Buy cases, although it should be different once the Green 2 SCR is added in 2015. Incremental O&M is indicated to be $1.58 million beginning in 2015 due to the addition of the SCR per Exhibit Berry-2 page 2 of 2.

- Build Case. HMPL 1&2 has the same VO&M in the Build and Buy Cases. Exhibit Berry-2 indicates that the Build Case should be higher by approximately $800,000 per year.

- Buy Case. DB Wilson VO&M is higher in the Buy Case than the Build Case. By 2026, it is as much as 13.6% higher than the Build Case.
- Buy Case. Coleman 1, 2 & 3. Even though compliance with CSAPR won't begin until 2016, Big Rivers has begun to constrain the dispatch of the Coleman units as early as 2013. It should be changed to begin in 2016.
- Buy Case. Coleman 1, 2 & 3. Given that the units will now be shut down for multi-month periods of time to limit emissions, it may not be necessary to schedule maintenance during a different period of time. The maintenance should be changed to occur at the same time that the unit is taken offline.
- Build and Buy Cases. No consideration of CO2 constraints or costs on Big Rivers' generation, even though PACE Global market price forecasts based on assumptions of CO2 constraints and costs. Assuming that CO2 requirements will dramatically increase market prices but not Big Rivers' generation costs is a fundamental inconsistency that biased the study in favor of the Build option.
- Build and Buy Cases. PACE Global market prices are excessive compared to other projections developed by ACES and HIS Global. One factor is that PACE Global market prices based on assumptions of CO2 constraints and costs.
- Build and Buy Cases. Coleman 2 having hundreds of startups per year. It turned out that the database had two inputs reversed. The mean time to repair input was switched and input as the average time to repair at the Coleman 2 unit.
- Build and Buy Cases. HMPL 1&2 VO&M costs - The Costs that the Company used in its financial analysis do not match what the Company indicates should have been used in the production cost model.
- Build No Smelter Case. The Company input VO&M at Green 1 at a significantly higher amount in the Build No Smelter Case than in the Buy No Smelter Case.
- Buy No Smelter Case. HMPL 1&2 - The Buy No Smelter Case has higher VO&M than all of the other cases.

Based on our review, we conclude that the Build and Buy cases are approximately equivalent on a net present value basis when the various modeling problems are corrected, even though the Buy case net present value is slightly less than the Build case when the fixed maintenance expense is reduced.[2] In our analyses, Mr. Hayet identified and corrected various production modeling errors and replaced unreasonable assumptions and data, which he describes in his testimony. Mr. Hayet presents the results of our analyses using the Company's "to-go" net present value construct, an analytical framework that considers only variable expenses and revenues on a total Company basis and without specific consideration of the effect on the member revenue requirements. I present the results of our analyses using the "all-in" member revenue requirement construct, an analytical framework that considers the effects of all variable and fixed revenues and expenses in a comprehensive manner on the member revenue requirements. In our analyses, we did not attempt to fix every problem that we identified in the Company's modeling or replace every unreasonable assumption or all unreasonable data given the Company's burden of proof and the procedural time constraints of this proceeding.

We also conclude that the Commission should do everything possible to retain the Smelter load, especially because the Smelter margins are greater than those the Company can achieve through sales into MISO, at least in the near term.

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[2] The Build case includes projects 4 and 5 and projects 6-11 as described in the Company's Application. The Buy case does not include projects 4 and 5, but does include projects 6-11. KIUC does not oppose projects 6-11.

The Company's Smelter load loss sensitivities are flawed and mask the catastrophic effects on rural and large industrial customers if the Smelters terminate their contracts. The Company's analyses result in rate increases to the rural and large industrial customers ranging from 68% to 84%. Alternatively, if the rate increases are not approved, Big Rivers would face bankruptcy and perhaps liquidation. In that event, Big Rivers likely would be required to sell its assets and the member cooperatives would have to obtain a different supplier.

The following tables provide a summary of the net present value of the "all-in" member revenue requirements comparing the Company's results to the KIUC results on the Build and Buy cases and the two Smelter load loss sensitivities. Mr. Hayet presents the "to-go" results for all the KIUC studies, including intermediate studies that he performed to assess the impact of correcting various errors and changing various assumptions or data.

BIG RIVERS ELECTRIC CORPORATION ENVIRONMENTAL COMPLIANCE SCENARIOS
COMPARISON OF TOTAL CUSTOMER REVENUES, EXCLUDING MARKET SALES - NPV

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Big Rivers Build	520 02	508 55	483 14	472 85	438 13	411 49	383 18	363 83	340 68	322 24	300 80	280 70	274 68	268 59	5,374 78
Big Rivers Buy	550 07	532 80	514 18	496 42	482 27	468 68	447 33	423 55	403 81	377 68	355 27	338 93	332 24	318 66	6 041 88
Big Rivers Build Smelter Load Loss	520 02	258 88	223 48	203 92	143 05	111 72	100 35	81 21	59 39	48 20	19 24	15 60	13 30	24 67	1 818 10
Big Rivers Buy Smelter Load Loss	526 08	282 80	262 82	256 54	186 87	175 42	188 25	132 60	125 68	110 07	75 01	72 17	69 14	65 63	2 516 86

BIG RIVERS ELECTRIC CORPORATION ENVIRONMENTAL COMPLIANCE SCENARIOS CORRECTED BY KIUC
COMPARISON OF TOTAL CUSTOMER REVENUES, EXCLUDING MARKET SALES - NPV

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
KIUC Build	529.29	512 01	493 69	487 50	461.08	434 42	411 33	389.68	368.34	347 82	330.47	315 49	301 82	286.06	5,669.00
KIUC Buy	530.36	509.73	491 07	481.12	460.59	441 04	420.64	397 85	375 65	355 64	336 76	321 12	307 38	292 99	5,721 80
KIUC Build Smelter Load Loss	518 12	256 06	245.93	246.07	255 36	230.77	222 25	210.13	199.54	184 72	171 90	163 37	160.21	147 28	3,211 69
KIUC Buy Smelter Load Loss	530.36	278.34	262 09	255.39	249.78	233 23	223 50	212 75	200 49	186 28	171 80	163 92	160.66	150.06	3,278 67

Finally, given the approximate equivalence of the Build and Buy cases when corrected, we conclude that the Commission should reject the proposed ECP projects 4 and 5 based on *qualitative* factors that maximize the flexibility and minimize the risk to the Company, its customers, and its creditors. The following qualitative factors weigh against ECP projects 4 and 5 included in the Build case, but not in the Buy case, particularly given the flexibility to revisit projects 4 and 5 in the future, the need to minimize rate increases for as long as possible, and the need to retain the Smelter load:

- the relative inexperience of the Big Rivers management team in large scale construction projects,
- the greater risk to Big Rivers and the members of the Build alternative compared to the Buy alternative due to the magnitude of the capital expenditures,
- the uncertainty of timing, scope, and cost of the CSAPR compliance requirements, particularly given the pending stay of the CSAPR regulations,
- the potential for cost overruns under the Build alternative, given the preliminary nature of the engineering design and related cost estimates presented by the Company,
- the effect on member rates if there are Smelter load losses and the costs of the Build alternative are imposed on the remaining customers and load,
- the potential for significant additional environmental compliance costs due to other pending and potential environmental legislation and regulations, including the effects of the proposed Coal Combustion Residuals regulation, potential carbon legislation and/or regulations, and changes to the National Ambient Air Standards, among others,
- the ability of the Company to finance the Build case capital expenditures and the cost of that financing if it is available, and

- the flexibility that the Buy case affords the Commission to subsequently revisit the Build alternative if the economics support such a decision in the future.[3]

In the next section of my testimony, I address various flaws in the Company's modeling and assessment of the available options that impact the viability, nominal revenue requirements and net present value economics of the Company's scenarios, and the production costs and margins from sales to other wholesale customers in lieu of the Smelters in the event that one or both of the Smelters terminate their contracts.

I then address various qualitative factors that affect the Company's analyses and the Company's failure to address these factors. Among these qualitative factors are the Company's failure to consider increases in capital expenditures compared to the preliminary estimates reflected in its three scenarios and two sensitivities; the failure to include costs for additional environmental requirements and compliance costs; and the availability and cost of financing capital expenditures.

II. THE COMPANY'S QUANTITATIVE ANALYSES ARE FUNDAMENTALLY FLAWED AND UNRELIABLE

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[3] The Company does not propose to include construction work in progress in "rate base" in the proposed ES tariff, according to Exhibit Wolfram – 2. The proposed tariff defines environmental rate base as electric plant in service less accumulated depreciation. The Company's qualitative analyses are consistent with the proposed ES tariff and capitalized interest during construction. There is no effect included in the revenue requirement of the capital expenditures until the assets are completed and placed in service. This proposal reduces the NPV of the Build and Build Smelter load loss sensitivity cases compared to the Buy cases because it defers any recovery related to the capital expenditures in the Build and Build Smelter load loss sensitivity cases until 2016, or year five of the 15 year analysis period.

Description of Company's Quantitative Analyses in Financial Model

Q. Please generally describe the Company's quantitative analyses.

A. In general, the Company obtained market prices, coal prices, natural gas prices, and monthly allowance prices from PACE Global, which it, in turn, provided to ACES Power Marketing. The Company also provided other generating unit data to ACES. ACES performed all production cost modeling using the Ventyx Planning and Risk ("PaR") model. The production cost model output was subjected to post-processing analyses and the results then were input into the Company's financial model. The FM was used to develop the NPV results presented by Mr. Hite for the Base case, Build case, Partial Buy case, Build case Smelter load loss sensitivity, and the Buy case Smelter load loss sensitivity. Although not presented by the Company either in its Build, Partial Build, Buy cases, or as sensitivities, the Company subsequently obtained market prices from ACES and from IH Gobal for use in a Load Concentration Study performed in May 2012, nearly two months after it completed the analyses reflected in its filing in this proceeding. The ACES and IH Global market prices were significantly lower than the PACE Global market prices used by ACES and then used by Big Rivers in the alternatives and sensitivities it presented in this proceeding. The PACE market price forecast assumed CO2 emission costs, while the ACES market price forecast did not.

Q. Are there problems with the Company's production cost modeling?

A. Yes. These problems are addressed by Mr. Hayet. In addition, Mr. Hayet has re-run the production cost model to correct modeling errors and unreasonable assumptions and data. He presents the results of the corrected quantitative analyses in his testimony on a "to-go" basis. I present the results of the corrected quantitative analyses on an "all-in" basis.

Q. Are there problems with the Company's quantitative analyses reflected in the financial model?

A. Yes. I first will describe how the Company uses the FM, then address the various flaws in the Company's methodology, and then address the flaws in the Company's Smelter load loss sensitivities.

Q. Please describe the Company's Financial Model.

A. The Company's FM is an Excel-based workbook with multiple interrelated spreadsheets. The FM simulates the Company's accounting and ratemaking processes over a projected 15 year period, from 2012 through 2026. The FM includes the following interrelated spreadsheets:

- Trial Bal (trial balance by RUS account)
- Charts (computes financial and rate metrics)
- Risk (scales market power prices)
- NPV (computes net present value of "to-go" costs of compliance plan alternatives)

- ECP (compliance plan alternative capex, expenses, ECR rate effect)
- Bud Adj (adjusts various budget items)
- Stmts RUS (develops financial statements in RUS format)
- Rates (develops rates, member and market revenues, solves for revenue deficiencies and surplus to achieve 1.24 TIER)
- Rates – Cash (computes member rates on cash method)
- FAC, PPA, ES, SC (computes surcharge rates)
- Regulatory Charge (computes regulatory deferral and amortization expense)
- Fuel (fuel purchases and expense by generating unit)
- PCM (production costs)
- Interest (computes interest on reserves)
- O&M (primarily fixed O&M and A&G by RUS account)
- Capex & Depr (non-environmental capex and depreciation)
- UW Transaction (unwind transaction)
- Debt (detail on debt issuances and interest expense)
- Pat. (patronage capital and dividends)

Q. Please describe how the Company calculated the net present value of the various compliance alternatives and sensitivities in the Financial Model.

A. The Company calculated the net present value of the various compliance alternatives and sensitivities in the financial model on the "NPV" spreadsheet. It employed a "to-go" construct in which it used only the variable costs and revenues that it determined were affected by the alternative, including the so-called "fixed costs" of interest and principal repayments on debt issued for the alternative. The "to-go" expenses and revenues were determined on a total Company basis, not on a member revenue requirements basis, even though the FM also computes the effects on an "all-in" member revenue requirement basis, which it builds by computing base rates and surcharge rates by customer class. The Company's "to-go" construct assumed that there would be no other changes in expenses or revenues. More specifically, the Company's construct uses only the following expenses/costs and revenues:

<u>Production Costs</u>

- fuel expense,
- variable environmental O&M expense,
- purchased power expense,
- emission allowance expense,
- off-system or market revenues (reflected as a negative offset to the expenses)

<u>Fixed Cost of Capital</u>

- debt service (interest expense and principal maturities),
- debt issuance cost amortization expense,
- property tax expense,
- property insurance expense,
- labor expense

In general, the "to-go" production expenses and market revenues were developed by ACES using the production cost model, subjected to "post-processing analyses," and then input by Big Rivers into its financial model, primarily into the PCM spreadsheet in the financial model. The production expenses and market revenues developed by ACES relied on market prices that were developed by PACE Global at Big Rivers' request. In general, the Company directly modeled the incremental debt and related debt service and the other fixed costs of capital within the FM itself. All of these amounts are reflected on an annual nominal dollar basis in the NPV spreadsheet and then discounted in that spreadsheet to 2012 net present value dollars. The discounting is performed on an annual basis using the Company's weighted cost of debt grossed-up for the contract TIER of 1.24 to an overall discount rate of 7.93%.

<u>**The Company's Quantitative Analyses Are Replete with Errors**</u>

Q. Are there problems with the Company's NPV analyses that affect all of the scenarios and sensitivities?

A. Yes. There are multiple problems. First, the Company's NPV analyses fail to reflect the effects on member revenue requirements on an "all-in" basis and instead focus only on the net present value to the Company of the "to-go" expenses and revenues of the alternatives. Although the Company's FM develops the "all-in" member revenue requirements, the Company chose to use the "to-go" metric. The "to-go" metric, in and of itself, does not disqualify the Company's analyses, but it appears to have contributed to the other problems that I subsequently address. It also is important to recognize that the Company's net present value amounts using the "to-go" metric are not meaningful in absolute dollars of revenue requirement due to the exclusion of other revenue requirement components that are included in the "all-in" revenue requirement, but rather are meaningful only for the purposes of ranking the various scenarios and quantifying the differences between them.

Second, the Company's NPV analyses fail to include the TIER on the interest expense, which understates the net present value of the debt service expense included in the various alternatives. For ratemaking purposes, the Company recovers not only the interest on its debt from customers through the revenue requirement, but also recovers a margin that adds another 24% of the interest to the revenue requirement. The Company's NPV analyses ignore the TIER effect on the member revenue requirement. The failure to include the TIER on the interest expense also is methodologically inconsistent with the Company's use of a discount rate that is grossed-up for the TIER. This error has the greatest effect in the Build case because it has the greatest interest expense among the alternatives.

Third, the Company's NPV analyses assume that the debt service is levelized over 30 years,[4] a methodology that is similar to a lease or home mortgage and assumes a uniform annual debt service. However, this methodology is inconsistent with the ratemaking process, which assumes that the Company's interest expense and the related member revenue requirement are the

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[4] Typically, a utility's debt service is at the maximum level when the assets that were financed enter commercial operation. As the asset is depreciated and the debt principal is repaid, the revenue requirement declines. Under a levelized approach, the debt service is converted into an annuity, similar to a lease or home mortgage, so that there are equal annual requirements. If the two data series were plotted against each other, the typical annual revenue requirement would decline annually from the first year through the last year of the asset's life and the related repayment of the debt principal. In contrast, the levelized annual revenue requirement would remain the same each year and would be less than the typical revenue requirement in the early years, then crossover and be more than the typical revenue requirement in the latter years.

greatest when construction of the assets is completed and then decline as the assets are depreciated and the debt is reduced. The Company's methodology and significantly reduces the expenses in the early years of the Company's 15 year analysis period compared to the actual annual revenue requirement and recoveries based on declining debt and the related interest expense over time. Although this does not have a significant effect on the net present value over the 15 year analysis period, it does affect the annual nominal and present value amounts.

Q. **Is there a problem with the Company's NPV analyses that affects only certain of the scenarios and sensitivities?**

A. Yes. The Company failed to include the economic effects of the costs to remove the existing scrubber at Wilson in conjunction with ECP project 4 in the Build case, the Partial Build case, and the Build case Smelter load sensitivity. This problem does not affect either the Buy case or the Buy case Smelter load loss sensitivity because Project 4 is not included in those cases.

This error understates the net present value of the Build, Partial Build and Build Smelter load loss sensitivity cases in comparison to the Buy and Buy Smelter load loss sensitivity cases by ignoring the depreciation expense (or debt principal repayments), interest expense, and the TIER margin on the removal costs and the related debt financing. I am not able to estimate the effect of the Company's error because the Company not only failed to include the cost of removal, it also failed to estimate the cost itself, according to its response to KIUC 2-22. The Company claims that the cost of removal isn't an issue because it will be offset by salvage income. However, that claim appears to have been developed after the fact and is without any support whatsoever. I have attached a copy of the Company's response as my Exhibit___(LK-2).

Q. Are there other problems with the Company's NPV analyses that affect only certain of the scenarios and sensitivities?

A. Yes. The Company's NPV analyses fail to reflect any reduction in non-fuel production operation and maintenance expense, other than changes in variable environmental O&M expense, in the Partial Build or Buy cases or the Buy case Smelter load loss sensitivity. In other words, even though the Company constrains and substantially reduces the operation of the generating units in those cases, it still assumes that it will incur the same non-environmental operation and maintenance expense. In the real world, the Company would reduce its maintenance expense to reflect reductions in maintenance requirements, and possibly would reduce its operation expense, especially in the Buy case and the Buy case Smelter load loss sensitivity, but it failed to reflect any reductions in these expenses in its analyses in this proceeding.

The Company included the same fixed production maintenance expense in all three cases and the two sensitivities as follows:

BIG RIVERS ELECTRIC CORPORATION
FIXED MAINTENANCE EXPENSE
($ Million)

2012	49.89
2013	46.20
2014	56.83
2015	52.02
2016	53.78
2017	55.40
2018	57.06
2019	58.77
2020	60.53
2021	62.35
2022	64.22
2023	66.15
2024	68.13
2025	70.17
2026	72.28

If these fixed maintenance expenses alone were reduced by 25% in the Buy and the Buy Smelter load loss sensitivity cases to reflect reductions in maintenance requirements, then the net present value for those cases would be reduced by $133 million, both on a "to-go" basis and on an "all-in" basis. Thus, a change in this assumption alone would improve the ranking of the Buy case and the related Smelter load loss sensitivity compared to the Build case and the related Smelter load loss sensitivity.

<u>**The Company's Smelter Load Loss Scenarios Are Erroneous and Misleading**</u>

Q. Are there also problems with the Company's NPV analyses that affect only the Smelter load loss sensitivities?

A. Yes. The Company's NPV analyses of the Build case and Buy case Smelter load loss sensitivities are flawed. This is evident from even a cursory review of the results of these analyses reported on Exhibit Hite-4 attached to Mr. Hite's Direct Testimony as summarized in the table below:

BIG RIVERS ELECTRIC CORPORATION
COMPARISON OF BIG RIVERS CASES
($ MILLION)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Build Case	301 93	285.91	277 08	265 34	258 98	234 16	220 82	202 97	195 61	181 68	173 31	158 82	158 14	146 15	149 48	3,210 39
Partial Build Case	301 93	285 28	281 85	271 50	267 63	247 84	240 12	220 07	214 04	200 73	191 88	177 15	176 78	164.60	168 87	3,410.36
Buy Case	317 24	315 37	303 91	293 87	288 84	290 07	281 29	270 92	255 51	250 18	226 09	216 80	204 72	209 28	196 70	3,920.79
Build Smelter Load Loss	301 93	286 15	31 60	12 62	(10 68)	(58 57)	(79 18)	(79 68)	(87 20)	(99 00)	(102 92)	(121 44)	(117 84)	(114 40)	(95.61)	(334.06)
Buy Smelter Load Loss	317 24	310 99	49 75	36 93	14 46	(13 39)	(28 21)	(22 51)	(36 32)	(40 74)	(57 85)	(72 42)	(77 96)	(60 57)	(54 71)	264.68

More specifically, the Company's results for the Build case Smelter load loss sensitivity show a cumulative net present value of *negative* \$334.10 million. In other words, the "to-go" costs for this sensitivity actually will be income, not a net cost, according to the Company's analysis. If the Company's results are correct, then the costs of the Build case, the loss of the Smelter revenues, and the increase in market revenues would result in "to-go" income. According to these results, the loss of Smelter revenues and the replacement with market revenues would convert the Build case from a "to-go" net present value *cost* of \$3,210 million to *income* of \$334 million, an improvement of \$3,544 million. The Company would become primarily a merchant generator and would be subject to the risk of market pricing for all generation that is not sold to rural and large industrial customers.

Similarly, the Company's results for the Buy case Smelter load loss sensitivity show a net present value of $264.70 million, a fraction of the net present value cost of the Build case itself, or an improvement of $2,945 million. As with the Build Smelter load loss sensitivity, the Company would become primarily a merchant generator and its generation subject to market pricing.

Taken at face value, the Company's studies suggest that the Commission should choose the Build case and everyone should hope and pray that the Smelters reduce or terminate their operations. However, the computations both ignore the fact that if the Smelter load is lost, there will be no more smelter revenues. More specifically, the Company's NPV analyses incorrectly assume that the Smelter revenues will continue (or be recovered in their entirety from the remaining rural and large industrial customers through huge rate increases) while the Company also sells the power into the market that no longer will be supplied to the Smelters. This is a flaw in the Company's analyses because the Smelters will not pay Big Rivers for power that they do not buy from Big Rivers. The Company's NPV analyses also assume that the PACE market prices will be reality and will increase to more than $100 per mWh over the next 15 years. The PACE very high market price forecast includes an assumption that CO2 restrictions will be imposed, yet Big Rivers inconsistently assumes that its generation costs will not increase because of CO2 restrictions. Mr. Hayet addresses this assumption compared to the ACES and IH Global market price projections.

The following tables show the components of the Company's NPV analyses for the Build case and the Smelter load loss sensitivity and then the Buy case and the Smelter load loss sensitivity.

BIG RIVERS ELECTRIC CORPORATION BUILD CASE

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Production Cost Model																
Fuel (Including Start-Up)	266 47	285.35	298 78	309 40	321 62	337 02	340 29	364 03	366 26	373 15	378 75	394 72	396 10	418 69	409 91	5,260.66
Variable Environmental O	28.96	32 62	38 56	39 60	53 37	56 65	58 07	62 50	64 10	65 82	68 07	70 41	73 05	77 30	76 67	865.77
Purchased Power	42 46	37 10	36 14	32 34	31 36	29 18	29 67	23 46	31 76	30 31	38 42	32 20	44 93	35 15	63 47	527.93
Allowance Purchases	0.03	0 48	0 79	0 93	(0 43)	1 49	0 02	2 30	0 35	2 71	0 87	3 47	0.63	3 27	0 10	17.01
Off-System Sales	(35 99)	(49 40)	(58 81)	(62 32)	(75 79)	(103 01)	(100 63)	(127 66)	(123 95)	(132 62)	(136.09)	(154 88)	(141 34)	(162 06)	(126 90)	(1,591.46)
Fixed Cost of Capital																
Debt Service		2 31	7 19	13 15	20 08	20 08	20 08	20 08	20 08	20 08	20.08	20 08	20 08	20 08	20 08	243.49
Debt Issuance Cost		0 12	0 12	0 12	0 12	0 12	0 12	0 12	0.12	0 12	0 12	0 12	0 12	0 12	0 12	1.72
Property Tax		0 00	0 00	0 00	0 15	0 44	0 43	0 42	0.41	0 40	0 39	0 38	0 37	0 36	0 35	4.13
Property Insurance		0 00	0 00	0 18	0 54	0 56	0 58	0 59	0 61	0 63	0 65	0 67	0 69	0 71	0 73	7.14
Labor		0 00	0 00	0 20	0 40	0 42	0 43	0 44	0 45	0 47	0.48	0 50	0 51	0 53	0 54	5.36
Revenue Requirement	301 93	308 59	322 77	333 60	351 43	342 94	349 06	346 28	360 19	361 07	371 74	367 67	395 15	394 14	435 08	5,341.63
PV of Revenue Requireme	301 93	285.91	277 08	265 34	258 98	234 16	220 82	202 97	195 61	181 68	173 31	158 02	158 14	146 15	149 48	3,210.39

BIG RIVERS ELECTRIC CORPORATION BUILD SMELTER LOAD LOSS SENSITIVITY

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Production Cost Model																
Fuel (Including Start-Up)	268 47	285.35	283 98	301 20	318 14	335.01	339 14	382.13	365 42	371 72	377 27	392 12	394 50	415.47	406 74	5,212.66
Variable Environmental O	28.96	32 62	35.96	38 04	52 16	56 34	57 92	62 25	64 08	65 71	67 08	70 19	73 03	77 18	76 54	858.97
Purchased Power	42 46	37 10	12 89	13 16	13.22	13 91	13 99	14 05	14 79	14 86	14 96	15 77	15 81	15.89	16 71	269.55
Allowance Purchases	0 03	0.48	0 50	0 76	(1 37)	1 38	(0 99)	2 17	(0 73)	2 53	(0 39)	3.15	(0 83)	2 77	(1 62)	7.86
Off-System Sales	(35 99)	(49 40)	(303 86)	(351 00)	(415 54)	(513 63)	(556 42)	(597 76)	(625 38)	(672 79)	(701 83)	(783.03)	(798 22)	(841 10)	(797 95)	(8,044.48)
Fixed Cost of Capital																
Debt Service		2 31	7 19	13 15	20 08	20 08	20 08	20 08	20 08	20 08	20.08	20 08	20 08	20 08	20 08	243.49
Debt Issuance Cost		0.12	0 12	0 12	0 12	0 12	0 12	0 12	0 12	0 12	0 12	0 12	0 12	0 12	0 12	1.72
Property Tax		0 00	0 00	0 00	0 15	0 44	0 43	0 42	0 41	0 40	0 39	0 38	0 37	0 36	0.35	4.13
Property Insurance		0 00	0 00	0 18	0 54	0 56	0 58	0 59	0 61	0 63	0 65	0 67	0 69	0.71	0 73	7.14
Labor		0.25	0 25	0.25	0 00	0 00	0 00	0 00	0 00	0 00	0.00	0 00	0 00	0 00	0 00	0.75
Revenue Requirement	301 93	308 84	37 04	15 86	(14 49)	(85 79)	(125.16)	(135 94)	(160.57)	(196 75)	(220 76)	(281 15)	(294 45)	(308.52)	(278 29)	(1,438.21)
PV of Revenue Requireme	301 93	286 15	31 80	12 62	(10 68)	(68 57)	(79.18)	(79 68)	(87 20)	(99 00)	(102 92)	(121 44)	(117 84)	(114.40)	(95.61)	(334.06)

BIG RIVERS ELECTRIC CORPORATION BUY CASE

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Production Cost Model																
Fuel (Including Start-Up)	216 73	193 37	216 94	231 00	245.51	242 05	247 83	252 03	269 22	262 70	284.04	287 27	304 85	298 62	315 80	3,868.05
Variable Environmental O(	23 24	22 67	27 34	30 39	41 12	42 05	42.81	44 60	48 09	48 02	62 22	52 71	57 41	57 38	59 92	650.09
Purchased Power	89.56	136 62	127 85	131 45	143 19	185 97	187.07	204 22	193 38	232 93	207 20	231 65	219 89	275.14	253.30	2,819 43
Allowance Purchases	0 00	0 00	0.00	0 00	(0 87)	(0 96)	(0 99)	(0.14)	0 50	0 16	0 76	0 66	0 97	0 39	1.39	1.88
Off-System Sales	(12.28)	(12 35)	(19.10)	(26 06)	(41 67)	(49 06)	(36 98)	(43 32)	(45 53)	(51 47)	(64 13)	(75 26)	(76 60)	(72 07)	(62 81)	(688 68)
Fixed Cost of Capital																
Debt Service		0.06	0 97	2 47	4 14	4 14	4 14	4 14	4 14	4 14	4 14	4.14	4 14	4 14	4 14	49.01
Debt Issuance Cost		0 01	0 03	0 03	0 03	0 03	0 03	0 03	0 03	0.03	0 03	0 03	0 03	0 03	0 03	0.34
Property Tax		0 00	0 00	0 00	0 00	0 09	0 09	0 09	0 09	0.08	0 08	0 08	0 08	0 07	0.07	0.82
Property Insurance		0 00	0 00	0 00	0 11	0 11	0 12	0 12	0.13	0 13	0 13	0 14	0 14	0 15	0.15	1.43
Labor		0 00	0 00	0 20	0 40	0 42	0 43	0 44	0.45	0 47	0 48	0 50	0 51	0 53	0.54	5.36
Revenue Requirement	317 24	340 38	354 03	369 47	391.95	424 83	444 64	462 21	470 49	497 20	484 95	501 91	511 52	564 38	572 53	6,707.71
PV of Revenue Requireme	317 24	315 37	303 91	293 87	288 84	290.07	281 29	270 92	255 51	260 16	226 09	216 80	204 72	209 28	196 70	3,920.79

BIG RIVERS ELECTRIC CORPORATION BUY SMELTER LOAD LOSS SENSITIVITY

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Production Cost Model																
Fuel (Including Start-Up)	216 73	205.34	206 63	213 75	234.59	239 89	246 17	249 68	268 02	260 34	282.30	284 74	302.77	295 79	312 46	3,819 19
Variable Environmental O:	23 24	23 40	24 61	27 27	38.98	41.66	42 70	44 25	47 94	47 76	52 02	52 46	57.23	57.29	59 70	640.41
Purchased Power	89 56	119 23	14 53	15 68	16 75	18.43	14 20	16 50	16 27	17 34	18.96	16 75	16 89	16 90	17 43	425.42
Allowance Purchases	0 00	0 00	0 00	0 00	(2 44)	(2 67)	(2 70)	(1 93)	(1 47)	(1 96)	(1.40)	(1 70)	(1 69)	(2 44)	(1 65)	(21 94)
Off-System Sales	(12 28)	(12 37)	(186 72)	(212 95)	(272 94)	(321.72)	(349 76)	(351 73)	(402 46)	(409 30)	(480.82)	(524 77)	(574 90)	(535 80)	(552 21)	(5,202.73)
Fixed Cost of Capital																
Debt Service		0 06	0 97	2 47	4 14	4 14	4 14	4 14	4 14	4 14	4.14	4 14	4 14	4 14	4 14	49 01
Debt Issuance Cost		0 01	0.03	0 03	0 03	0 03	0 03	0 03	0 03	0 03	0 03	0 03	0.03	0 03	0 03	0.34
Property Tax		0 00	0 00	0 00	0 00	0 08	0 09	0 09	0 09	0 08	0 08	0 08	0 08	0.07	0 07	0.82
Property Insurance		0 00	0 00	0 00	0 11	0 11	0 12	0 12	0 13	0 13	0 13	0 14	0 14	0 15	0 15	1 43
Labor		0 00	0 00	0 20	0 40	0 42	0 43	0 44	0 45	0 47	0 48	0 50	0.51	0 53	0 54	5 36
Revenue Requirement	317 24	335 65	57 95	46 43	19 62	(19 62)	(44 59)	(38 41)	(66 87)	(80 97)	(124 08)	(167 65)	(194 81)	(163 36)	(159 24)	(282 70)
PV of Revenue Requireme	317 24	310 99	49 75	36 93	14 46	(13 39)	(28 21)	(22 51)	(36 32)	(40 74)	(57 85)	(72 42)	(77 96)	(60 57)	(54 71)	264.68

As I described previously, the Company's NPV analyses assume no changes in expenses or revenues other than those reflected in the "to-go" amounts. However, this is an invalid assumption when the Smelter revenues are lost in their entirety and replaced with market revenues. In the Company's NPV analyses, it includes the replacement market revenues, but, as the preceding tables demonstrate, the Company did not increase the "to-go" expenses (or show the lost Smelter revenues as expenses) for the lost Smelter revenues even though those revenues no longer will exist under the two sensitivity cases.

Q. In reality, what will be the effect on the "all-in" member revenue requirements from the Smelter load loss sensitivities?

A. In reality, the Smelter load loss would be catastrophic to the rural and large industrial customers and Big Rivers would be forced to seek immediate and drastic rate increases starting in 2014 and continuing through future years until market prices rise sufficiently to replace the margins that were lost on the Smelter sales. *More specifically, under the Build case in the event that the Smelters terminate their contracts, the Company itself estimates that the necessary rate increases for the rural and large industrial customer classes will average 69%. Under the Buy case in the event that the Smelters terminate their contracts, the Company estimates that the necessary rate increases for the rural and large industrial customers classes will average 84%.*

Despite increases of those magnitudes on rural and large industrial customers, the Company assumed that there would be no reductions in the rural or large industrial sales due to the drastic rate increases. That assumption is highly unlikely and the Company has performed no studies to support the assumption that there is no elasticity of demand, according to its responses to AG 1-22 and Staff 2-14. To the contrary, it is highly likely that there would be significant conservation by rural customers and reductions in large industrial usage, as well as possible plant closures and loss of jobs. If there is a substantial reduction in sales to these remaining rural and large industrial customers, the rate increases necessary to replace the lost Smelter margins easily could spiral upward and exceed 100%. I have attached a copy of the Company's responses to AG 1-22 and Staff 2-14 as my Exhibit___(LK-3).

The following table shows the annual "all-in" non-Smelter revenue requirements for the rural and large industrial customer classes that I obtained from the "Rates" spreadsheet of the FM for the Company's two Smelter load loss sensitivities:[5]

BIG RIVERS ELECTRIC CORPORATION
REVENUE BY CUSTOMER CLASS UNDER SMELTER LOAD LOSS SENSITIVITIES

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Build Case Smelter Load Loss															
Rural Revenue	105 378	110.320	187 25	173 78	168.92	154 07	129.51	125.60	109.41	85 68	71 38	29.55	25 30	22.81	50 67
Large Industrial Revenue	35 772	37 230	62.57	69 94	68.11	51 28	42 98	41.43	35 95	28 27	23 63	10.87	9 62	8.91	16.98
Smelter Revenue	376 163	380 758	0 00	0.00	0 00	0.00	0 00	0.00	0 00	0 00	0 00	0.00	0 00	0.00	0 00
Market Revenue	35 990	49.403	303 86	351.00	415.54	513 63	556.42	597.76	625.36	672 79	701 83	783 63	798.22	841 10	797 95
Buy Case Smelter Load Loss															
Rural Revenue	107 318	116 243	214 37	206 81	194.57	181 96	187 14	196.49	177 75	171 47	142 98	114.49	100.03	133.18	141 47
Large Industrial Revenue	36.487	39 405	72 36	76.60	75.91	66 89	81 99	64.50	57.94	55 40	46 12	37.04	32.45	41 93	43 92
Smelter Revenue	386.529	404.337	0 00	0.00	0.00	0 00	0 00	0.00	0.00	0 00	0.00	0 00	0 00	0.00	0 00
Market Revenue	12 285	12.372	188 72	212.95	272 94	321 72	349.76	351.73	402 46	409 30	480 82	524.77	574.90	535 80	552 21

Q. What conclusions should the Commission draw from the Smelter load loss sensitivities?

A. The most important conclusion is that the Commission should take all necessary steps to ensure that the Smelters do not terminate their contracts. The loss of Smelter load and revenues would be immediate and catastrophic to rural and large industrial customers because the margins on the market sales will be insufficient

[5] These comparisons are based on the Company's versions of the Build case Smelter load loss and Buy case Smelter load loss sensitivities, which indicate greater impact under the Buy case compared to the Build case. However, the KIUC versions show that the impact is approximately the same under either the Build or Buy cases.

to replace the margins on the Smelter sales that will be lost. Despite Big Rivers' rosy projections based on the PACE market price projections to the contrary, the rural and large industrial members may never recover from the rate effects of Smelter load losses if future market prices do not rise to the levels reflected in the Company's studies.

Q. **Have you prepared a table showing the "all-in" annual member revenue requirements resulting from KIUC's corrected Smelter load loss sensitivities?**

A. Yes. The following table shows the "all-in" non-Smelter member revenue requirements for each Smelter load loss sensitivity compared to the KIUC corrected versions of the Build and Buy cases.

BIG RIVERS ELECTRIC CORPORATION ENVIRONMENTAL COMPLIANCE SCENARIOS CORRECTED BY KIUC
COMPARISON OF TOTAL CUSTOMER REVENUES, EXCLUDING MARKET SALES - NOMINAL AND NPV

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
KIUC Build															
Total Revenue	590.20	624.96	653.39	693.45	713.19	729.05	756.14	763.43	776.41	780.37	800.51	799.21	825.22	839.09	
Add: Revenue to Achieve 1.24 TIER	12.05	6.80	3.35	8.38	11.78	10.81	13.32	18.04	17.52	22.01	25.11	33.92	43.16	49.78	
Less: Market Revenue	31.00	35.32	36.05	40.30	49.69	53.18	67.70	63.94	61.90	56.32	60.55	44.83	54.43	56.24	
Total Customer Revenue	571.26	596.44	620.70	661.53	675.78	686.69	701.76	717.54	732.04	746.06	765.07	788.30	813.95	832.63	9,909.23
NPV Total Customer Revenue	529.29	512.01	493.89	487.50	461.08	434.42	411.33	389.88	358.34	347.82	330.47	315.49	301.02	288.06	5,669.00
KIUC Buy															
Total Revenue	601.21	630.42	646.35	677.12	702.47	719.04	733.68	742.97	756.85	767.29	784.06	796.80	829.55	850.74	
Add: Revenue to Achieve 1.24 TIER	0.00	0.00	0.00	0.00	1.15	3.06	8.41	12.55	11.52	17.21	20.12	26.34	22.10	28.34	
Less: Market Revenue	29.01	36.57	28.94	24.26	29.05	24.95	24.45	22.93	21.81	21.66	24.56	20.76	22.70	26.29	
Total Customer Revenue	572.20	593.85	617.41	652.86	674.57	697.15	717.64	732.58	746.56	762.83	779.62	802.38	828.95	852.80	10,031.39
NPV Total Customer Revenue	530.16	509.79	491.07	481.12	460.59	441.04	420.64	397.85	375.65	355.84	338.78	321.12	307.38	292.99	5,721.80
KIUC Build Smelter Load Loss															
Total Revenue	590.20	506.04	539.61	586.63	515.64	544.76	567.07	485.01	491.35	464.98	386.73	355.46	387.98	433.59	
Add: Revenue to Achieve 1.24 TIER	12.05	44.66	35.28	37.51	153.18	142.38	149.89	225.54	229.26	228.54	330.24	336.86	356.27	350.85	
Less: Market Revenue	31.00	207.76	230.42	252.72	294.82	322.36	337.78	323.63	324.05	297.31	319.01	284.13	312.20	355.76	
Total Customer Revenue	559.21	298.28	309.20	333.90	374.00	364.78	379.18	386.93	395.55	396.22	397.96	408.19	432.06	428.67	5,465.12
NPV Total Customer Revenue	518.12	258.00	245.93	246.07	255.30	230.77	222.25	210.13	199.54	184.72	171.90	163.37	160.21	147.28	3,211.69
KIUC Buy Smelter Load Loss															
Total Revenue	601.21	515.17	497.04	517.02	464.23	487.04	485.27	444.37	430.97	449.03	375.03	373.27	379.71	435.28	
Add: Revenue to Achieve 1.24 TIER	19.49	18.99	17.95	19.29	94.97	92.76	100.27	150.41	152.34	148.91	228.43	234.79	253.80	252.11	
Less: Market Revenue	29.00	159.94	167.52	170.46	193.38	211.13	204.24	202.83	184.87	198.37	205.73	198.47	199.68	250.62	
Total Customer Revenue	572.20	374.24	329.52	346.56	365.83	368.67	381.31	391.75	398.44	399.57	397.73	409.59	433.82	436.77	5,555.98
NPV Total Customer Revenue	530.16	278.34	262.09	265.39	249.78	233.23	223.60	212.75	200.49	186.28	171.80	163.92	160.86	150.08	3,278.67

III. QUALITATIVE FACTORS SUPPORT THE BUY CASE

<u>The Commission should Maximize Flexibility and Minimize Risk</u>

Q. Mr. Hayet addresses numerous qualitative factors that argue against the Build case and in favor of the Buy case. Do you have any additional comments?

A. Yes. The validity of the results of the quantitative analyses is driven largely by the assumptions used in the modeling process. There is greater certainty surrounding some of the assumptions, such as the physical operation of the power plants. There is greater *un*certainty surrounding other assumptions, such as the market price of power, whether for purchases by Big Rivers or sales by Big Rivers, and the ability of the Company to finance, or the cost of the financing if it is able to finance. Changes in these assumptions can change the ability to implement and/or the ranking of the various alternatives.

Thus, in its review of the Company's request, the Commission should carefully consider the effects of these assumptions and select the alternative that provides the most flexibility in light of constantly changing circumstances; that minimizes the risk to all customers, rural, large industrial, and Smelters; and that minimizes the risk to the Company and its creditors.

<u>The Company's Cost Estimates Are Preliminary and Subject to Overruns</u>

Q. In addition to the qualitative factors addressed by Mr. Hayet, should the Commission be concerned about cost overruns?

A. Yes. Aside from the Company's modeling of the Build, Partial Build, and Build Smelter load loss sensitivity cases, the reality is that any cost overruns will affect member revenue requirements and rates and place additional pressure on the Company, its creditors, its rural and large industrial customers, and the Smelters.

The Company estimates that its direct construction costs will be $286.14 million and that deferred financing costs will add another $15 million for a total capital cost of $301 million in the Build alternatives. However, these estimates are preliminary estimates and do not reflect detailed engineering estimates. Engineering and design have not been completed, according to the Company's Application. Thus, there is a high likelihood of cost overruns and costs that the Company did not consider in its quantitative analyses. For example, the Company plans to act as the general contractor using a "minimal contracts approach," which it describes in response to Staff 1-18. Yet the Company did not include any costs for these activities in any of the cases, arguing that they would be "relatively insignificant" and "covered by the contingency in the estimate," also according to its response to Staff 1-18. I have attached a copy of the Company's response to Staff 1-18 as my Exhibit___(LK-4). In addition, the Company has not yet completed testing or modeling of its ESP performance and may have to install ESP upgrades, according to its response to Staff 1-14. I have attached a copy of the Company's response to Staff 1-14 as my Exhibit___(LK-5).

In addition, the Commission should note that none of the contracts have yet been bid out by the Company and there may be sizeable differences between the preliminary estimates and actual bids by contractors. The Company is relatively inexperienced in such large scale construction projects in recent years and it may be required to depend more heavily on its contractors for certain activities than reflected in the cost estimates.

Further, the Company already substantially increased its cost estimates for the Build case earlier this year before it filed its Application in this proceeding. On January 19, 2012, the Company's management presented a listing of projects and a cost estimate of $213.5 million to comply with CSAPR and MATS requirements to the Big Rivers Board of Directors, according to the Board Minutes provided by the Company in response to KIUC 1-43. On February 21, 2012, the Company's management updated the cost estimate to $283.5 million, also according to the Board Minutes provide in response to KIUC 1-43. I have attached a copy of the relevant portions of the Company's response to KIUC 1-43 as my Exhibit___(LK-6).

In response to KIUC 2-21, the Company confirmed that it had increased the cost estimate from January 19, 2012 to February 21, 2012 and that the primary reason was that the "capital estimates in the January 2012 board presentation represented high level order of magnitude estimates developed by Big Rivers personnel to indicate the level of capital expenditures facing Big Rivers in complying with CSAPR and MATS. The capital estimates in the February 2012 board presentation represent the results of the S&L study." In other words, the difference was due to a more refined cost estimate. That tends to be the nature of cost estimates and the risk of additional significant cost estimates as the engineering and design work progresses is real. I have attached a copy of the Company's response to KIUC 2-21 as my Exhibit___(LK-7).

If the Commission authorizes the Company to proceed with ECP projects 4 and 5, then it will commit the Company, its creditors and all of its customers to the completion of the projects, the financing of the projects, and the obligation to pay through rates for the projects. Those commitments will remain in place even if there are substantial cost overruns.

Thus, the Commission should recognize that there may be cost overruns in the proposed ECP projects, with the most risk exposure on projects 4 and 5. The Commission can avoid the uncertainty and risk exposure on projects 4 and 5 if those projects are not authorized at this time.

<u>The Company's Ability to Finance Is Uncertain</u>

Q. Should the Commission be concerned about the Company's ability to finance?

A. Yes. The Company's ECP will require at least $301 million in incremental financing, assuming no cost overruns and no additional environmental requirements. If there are cost overruns and additional environmental requirements, the Company will require even more incremental financing.[6] Of the $301 million in incremental financing, projects 4 and 5 comprise approximately $232 million. At the end of 2011, the Company had $786 million in debt outstanding. The $301 million in incremental debt financing will increase its debt outstanding by 38%, all else equal.

The Company's ability to finance the 2012 ECP projects is critical to the implementation of the Build case and projects 4 and 5. If the Company cannot finance these projects, along with all of its other financing requirements, then it cannot undertake these projects and the Commission should not approve the projects. Further, even if the Company is able to provide evidence that it will be able to finance the projects, then the Commission must ensure that the cost to do so will be reasonable.

The Company's financial health is tenuous and a continuing concern. It is not certain that the Company will be able to finance the $301 million, let alone any cost overruns or additional environmental requirements. In addition, incremental financing of this magnitude will reduce flexibility for the Company, its creditors, and its customers. The Company's current credit ratings are BBB-

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[6] In a July 14, 2011 email concerning the costs of environmental compliance the Company estimated that compliance with the CCR would cost $237 million and compliance with §316 a and b would cost $55 million, according to the Company's response to Staff 2-17 in this proceeding. If these estimates are correct, the Company could face another nearly $300 million in incremental financing. I have attached a copy of this response as my Exhibit___(LK-8). The Company more recently estimated that compliance with these two regulations would cost $123 million, according to the Company's response to Staff 1-9. I have attached a copy of this response as my Exhibit___(LK-9).

from Standard and Poor's and Fitch and Baa1 from Moody's. These ratings are reviewed annually in the September time frame and will be reviewed prior to commencing construction, and thus, the financing, for projects 4 and 5.

Q. Does the Company have a definitive plan to finance the capital and deferred financing costs of the ECP projects?

A. No. The Company does expect to issue debt to finance these costs, according to Mr. Hite. [Hite Direct at 15]. However, it does not yet know what financing will be available, the cost of any such debt, or its "execution strategy," according to Mr. Hite. [*Id.*, 14-17].

The Company is "discussing" the potential for a term loan with the RUS, "planning" meetings with institutional investors, and plans to discuss a potential construction revolver with potential lenders. [*Id.*, 15-16]. The Company recently filed a Second Updated response to KIUC 1-43 in which it disclosed that it is attempting to negotiate a revolving credit agreement with CFC to provide financing for the capital expenditures associated with the Company's 2012 ECP projects.

Q. When does the Company plan on filing a financing application with the Commission?

A. The Company does not plan on filing a financing application until early-August 2012, according to Mr. Hite. [*Id.*, 16]. It then plans to schedule rating agency visits in September 2012 seeking an indicative investment grade rating of the proposed debt issuances. [*Id.*].

Q. How should the Commission address the uncertainty regarding the Company's ability to finance the cost of the 2012 ECP projects?

A. The best approach given the uncertainty regarding the Company's ability to finance is to minimize the Company's capital expenditures and financing requirements and to reject ECP projects 4 and 5. This approach maximizes flexibility and minimizes the risk to the Company, its creditors, and its customers.

Q. Does this complete your testimony?

A. Yes.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES CASE NO. 2012-00535

Response to the Office of the Attorney General's Initial Request for Information dated February 11, 2013

February 28, 2013

Item 113) ***Provide a cost-benefit analysis which illustrates the total of all costs associated with idling generation plant(s) (including but not limited to stranded costs), contrasted with the costs of leaving the plant(s) running.***

Response) Wilson Station has a useful life of 33.5 years; laying up this asset will allow Big Rivers' Members to save this asset for a time when it will add additional value to the Members. Based on current market projections and Big Rivers' cost estimates, Big Rivers currently believes it is more cost effective for Big Rivers' Members to lay up Wilson Station than to run the plant until 2019. Wilson Station will, however, be available to operate as needed to cover outages at other stations and to maintain its current environmental permits.

Witness) Robert W. Berry

KIUC EXHIBIT 1

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES CASE NO. 2012-00535

Response to Ben Taylor and Sierra Club's Initial Request for Information dated February 14, 2013

April 25, 2013

Item 21) *Refer to p. 31 line 13 to p. 32 line 5 of the testimony of Robert Berry.*

a. *Identify the forecasted market prices in MISO for 2013 and 2014 referenced therein.*

b. *Explain the basis for the 2013 and 2014 MISO market price forecasts referenced therein.*

c. *Identify and produce any documents supporting the 2013 and 2014 MISO market price forecasts referenced therein.*

d. *Identify when Big Rivers expects marketing all excess power when the market price is greater than marginal generation cost to be an effective mitigation method.*

   i. *Explain the basis for such expectation.*

e. *Identify any forecasted market prices in MISO for 2015, 2016, and any future year beyond 2016, and explain how such prices were incorporated into this application.*

Response)

a. Please see Big Rivers' response to PSC 1-57. The forecasted market prices can be found on the prices tab of the production cost model.

b. ACES provides Big Rivers with market price forecasts.

c. There are no supporting documents.

d. Based on the present ACES market price forecasts, Wilson is currently scheduled to re-start in 2019; however it will be available to operate if needed to cover other unit outages and to maintain all of its environmental permits.

i. ACES market price forecasts provide the basis for this expectation. Any time the market prices are above the all-in cost of generation, selling into the wholesale market would contribute additional revenue to Big Rivers fixed operating cost, thus reducing the revenue requirements necessary as a result of Century's exit.

e. Please see above response to SC 1-21(a). The process for 2015, 2016 and any future year beyond 2016 are not incorporated into this application because the forecasted test period includes September 1, 2013 through August 31, 2014 exclusively.

Witness) Robert W. Berry

KIUC EXHIBIT 2

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

And/Or

In the Confidential File Materials at the PSC

KIUC EXHIBIT 3

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

And/Or

In the Confidential File Materials at the PSC

KIUC EXHIBIT 4

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

And/Or

In the Confidential File Materials at the PSC

KIUC EXHIBIT 5

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

And/Or

In the Confidential File Materials at the PSC

KIUC EXHIBIT 6

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

And/Or

In the Confidential File Materials at the PSC

Stark Choice

Grant entire $68.6 million rate increase (plus $70.4 million Alcan rate increase); or bankruptcy.

Alternative Plan

1. Effective August 20, 2013 KPSC approves base rate increase of $______.
2. Big Rivers draws on $135 million Reserve Funds at the end of each month to ensure 1.10 MFIR.
3. Continue to implement Load Mitigation Plan.
4. Lay up Wilson to save $25.9 million annually.
5. Begin "*meaningful discussions*" with creditors about "*concessions*" through a "*collaborative process and a negotiated solution*" as suggested by Mr. Snyder.
6. Effective February 1, 2014 KPSC approves second base rate increase of $______. Big Rivers continues to draw on Reserve Funds to ensure 1.10 MFIR.
7. Prior to termination of Reserve Funds, Big Rivers to seek additional rate relief or other action from the Commission.

Alternative Plan Benefits:

- reduces rate shock from pancaked Century and Alcan rate cases;
- preserves Reserve Funds for consumers and keeps those Funds outside of any bankruptcy;
- gives Big Rivers and the Commission adequate time to evaluate the economics of continued Cap Ex and other spending on Wilson and Coleman versus mothball/retirement;
- allows time for negotiated creditor concessions as part of a balanced workout plan involving all stakeholders, consistent with prior Commission precedent;
- maintains Big Rivers' compliance with all debt covenants until final decisions on the status of Wilson and Coleman can be made.

KIUC EXHIBIT 7

ESTIMATED RATE INCREASES TO RURAL CLASS DUE TO CENTURY TERMINATION [1]

RURAL	Base Period [1]			Test Year [1]			Century Increase on Aug 21, 2013 [2]		
	Rural Bill Units	Rural Rate	Rural Billing	Rural Bill Units	Rural Rate	Rural Billing	Rural Rate	Rural Billing	Rural Percent
Demand	5,388,931	9.50	51,194,845	5,322,297	16.45399947	87,573,072	6.95	36,378,228	71.06%
Energy	2,420,925,805	0.029736	71,988,650	2,436,557,000	0.030000	73,096,710	0.000264	1,108,060	1.54%
Base Rate	2,420,925,805	0.050883	123,183,494	2,436,557,000	0.065941	160,669,782	0.01538494	37,486,288	30.43%
Non-Smelter Non-FAC PPA	2,420,925,805	(0.001242)	(3,006,790)	2,436,557,000	(0.000781)	(1,902,951)	0.000461	1,103,839	-36.71%
FAC	2,420,925,805	0.003480	8,424,822	2,436,557,000	0.005141	12,526,340	0.001661	4,101,518	48.68%
Environmental Surcharge	2,420,925,805	0.002534	6,134,626	2,436,557,000	0.003897	9,495,263	0.001363	3,360,637	54.78%
Surcredit	2,420,925,805	(0.004110)	(9,950,005)	2,436,557,000	(0.001738)	(4,234,736)	0.002372	5,715,269	-57.44%
Economic Reserve	2,420,925,805	(0.006442)	(15,595,604)	2,436,557,000	(0.010114)	(24,643,337)	(0.003672)	(9,047,733)	58.01%
Rate Increases ($/kWh), Billings, %		0.045103	109,190,543		0.062346	151,910,360	0.01753286	42,719,817	39.12%
Cumul Rate Increases ($/kWH), Billings, %							0.062346	42,719,817	39.12%
Distribution Rates ($/kWh)[3]		0.033000					0.033000		
Retail Rates ($/kWH) Bef and Aft Increase		0.078103					0.095346		23.8%
Avg Monthly Residential Bill @ 1300 kWh		$101.53					$123.95		
Average Annual Residential Increase							$269.00		

[1] Base Period and Test Year Amounts from Tab 59 of Company's filing in Case No. 2012-00535. Test Year Base Revenue Further Adjusted to Match Rebuttal Exhibit Wolfram 5.3.

[2] Century Increase computed as difference between Test Year and Base Period revenues/billings.

KIUC EXHIBIT 8

ESTIMATED RATE INCREASES TO LARGE INDUSTRIAL CLASS DUE TO CENTURY TERMINATION [1]

LARGE INDUSTRIAL	Base Period [1]			Test Year [1]			Century Increase on Aug 21, 2013 [2]		
	Large Industrial Bill Units	Large Industrial Rate	Large Industrial Billing	Large Industrial Bill Units	Large Industrial Rate	Large Industrial Billing	Large Industrial Rate	Large Industrial Billing	Large Industrial Percent
Demand	1,700,070	10.50	17,850,735	1,674,594	11.96	20,028,144	1.46	2,177,409	12.20%
Energy	953,161,521	0.024505	23,357,223	943,698,679	0.030000	28,310,960	0.005495	4,953,737	21.21%
Base Rate	953,161,521	0.043233	41,207,958	943,698,679	0.051223	48,339,105	0.00755659	7,131,147	17.31%
Non-Smelter Non-FAC PPA	953,161,521	(0.001249)	(1,190,863)	943,698,679	(0.000781)	(737,029)	0.000468	453,835	-38.11%
FAC	953,161,521	0.003490	3,326,542	943,698,679	0.005125	4,836,456	0.001635	1,509,913	45.39%
Environmental Surcharge	953,161,521	0.002364	2,252,893	943,698,679	0.003092	2,917,916	0.000728	665,023	29.52%
Surcredit	953,161,521	(0.004156)	(3,961,493)	943,698,679	(0.001777)	(1,676,953)	0.002379	2,284,541	-57.67%
Power Factor Penalty/Adjustments			111,014				0.000000	(111,014)	-100.00%
Economic Reserve	953,161,521	(0.006241)	(5,948,917)	943,698,679	(0.009302)	(8,778,285)	(0.003061)	(2,829,368)	47.56%
Rate Increases ($/kWh), Billings, %		0.037556	35,797,133		0.047580	44,901,210	0.00964723	9,104,077	25.43%
Cumul Rate Increases ($/kWH), Billings, %							0.047203	9,104,077	25.43%

[1] Test Year Amounts from Tab 59 of Company's filing in Case No. 2012-00535. Base Period Amounts revised in reponse to KIUC 1-30 c.
Test Year Base Revenue Further Adjusted to Match Exhibit Wolfram 5.3 .

[2] Century Increase computed as difference between Test Year and Base Period revenues/billings.

2

ESTIMATED RATE INCREASES TO ALCAN DUE TO CENTURY TERMINATION[1]

ALCAN	Base Period [1]			Test Year [1]			Century Increase [2]		
	Bill Units	Rate	Billing	Bill Units	Rate	Billing	Rate	Billing	Percent
Energy	3,159,206,400	0.039405	124,489,441	3,159,206,400	0.046968	148,381,606		23,892,165	19.19%
Base Variable Energy	14,918,211	0.021806	325,307					(325,307)	-100.00%
Back-Up Energy	5,422,732	0.039529	214,355					(214,355)	-100.00%
Surplus Energy	(1,075,243)	0.034709	(37,321)					37,321	-100.00%
Supplemental Energy	93,586	0.030114	2,818					(2,818)	-100.00%
TIER Adjustment	3,159,206,400	0.002942	9,294,224	3,159,206,400	0.002945	9,303,467		9,243	0.10%
Non-FAC PPA	3,159,206,400	-0.000505	(1,595,399)	3,159,206,400	(0.000369)	(1,165,347)		430,052	-26.96%
FAC	3,159,206,400	0.003492	11,032,520	3,159,206,400	0.005121	16,176,808		5,144,288	46.63%
Environmental Surcharge	3,159,206,400	0.002263	7,148,088	3,159,206,400	0.002819	8,905,812		1,757,724	24.59%
Surcharge	3,159,206,400	0.001860	5,876,534	3,159,206,400	0.001872	5,912,468		35,934	0.61%
Adjustment			1,844			0		(1,844)	-100.00%
Rate Increases ($/kWh), Billings, %		0.049618	156,752,411		0.059355	187,514,814	0.009737	30,762,403	19.62%
Cumul Rate Increases ($/kWH), Billings, %									

[1] Base Period and Test Year Amounts from Tab 59 of Company's filing in Case No. 2012-00535. Test Year Base Revenue Further Adjusted to Match Rebuttal Exhibit Wolfram 5.3.

[2] Century Increase computed as difference between Test Year and Base Period revenues/billings.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535

Response to Ben Taylor and Sierra Club's Initial Request for Information dated February 14, 2013

April 25, 2013

Item 23) *State whether Big Rivers has evaluated the retirement, rather than idling, of any of its generating units as an option for mitigating the impact of the termination of the Century contract and/or of the decline in off-system sales revenues.*

a. If so:

a. (i) Identify which unit or units were evaluated

a. (ii) Explain the results of that evaluation

a. (iii) Produce any report or other document regarding that evaluation

b. If not, explain why not.

c. State whether the recent notice of termination of Alcan's retail electric service agreement with Kenergy has led to the evaluation of the retirement, rather than idling, of any of Big Rivers' generating units.

c. (i) If so:

1. Identify which unit or units were evaluated

2. Explain the results of that evaluation

3. Produce any report or other document regarding that evaluation.

c. (ii) If not, explain why not.

Response) No.

KIUC EXHIBIT 9

a. N/A

b. Big Rivers has not evaluated the retirement, rather than idling, of any of its generating units as an option for mitigating the impact of the termination of the Century contract and/or the decline in off-system sales. Despite the fact that current wholesale electricity market prices are low, Big Rivers' generating units have significant remaining useful life and Big Rivers' members would be unduly harmed if Big Rivers were to retire assets instead of temporarily idling them. Although Big Rivers' members will continue to incur some costs over the next three years associated with idled units, Big Rivers' members will be able to reap significant benefits from the units in the future, either by selling wholesale power and using the proceeds to reduce member rates or by supporting the Western Kentucky economy by supplying power to industries.

c. The Alcan notice of termination has not led to the evaluation of retirement of any of Big Rivers generating units.

i. N/A

ii. See Item 23b.

Witness) Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535

Response to Ben Taylor and Sierra Club's Initial Request for Information dated February 14, 2013

April 25, 2013

Item 32) ***For each of the Wilson, Green, Coleman, Reid, or HMP&L generating units:***

a. Identify the estimated retirement date

b. Produce any analysis or assessment of the economics of continued operation of such unit

c. Produce any analysis or assessment of the impact that retirement of each unit would have on capacity adequacy, transmission grid stability, transmission grid support, voltage support, or transmission system reliability

d. Identify any transmission grid upgrades or changes that would be needed to permit the retirement of any of the units

e. Produce any analysis or assessment of the need for the continued operation of each unit.

Response)

a. Per Big Rivers 2012 Depreciation Study conducted by Burns & McDonnell Engineering the expected retirement dates for Big Rivers generating assets in "Scenario 1" on page II-4 are as follows:

Green Units 1 & 2	2041
HMP&L Units 1 & 2	2035
Reid Unit 1	2025
Wilson Unit 1	2045
Coleman Units 1, 2 & 3	2035

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES CASE NO. 2012-00535

Response to Ben Taylor and Sierra Club's Initial Request for Information dated February 14, 2013

April 25, 2013

b. No analysis or assessments have been done.

c. See Big Rivers' response to PSC 2-21(f)(1).

d. Big Rivers has not performed the studies necessary to identify the transmission grid upgrades needed to permit the retirement of any of the generating units currently operating on its system.

e. See Big Rivers' response to PSC 2-21(f)(1).

Witness) Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535

Response to Ben Taylor and Sierra Club's
Supplemental Requests for Information
Dated May 6, 2013

May 15, 2013

Item 22) *Refer to your response to SC DR 1-23(b). With regards to Big Rivers' coal-fired generating units:*

a. Identify and produce any analyses, studies, or documents that support your contention that "Big Rivers' members will be able to reap significant benefits from the units in the future."

b. Identify any estimate or projection of the level of "significant benefits" that Big Rivers' members will be able to reap in the future.

Response)

a. Big Rivers' Members will continue to reap significant benefits from the units in the future because these units will be available to provide safe, reliable, low-cost power for decades in the future.

b. Big Rivers has not attempted to quantify the inherent benefits that its Members will experience in the future as result of power plant ownership. The power plants have a significant remaining useful life and are valuable assets that will continue to provide a needed service to Big Rivers' Members for decades to come.

Witness) Robert W. Berry

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CHAPTER 11 REORGANIZATION OF UTILITY COMPANIES

*Ralph R. Mabey**

*Patrick S. Malone***

I. INTRODUCTION

On April 6, 2001, Pacific Gas and Electric (PG&E), the utility unit of PG&E Corporation, filed for reorganization under Chapter 11 of the United States Bankruptcy Code after months of intense media coverage of the "California Energy Crisis." PG&E filed for Chapter 11 after spending $9 billion in excess of revenues to purchase electricity to supply its customers, exhausting its ability to borrow, while consumer rates remained frozen by the California Public Utilities Commission (CPUC) at a level far below prices at which PG&E could buy power on the wholesale market.[1] According to PG&E Chairman Robert D. Glynn, Jr., PG&E

> chose to file for Chapter 11 reorganization affirmatively because we expect the court will provide the venue needed to reach a solution, which thus far the State and the State's regulators have been unable to achieve .... The regulatory and political processes have failed us, and now we are turning to the court.[2]

Similar problems face Southern California Edison (SCE) that might drive it toward bankruptcy as well.

Although PG&E is the latest, and perhaps largest, utility to file for bankruptcy, it is only the most recent in a series of utility bankruptcies, mostly involving electric power utilities, which began in the late 1980s. As deregulation and other forces have come to bear on the natural gas and electric power industries over the last decade, several utilities have turned to Chapter 11 in an effort to save their troubled companies.

Because of the historical role of regulation in the utility sector, such

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** Mr. Malone is an associate in the Salt Lake City, Utah office of LeBoeuf, Lamb, Greene & MacRae.

1. PACIFIC GAS AND ELEC. CO., News Release, *Pacific Gas and Electric Company Files for Chapter 11 Reorganization*, (April 6, 2001), *available at* http://www.pge.com /006a_news_rel/ 01405.shtml.

2. *Id.*

KIUC EXHIBIT 10

bankruptcies often present legal and policy issues not found in more typical bankruptcies. This article will discuss four recent major utility bankruptcies and some of the practical lessons learned from these bankruptcies, primarily focusing on such fundamental issues facing troubled utilities as the interplay between the regulatory agencies charged with overseeing such companies and the bankruptcy courts. It will then conclude with a discussion of some of the issues which are likely to be important in the pending PG&E, and possible SCE, bankruptcy proceedings. To begin, however, this article will review the basic legal concepts applicable to any Chapter 11 reorganization.

II. OVERVIEW OF CHAPTER 11 BANKRUPCTY

Chapter 11 provides a process whereby a business may attempt to reorganize itself by restructuring its debt, business, and assets or by liquidating its assets in an orderly fashion. This process involves a number of key concepts and procedural protections that are fundamental to any Chapter 11 proceeding. The remainder of this section will briefly review a few of the most important of these concepts and protections.[3]

A. *The Bankruptcy Estate*

When a voluntary bankruptcy petition is filed, an estate comprised of the debtor's property and interests is created as a matter of law.[4] With a few limited exceptions, the estate consists of all legal and equitable interests of the debtor in property at the time of filing. The estates of individuals include exempt property, even though an unsecured creditor or some involuntary secured creditors may not be able to participate in the value of such exempt property.

Generally, in a Chapter 11 reorganization, the bankruptcy estate and debtor's business are operated either as the "debtor-in-possession" or by a court-appointed trustee.[5] The debtor-in-possession is ordinarily operated by the same management as was the debtor company before bankruptcy. Once a company enters bankruptcy, however, the duty of the debtor-in-possession (or trustee) is no longer to maximize profits for shareholders, but rather to maximize the value of the bankruptcy estate primarily for the benefit of the debtor's unsecured creditors. Thus, the dynamics of operating a company in bankruptcy will be substantially different from those of operating a company outside of bankruptcy.

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3. At the time of this article, both the House and Senate have passed bills amending the Bankruptcy Code. Differences between the bills have not yet been resolved in conference and, therefore, neither has been signed into law by the President. Consequently, the new amendments will not be discussed in this article. At any rate, most (but not all) of the major proposed amendments to the Bankruptcy Code in the House and Senate bills relate to Chapter 7 consumer bankruptcies, not to large Chapter 11 corporate reorganizations.

4. 11 U.S.C. § 541 (2000).

5. 11 U.S.C. §§ 1107-1108 (2000).

B. The Automatic Stay

Filing for bankruptcy triggers the so-called "automatic stay."[6] The automatic stay is an important procedural protection implemented to preserve the bankruptcy estate. It is very broad, automatic, and generally stays, with certain restricted but important exceptions, all actions against the debtor to recover on its financial obligations or to make recovery against property of the estate. In many jurisdictions, actions taken in violation of the automatic stay are deemed void.

One notable exception to the automatic stay is that "the commencement or continuation of an action or proceeding by a governmental unit . . . to enforce such governmental unit's police or regulatory power . . . " is not subject to the automatic stay.[7] This provision reflects the general requirement in bankruptcy that a debtor continue to conduct its affairs according to laws generally applicable to similar businesses. In recent bankruptcies involving electric utilities, this exception has been particularly important, as will be more fully discussed below.

Generally, a creditor may petition the bankruptcy court to lift the automatic stay, allowing the creditor to proceed against the bankruptcy estate, only when: (1) the property at issue is not necessary for an effective reorganization, and the debtor has no equity in the property; or (2) there is other "cause," including a lack of "adequate protection" such as when a secured creditor's collateral is rapidly depreciating in value.[8]

Section 366 of the Bankruptcy Code provides protection to a debtor from its utility service providers in a manner similar to the automatic stay. In effect, section 366 prohibits a "utility" from altering, refusing, or discontinuing service to a debtor solely on the basis of the debtor's filing for bankruptcy unless the debtor fails to furnish adequate assurance of payment, in the form of a deposit or other security, for future service.[9] Although "utility" is not defined, the courts have interpreted the term broadly to include any provider of services with a monopoly.[10] Thus, in some cases, section 366 may provide a debtor utility with some protection from its own utility service providers. For example, an electric utility may, in some circumstances, be entitled to section 366 protection from the company that supplies natural gas for the utility's turbines. Likewise, it is also possible that a utility would be afforded some measure of section 366 protection from transmission or generation companies that supply the debtor utility with electricity or natural gas which the utility then distributes to its customers.

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6. 11 U.S.C. § 362(a) (2000).
7. 11 U.S.C. § 362(b)(4) (2000).
8. 11 U.S.C. § 362(d) (2000).
9. 11 U.S.C. § 366 (2000).
10. COLLIER ON BANKRUPTCY § 366.05 (Lawrence P. King ed., 15th ed. 2001).

C. *Priority of Claims Against the Estate*

Because the automatic stay prevents creditors from taking actions to recover on the debtor's obligations, either creditors holding rights to the debtor's pre-petition obligations must file claims with the bankruptcy court seeking compensation for such claims or the Chapter 11 debtor must have scheduled the claims as uncontested. According to the Bankruptcy Code, the term "claim" is broadly defined to include rights to payment, whether or not those rights are liquidated, matured, contingent, disputed, legal, equitable, secured or unsecured. A right to an equitable remedy for breach of performance is also considered a claim if that breach gives rise to a right of payment.[11]

Unsecured debt and equity interests are paid from the bankruptcy estate in accordance with a priority scheme governed by title 11 of the U.S.C., section 507.[12] Unless agreed otherwise, higher priority claims are entitled to complete satisfaction before lower priority claims are entitled to any recovery from the bankruptcy estate. Secured claims are normally paid first, at least to the extent that they are secured. Priority among secured creditors is governed by the relative priority of security interests in collateral according to applicable non-bankruptcy law. To the extent that the value of collateral securing a creditor's claim is insufficient to cover the full amount of the claim, that creditor's claim is considered secured only up to the value of the collateral. The unsecured portion is treated as general unsecured debt under the section 507 priority scheme.

Administrative expenses necessary to keep the debtor operational, including the professional fees of the debtor's bankruptcy counsel, are normally treated as the highest priority unsecured claims. General unsecured claims come next, and the equity interests of shareholders come last. In some cases, a court will grant a particular creditor a super-priority for post-petition financing or some other pressing need. The court may also subordinate some claims that might otherwise be entitled to a higher priority.

D. *Post-Petition Interest*

Filing for bankruptcy protection also places a moratorium on the accrual of post-petition interest on pre-petition obligations during the pendency of the bankruptcy, subject to two important exceptions. First, post-petition interest may be allowed in the case of "over-secured" creditors, when a creditor holds rights to collateral worth more than the amount of the creditor's claim.[13] Second, post-petition interest may also be allowed in cases where the bankruptcy estate has sufficient asset value to pay pre-petition claims in full. In those bankruptcy cases involving large amounts of unsecured debt, this moratorium on interest, together with the debtor's right to suspend principal payments, can be a significant boon to a debtor-

11. 11 U.S.C. §101(5) (2000).
12. For Chapter 7 liquidation cases, order of payment is set out in 11 U.S.C. § 726 (2000).
13. 11 U.S.C. § 506(b) (2000).

in-possession/trustee, by freeing large amounts of money normally dedicated to debt service.

E. Avoiding Powers

Bankruptcy trustees and debtors-in-possession are endowed with the power to avoid certain payments or transfers of property, as well as to reject burdensome executory contracts. For example, Section 547(b) of the Bankruptcy Code allows the trustee/debtor-in-possession to avoid "preferences" when all of the following elements are found to be satisfied: (1) the debtor transfers, (2) property of the debtor, (3) to or for the benefit of creditors, (4) on account of antecedent debt, (5) made while the debtor was insolvent, (6) within ninety days of the debtor filing for bankruptcy (increased to one year when the preference beneficiary is an insider), (7) that enables the creditor to receive more than it would under Chapter 7.[14] Because of the significant imposition that preference liability can be for an entity doing business with a financially distressed company, there are a number of effective defenses to a preference action under Section 547(c), including the following:

- *Ordinary course.* If a transfer was incurred and paid in the ordinary course of business and in line with terms utilized in the industry, the transfer may not be avoided as a preference.

- *Contemporaneous exchange.* If the parties contemplated that they would make a substantially contemporaneous exchange and if, in fact, the transaction involved a substantially contemporaneous exchange, the transfer may not be avoided as a preference.

- *New value.* If, after receiving a transfer that would be a preference, the creditor advances new value to the debtor, its preference liability is reduced by the extent of the new value.[15]

Under sections 548 and 544(b), the Bankruptcy Code also authorizes the trustee or debtor-in-possession to recover transfers of property that were "fraudulently transferred." In general, transfers are "fraudulent" in one of two situations. First, if the debtor engaged in the transaction with intent to hinder, delay, or defraud its creditors, the transaction is deemed to be actually fraudulent. Second, a transaction is deemed constructively fraudulent if the debtor received less than "reasonably equivalent" consideration and was insolvent at the time of transfer, was rendered insolvent as

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14. 11 U.S.C. § 547(b) (2000).
15. 11 U.S.C. § 547(c) (2000).

a result of the transfer, or was left with "unreasonably small capital" following the transfer.[16] Fraudulent transfers may also be set aside under state law.[17]

Bankruptcy trustees and debtors-in-possession are also given the power to assume and reinstate pre-petition leases and contracts or reject burdensome pre-petition executory contracts and leases.[18] Creditors' breach of contract claims resulting from such rejections are treated as pre-petition, unsecured debt. Sections 502(b)(6) and 502(b)(7) also limit the damages recoverable for such rejection in the case of certain leases and employment contracts. This rejection power can thus be a potent tool in the hands of the debtor-in-possession/trustee, allowing the debtor to take advantage of any favorable changes that may have occurred in the markets and thereby increasing the debtor's chances of successfully reorganizing.

F. *Plan of Reorganization*

The ultimate goal of any Chapter 11 process is for the bankruptcy court to confirm a plan of reorganization that classifies all of the creditor's claims or interests in the bankruptcy estate and discharges those claims or interests pursuant to its terms. A proposed plan is described in a disclosure statement and is voted upon by "impaired" classes of creditors and shareholders. In order to be confirmed, each impaired class must accept the plan by the requisite majority set out in the Bankruptcy Code unless that class is "crammed down." In order to be confirmed, a plan must also satisfy certain statutory requirements, such as the "best interest of creditors" test. The best interest of creditors test requires that, in order for a plan to be confirmable, a dissenting creditor must receive as much under the Chapter 11 plan as it would under a Chapter 7 liquidation.

Under section 1129(b)(1), the bankruptcy court may confirm a plan of reorganization even though one or more classes of creditors votes against the plan, provided that the plan "does not discriminate unfairly and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan" so long as a least one class of impaired creditors votes for the plan. This process is referred to as "cram down" in bankruptcy vernacular.[19]

The phrase "fair and equitable" in the cram down requirements has been interpreted to mean, among other things, that the plan must satisfy the "absolute priorities rule." The absolute priorities rule demands that equity come last. Thus, if a plan is crammed down over the dissent of a class of unsecured creditors, shareholders of the debtor entity normally cannot retain or receive anything until all of the creditors in the dissenting class have been paid in full.

16. 11 U.S.C. § 548(a)(1)(B) (2000).
17. 11 U.S.C. § 544(b) (2000).
18. 11 U.S.C. § 365 (2000).
19. 11 U.S.C. § 1129(b)(1) (2000).

Once a plan is confirmed, the debtor's pre-confirmation obligations are discharged according to the terms of the plan, and the debtor is positioned to emerge from bankruptcy after the plan becomes effective. The confirmed plan of reorganization becomes binding on all parties in interest.

III. RECENT MAJOR UTILITY BANKRUPTCY CASES

Prior to PG&E's filing earlier this year, there had been at least three major electric utilities[20] and at least one major natural gas utility holding company that filed for protection under Chapter 11 of the Bankruptcy Code since the end of the Depression era: Public Service Company of New Hampshire (PSNH), El Paso Electric Company (EPEC), Cajun Electric Power Cooperative, Inc. (Cajun), and Columbia Gas Systems, Inc. (Columbia).

A. *In re Public Service Company of New Hampshire*

PSNH is New Hampshire's largest electric utility, providing service to more than 400,000 homes and businesses. It currently has over 1,110 megawatts of generating capacity, with three fossil fuel-fired generating plants and nine hydroelectric facilities.[21] At the time it filed for bankruptcy, PSNH also held an approximately 36% stake in the Seabrook Station nuclear power facility. Because of construction delays and problems in obtaining regulatory approval from the Nuclear Regulatory Commission, construction costs continued to rise, and eventually PSNH had invested some $2.9 billion dollars in the Seabrook plant, much of this amount borrowed. At the same time, New Hampshire law prevented PSNH from recovering costs of incomplete construction work in progress in its rate base. Consequently, PSNH found itself unable to service the debt it had incurred and filed for bankruptcy on January 28, 1988.

PSNH initially proposed a plan whereby PSNH would be reorganized as a holding company owning two separate subsidiaries: one operating PSNH's generation and transmission assets and the other operating its distribution assets. Because this disaggregation would result in a partial shift of ratemaking jurisdiction from the New Hampshire Public Utility Commission (NHPUC) to the FERC, this plan was vigorously opposed by the State of New Hampshire. The advantage of the new structure would have

20. There have also been several smaller electric utilities which have filed for bankruptcy in recent years, including: Big Rivers Electric Corporation, Colorado-Ute Electric Association, Inc., Eastern Maine Electric Cooperative, Inc., and Wabash Valley Power Association. It is also noted that an involuntary Chapter 11 petition was filed against Tucson Power Company by certain creditors, but the involuntary petition was eventually dismissed. TUCSON ELEC. POWER CO., Form 8K (filed S.E.C. Jan. 6, 1992). Tucson Power was later able to consummate an out-of-court restructuring plan, restructuring its debts to key creditors as equity, avoiding the need for a later Chapter 11 voluntary filing. *See generally* TUCSON ELEC. POWER CO., 1992 ANNUAL REPORT (1993). For purposes of this article, discussion is limited to the four major bankruptcies discussed above.

21. *See generally* PUBLIC SERV. CO. OF N.H., *About PSNH*, *available at* http://www.psnh.com/about/index.shtml (last visited Sept. 28, 2001).

been that the partial shift of ratemaking jurisdiction to the FERC would have reduced the financial impact of New Hampshire law that forbade inclusion of construction work in-progress in the rate base.[22] Eventually, PSNH abandoned this plan in favor of one which opened the door for Northeast Utilities (NU) to acquire PSNH.

On January 11, 1989, the NHPUC issued an Order of Notice, pursuant to which it commenced an investigation into the rates charged by PSNH, alleging that PSNH was earning amounts in excess of its authorized rate of return. PSNH responded by seeking and obtaining an injunction against the NHPUC and the State of New Hampshire that enjoined either from proceeding with or otherwise continuing the rate investigation or any other proceeding relating to that rate case.

Ultimately, in order to resolve the bankruptcy, the value of PSNH had to be determined and allocated among the numerous classes of creditors and equity holders. The value of the regulated utility, however, depended almost entirely on the rates that it could charge its customers. Under New Hampshire law, these rates were in turn dependent on the investment prudently devoted by the company to providing service.[23] Eventually, all of the parties, including the State, agreed on a capitalization of approximately $2.3 billion for PSNH. This valuation almost quadrupled PSHN's pre-bankruptcy rate base although it in effect disallowed several hundred million dollars of PSNH's investment in Seabrook.[24]

After the parties came to an agreement on PSNH's valuation, the Bankruptcy Court approved PSNH's plan of reorganization, which included a rate agreement between PSNH and the Governor and Attorney General of New Hampshire that allowed PSNH to raise retail customer rates by 5.5% in each of seven successive years to account for this increased rate base.[25] The New Hampshire Public Utility Commission approved the rate agreement and, with the new rates in place, PSNH emerged from bankruptcy on May 16, 1991.[26]

Approximately one year later, PSNH was acquired by NU for $2.3 billion as provided for in PSNH's plan of reorganization. PSNH currently remains a wholly-owned subsidiary of NU; however, North Atlantic Energy Corporation, another NU subsidiary, currently owns PSNH's former share in the Seabrook Station.

B. *In re El Paso Electric Company*

El Paso Electric Company was, at the time it filed for Chapter 11, in the business of generation, transmission and distribution of electricity to approximately 271,000 customers in West Texas and Southern New Mex-

22. *In re* PSNH, Update (Oct. 6, 1989).
23. *In re* Public Serv. Co. of N.H. v. Patch, 136 F.3d 197, 201 (1st Cir. 1998).
24. *Id.*
25. *In re* Public Serv. Co. of N.H., 963 F.2d 469 (1st Cir. 1992).
26. *In re* Public Serv. Co. of N.H., 136 F.3d 197.

EPEC also sold power to wholesale customers in Southern California, Mexico, New Mexico, and Texas. Like PSNH, EPEC had incurred significant debt related to construction of a large nuclear power plant, in this case the Palo Verde Nuclear Generating Station near Phoenix, Arizona.

Prior to filing its petition for reorganization, EPEC attempted to negotiate financial restructuring with its primary lenders, which was initially to be completed by the end of November 1991. That financial restructuring contemplated: (1) the extension of the maturities of certain existing obligations through 1993; (2) the extension of approximately $83 million of additional secured financing; and (3) renewals or replacements of existing letters of credit issued to certain owned interests in certain units of the Palo Verde facility that were leased back to EPEC. All necessary regulatory approval for this restructuring had been obtained; however, in November of 1991, the Public Utility Commission of Texas (PUCT) unexpectedly authorized only $47 million of an approximately $131.3 million rate increase EPEC had requested. This rate decision ultimately frustrated EPEC's attempts to restructure its debt. EPEC was unable to meet its obligations as they came due, and EPEC filed for Chapter 11 protection on January 8, 1992.

EPEC emerged from bankruptcy as a free-standing company after the PUCT approved a rate agreement between EPEC and the City of El Paso whereby EPEC was allowed an approximately $25 million base rate increase, and EPEC's base rates were thereafter frozen for ten years, providing EPEC with the means to restructure its debts in such a way that it could meet its obligations.[27] Under the terms of the plan of reorganization, secured creditors were paid 100% of their secured claims and unsecured creditors were compensated for up to 85% of their claims in the form of the company's reissued stock. Compensation for unsecured claims accounted for 85% of the reissued stock; the remaining 15% of EPEC's new stock was distributed among its previous stockholders. Pre-petition holders of EPEC preferred stock received twelve percent of the new preferred stock, and pre-petition holders of EPEC common stock received three percent of the new common stock. Holders of both preferred and common stock also received rights to the first $20 million of any recovery by EPEC in certain pending litigation.

C. *In re Cajun Electric Power Cooperative, Inc.*

Cajun was one of the largest generation-and-transmission electric cooperatives in the nation, serving eleven member cooperatives, that in turn provided electricity to more than 1,000,000 Louisiana customers in sixty parishes. At the time it filed for Chapter 11 protection, Cajun owned a 30% stake in the River Bend Nuclear Station (the remainder was owned by Entergy Gulf States, Inc.). Cajun also owned and operated approxi-

27. *See generally*, Juan B. Elizondo, Jr., *Federal Judge Approves Reorganization Plan for El Paso Electric*, THE ASSOCIATED PRESS, Jan. 9, 1996.

mately 1,710 MW of coal and natural-gas-fired generation units in New Roads, Louisiana. Cajun ran one of the longest continuous fuel chains in the world in order to operate its coal-fired boilers. Some 6.5 million tons of Powder River Basin, Wyoming, coal was transported by railcar to Saint Louis, Missouri and from there on barges down the Mississippi River to Cajun's plant in New Roads, Louisiana. Cajun also received an allocation of hydroelectric power from the Southwest Power Administration. Although Cajun owned almost all of its generation assets, it owned very little of its transmission facilities, relying on the transmission systems of investor owned utilities. Cajun was also a member of the Southeastern Electric Reliability Council, and through interconnection agreements delivered power in a twelve state area.

At the time it filed for Chapter 11 protection, Cajun owed approximately $4.2 billion to the Rural Utilities Service (RUS), $1.6 billion of which (plus interest) was borrowed to finance its portion of the River Bend facility. Cajun also owed approximately $7 million to about 750 unsecured trade creditors and had contingent exposure for over a billion dollars of possible rejection damages on fuel and transportation contracts.

The immediate cause of Cajun's bankruptcy was a dispute between the Louisiana Public Service Commission (LPSC) and the RUS over the authority to regulate Cajun's rates and the determination by the LPSC that Cajun's 30% investment in River Bend was not "used and useful." On December 19, 1994, the LPSC had ordered a reduction in Cajun's annual revenues by about $30 million and ordered it to reduce member rates from an average of 54.5 mills/kWh to 48.8 mills. On the next day, the RUS renewed its asserted authority over Cajun to regulate its rates, and ordered Cajun to maintain its rates at 54.5 mills. On December 21, 1994, Cajun complied with the LPSC order, which caused a breach in its lending agreements with the RUS. Cajun immediately filed its Chapter 11 petition, and sought a declaratory judgment requesting the Court to determine which regulator had authority over Cajun's rates.

In early 1995, various parties filed a motion to appoint a trustee for Cajun, alleging that the Board of Directors of Cajun (which was composed of representatives of Cajun's members) had conflicts of interests. The principal conflict was the desire of members for low rates versus the fiduciary duty of the directors to maximize creditor recovery and comply with its RUS obligations. After extensive briefing and a hearing, the District Court appointed a Chapter 11 trustee (the "Trustee").

Shortly thereafter, the Trustee was ordered by the District Court to file a plan of reorganization. The Trustee sought and obtained authority to conduct a bidding procedure for Cajun's non-nuclear assets. Bids were solicited through an investment banking house from major utility companies throughout the country. The highest and best offer, according to the Trustee, was submitted by Louisiana Generating Co. (LaGen), which was at that time a partnership of NRG (an affiliate of Northern States Power Co.) and Zeigler Coal Holdings. The Trustee filed a plan incorporating the bid of LaGen, and competing plans were then filed by an affiliate of Enron

Corp. (Enron), Southern Energy, Inc. (SEI) (an affiliate of Southern Companies), and an affiliate of Central and Southwest Power Company (SWEPCO). These other plans proposed varying purchase prices, rate structures, and power supply provisions.

After reviewing his options, the Trustee in Cajun determined that the sale of Cajun's non-nuclear generating assets as opposed to a stand-alone plan would maximize the value of Cajun's estate and provide an optimal solution for reorganizing Cajun. Under this approach, Cajun's interest in River Bend would be transferred to Entergy Gulf States (formerly Gulf States Utilities), which already owned a majority interest in River Bend, and Cajun's other assets would be sold to LaGen. The Trustee's original plan proposed that LaGen would purchase Cajun's non-nuclear assets for about \$1.1 billion, and that the "all requirement contracts" between Cajun and its members would be assumed by Reorganized Cajun, an entity that would purchase its power from LaGen. Eventually, LaGen, along with the Unsecured Creditors Committee and three of the member co-ops, became the proponents of the Trustee's Plan, which was renamed the Creditors' Plan.

In August of 1999, District Judge Frank J. Polozola convened a settlement conference in an effort to end the Cajun bankruptcy case. The session was attended by all of the major parties to the case, including Cajun's distribution member cooperatives and representatives of the LPSC. By the conclusion of the session, the Creditors' Plan had become a consensus plan. In addition, a separate LPSC/RUS/Trustee settlement was achieved. In that settlement, the LPSC, RUS, and the Trustee settled all outstanding matters relating to regulatory issues, rates, fuel review, and contract review pending at that time. Current rate reviews of Cajun were suspended pending the effective date. The LPSC thereafter instituted a review of certain aspects of the plan and ultimately gave its regulatory approval. The FERC was also required to review other aspects of the plan, and gave its approval as well.

The final purchase price, before adjustments, paid by LaGen was about \$1.026 billion. Under the Creditors' Plan, creditors (except the RUS) were paid in full with interest, the fuel chain received a satisfactory distribution, and ratepayers realized a substantial decrease in wholesale power costs. As part of the plan, the RUS agreed to forgive over \$3 billion in debt, principally incurred as a result of Cajun's unsuccessful investment in the River Bend nuclear plant. Cajun's member cooperatives were given a variety of choices for their power options, including long-term and short-term contracts, as well as market-based options, which the LPSC found to be reasonable and priced at or below market.

D. In re Columbia Gas Systems, Inc.

At the time it filed for Chapter 11, Columbia and its subsidiaries "comprise[d] one of the largest natural gas systems in the United States."[28] Several of these subsidiaries included gas utility companies. Columbia filed for Chapter 11 largely in order to reject certain long-term "take-or-pay" contracts that required Columbia to purchase natural gas at above-market prices.

In 1985, a class action lawsuit was filed against Columbia Gas Transmission Corporation (Columbia Gas), a Columbia subsidiary that transported and sold Columbia gas to thirteen Northeastern, Mid-Atlantic, Midwest, and Southern states and the District of Columbia. The action arose out of Columbia Gas's alleged underpayment on some 852 of the above-market gas purchase contracts. In the early part of 1991, Columbia Gas and the class members entered into a Settlement Agreement that, upon approval by the District Court, extinguished the class members' claims against Columbia Gas.[29] The Settlement Agreement required Columbia Gas to deposit $30 million into an escrow account: $15 million in March of 1991 and $15 million in March of 1992. Class members were entitled to receive their share of the escrow monies once they executed a release of claims and a supplemental contract. Columbia Gas paid the first $15 million into escrow on time, but on July 31, 1991, less than two weeks after the Settlement Agreement became final, Columbia and Columbia Gas filed for bankruptcy.[30]

Columbia Gas's original intent was to treat its obligations under the Settlement Agreement as an executory contract under section 365 of the Bankruptcy Code. Columbia Gas sought court approval to assume its obligation to pay the remaining $15 million installment as an administrative expense; however, the Third Circuit held that the Settlement Agreement was not an executory interest, since the class members' claims had already been extinguished by the approval of the Agreement by the District Court.[31]

More important, bankruptcy allowed Columbia Gas to reject its remaining long-term take-or-pay gas purchase contracts under section 365 of the Bankruptcy Code, which resulted in rejection of damage claims in excess of $13 billion against Columbia Gas. However these claims were eventually settled for about one tenth of their face amount, and Columbia successfully emerged from bankruptcy in November of 1995.

IV. Lessons Learned From the Principle Cases

These four principal cases provide at least some answers to the question of how a utility that has filed for Chapter 11 protection can expect to interact with state regulatory agencies responsible for setting rates. A related, mostly unanswered question is how these principles will transfer to

28. *In re* Columbia Gas System, Inc., 146 B.R. 106 (Bankr. Del. 1992).

29. *In re* Columbia Gas Systems, Inc., 50 F.3d 233, 242 (3rd Cir. 1995).

30. *Id.* at 236-237.

31. *In re* Columbia Gas, 50 F.3d at 244.

the modern landscape, where utilities are increasingly buying power and natural gas from wholesalers, thereby expanding the role which the FERC may play in future utility bankruptcies.

A. Will the State Regulatory Agency Be Considered a "Party in Interest" to the Bankruptcy under Section 1109(b) of the Bankruptcy Code?

In *Public Service Co of New Hampshire*, the bankruptcy court expressly held that the State of New Hampshire "will be granted full party in interest status under § 1109(b) of the Bankruptcy Code and will be granted general intervenor rights under Rule 2018(a) of the Bankruptcy Rules."[32] The court stated that "rather than burdening the reorganization process of a regulated electric utility, the granting of such status and rights to the State of New Hampshire should expedite the progress of this reorganization proceeding."[33]

In *Cajun*, the LPSC also took a very active role and was a frequent litigant in the bankruptcy proceedings. Likewise, in *Columbia,* several state regulatory agencies were allowed to participate in the proceedings. Consequently, it is very likely that state and federal regulatory agencies will be given the same right to be heard in future utility bankruptcies.

B. Who Will Set Rates During the Pendency of the Bankruptcy Case, the Regulatory Agency or the Bankruptcy Court?

Generally, regulatory agencies can be expected to continue "normal ratemaking activities" involving the utility, even after the utility has filed for Chapter 11 protection. The bankruptcy automatic stay does not generally stay regulatory actions. Thus, filing for bankruptcy may not prevent a regulatory agency from increasing or decreasing the debtor utility's rates based on the effects of external forces.[34] There is also precedent, however, to suggest that a bankruptcy court will not allow the regulatory agency to change rates during the pendency of the bankruptcy based solely on the filing of bankruptcy itself.[35] On the other hand, there is countervailing precedent in *Cajun* to suggest that a regulatory agency may in fact be able to change rates, as a result of the utility's changed circumstances caused by bankruptcy, while the utility remains in bankruptcy.

In *Cajun*, this issue played out in the context of an attempt by the LPSC to lower Cajun's rates to reflect the fact that Cajun would not be required to pay post-petition interest on pre-petition debt during the pendency of the bankruptcy and, assuming that a plan of reorganization could be confirmed, Cajun would likely be completely discharged from this duty altogether. In response, Cajun sought an injunction to prevent the LPSC from seeking to change its rates on this basis. The Bankruptcy Court

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32. *In re* Public Serv. Co. of N.H., 88 B.R. 521, 557 (Bankr. D.N.H. 1988).

33. *Id.*

34. *In re* Public Serv. Co. of N.H., 98 B.R. 120 (Bankr. D.N.H. 1989).

35. *Id.* at 126. *See also* 11 U.S.C. § 525 (2000).

granted Cajun's motion and ordered, pursuant to its powers under title 11 of the U.S.C., section 105(a), that "the LPSC is enjoined from considering, any argument that Cajun's wholesale rate to its members should be lowered during [the pendency of the bankruptcy case] based solely upon the suspension of debt service occasioned by the filing of [Cajun's bankruptcy petition]."[36] Although this injunction was later reversed by the Fifth Circuit on appeal, the Fifth Circuit did not determine whether the Bankruptcy Court had authority under section 105(a) to enjoin a ratemaking agency from pursuing rate cases. Rather, the Fifth Circuit held that, even assuming such authority, issuing such an injunction, given the particular facts of *Cajun,* would be an abuse of discretion since Cajun's claimed injury would be prevented by implementing the LPSC's plan that the post-petition interest component of Cajun's rates be placed in escrow subject to refund if, as was almost a certainty, Cajun ultimately was discharged from post-petition interest. The Fifth Circuit went on to state that

> [a]lthough the *effect* of suspending debt service may be to make it possible for the debtor to use income to pay its current operating expenses and the administrative expenses of the proceeding, we find no support for appellees' claim that § 502(b)(2) is intended to provide the debtor, a regulated public utility, an unfettered right, vis-a-vis *Louisiana consumers,* to build up money to give to its undersecured and unsecured creditors.[37]

The Fifth Circuit further determined that the "automatic stay" provided by filing for bankruptcy would not bar a regulatory agency from seeking to change the utility's rates. The Fifth Circuit said, "Congress created a specific exception from automatic stay of proceedings against the debtor that occurs upon the debtor's bankruptcy filing for actions or proceedings by governmental units to enforce their police and regulatory power."[38]

The possibility of enjoining rate regulation also raises important issues of sovereign immunity under the Eleventh Amendment of the United States Constitution. Because Congress normally does not have power to abrogate a State's Eleventh Amendment sovereign immunity in federal court, a bankruptcy court may not have the authority to enjoin a state regulatory agency directly.[39] The bankruptcy court may, however, have authority to enjoin individual officials of the regulatory agency from seeking to change rates under the doctrine of *ex parte Young.*[40] It is noted that Southern California Edison's recent attempts to enjoin the California Public Utilities Commission (CPUC) were brought against the individual

36. *In re* Cajun, 185 F.3d 446, 450 (5th Cir. 1999).
37. *Id.* at 457.
38. *In re* Cajun, 185 F.3d at 453, *citing* 11 U.S.C. § 362(b)(4).
39. *See generally* Seminole Tribe of Florida v. Florida, 517 U.S. 44 (1996).
40. *Ex parte Young*, 209 U.S. 123 (1908).

commissioners in their official capacities, not against the CPUC itself.[41]

C. *Who Will Make Other Business Decisions During the Pendency of the Bankruptcy?*

As a general principle of bankruptcy law, title 28 of the U.S.C., section 959(b) and Title 11, section 363 have been interpreted to provide the trustee or debtor-in-possession of a corporation which has filed for bankruptcy protection authority to make the "ordinary course of business" operational decisions for that corporation with broad deference from the bankruptcy court. For example, in the seminal *In re Curlew Valley Associates* decision, the bankruptcy court held that the court should defer to decisions by the trustee that "involved a business judgment made in good faith, upon a reasonable basis, and within the scope of his [Chapter 11 trustee's] authority under the Code."[42]

The Bankruptcy Code involves the court in proposed actions which are not in the ordinary course of business.[43] Thus, in *PSNH*, the bankruptcy court refused to defer to the debtor-in-possession's operational decisions that were out of the ordinary course of a reorganization debtor's business. In this case, the debtor-in-possession had proposed to transfer management and operational control of the Seabrook nuclear plant to a separate corporation. The court held that such a decision was not entitled to the deference of the bankruptcy court and was subject to more searching review by the court.[44]

D. *What Regulatory Approval Is Required for the Debtor-in-Possession or Trustee to Exercise Powers Granted under the Bankruptcy Code?*

In *Cajun*, an open administrative docket was sought by the LPSC to consider whether the Trustee had prudently exercised his contract rejection right (one of the Trustee's core bankruptcy powers) in refusing, for the time being, to reject Cajun's fuel supply and fuel transportation contracts. In response, the bankruptcy court ruled that the LPSC was enjoined from making such an inquiry. The approval of the bankruptcy court would be required before the Trustee could exercise such a right; however, the approval of the regulatory agency would not be required.[45]

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41. Recent Supreme Court precedent has put the continuing legitimacy of *ex parte Young* in question. In the PG&E case, however, the Bankruptcy Court has held that the *ex parte Young* exception to CPUC's sovereign immunity defense is available to PG&E. Idaho v. Coeur d'Alene Tribe. 117 S. Ct. 2028 (1997); *see also ex parte Young: Relativity in Practice*, 72 AM. BANKR. L.J. 455 (1998).

42. *In re* Curlew Valley Associates, 14 B.R. 506, 513-514 (Bankr. D. Utah 1981).

43. 11 U.S.C. § 363(b) (2000).

44. *In re Public Serv. Co. of N.H.*, 90 B.R. 575, 581 (Bankr. D.N.H. 1988).

45. 11 U.S.C. § 365(a) (2000).

E. *Is Regulatory Approval Required to Confirm the Plan of Reorganization?*

Confirmation and consummation of a plan of reorganization are the principal objectives of a Chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against, and interests in, a debtor. Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding on the debtor, any issuer of securities under the plan, any person acquiring property under the plan, and any creditor or shareholder holding a debt or interest that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan. For this reason, a requirement of regulatory approval of portions of the plan gives substantial power over the debtor utility's future to the regulatory agency.

Under section 1129(a)(6) of the Bankruptcy Code, regulatory approval is required for any rate changes that are part of the Plan of Reorganization.[46] Thus, federal bankruptcy law will not preempt the state regulatory agency's authority, or for that matter applicable FERC authority, over this vital issue. On the other hand, the *PSNH* court found authority under section 1123(a)(5) of the Bankruptcy Code[47] to preempt state law which required regulatory approval of changes in corporate structure and transfers of assets, as the plan of reorganization would necessarily require.[48] LPSC approval ultimately was required in order to confirm the Cajun Plan of Reorganization because the Trustee's proposed plan was expressly conditioned on LaGen efforts to qualify as an exempt wholesale generator. Under the Public Utility Holding Company Act of 1935 (PUHCA), in order for LaGen to obtain such status, the LPSC was required to make a "specific determination that allowing such a facility to be an eligible facility (1) will benefit consumers, (2) is in the public interest, and (3) does not violate State law. . . ."[49] Thus, even though federal bankruptcy law may have preempted the state law requirement of state regulatory approval in *Cajun*, federal law also required state regulatory approval in this specific case. Furthermore, when Cajun sought approval of the sale of Cajun's nuclear assets, it was made subject to the approval of the Nuclear Regulatory Commission (NRC) because of the strong non-bankruptcy federal interest involved.

Prior precedent therefore suggests that, although regulatory agencies will be allowed to be heard and participate in the bankruptcy process, their actual authority to approve or disapprove a particular plan will normally be limited to the issue of rates set as part of the plan and will not extend to other core bankruptcy decisions regarding reorganization, non-bankruptcy law on the issue notwithstanding.

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46. *In re* Public Serv. Co. of N.H., 108 B.R. 854, 892 (Bankr. D.N.H. 1989).

47. 11 U.S.C. § 1123(a)(5) provides that a plan of reorganization shall contain "adequate means for the plan's implementation."

48. *In re* Public Serv. Co., 108 B.R. 854, 892 (Bankr. D.N.H. 1989).

49. *In re* Cajun, 230 B.R. 715, 749 (5th Cir. 1999) (*quoting* 15 U.S.C. § 79z-5a).

IV. PG&E AND SCE

A. *Likely Impact of Bankruptcy on the PG&E and SCE Cases*

The power crisis in California has brought national attention to the issue of utility bankruptcies. However, bankruptcy may be able to address only some of the problems facing the beleaguered California utilities. This leads some to believe that the ultimate solution to many of the problems facing these utilities will likely be political rather than legal.[50]

On the other hand, political attempts to save SCE from impending bankruptcy have, to this point, not gone well. As recently as September 19, 2001, John Burton, President Pro Temp of the Senate, has stated "This bill is d-e-a-d dead. . . . There is nothing more that can or will be done by this Senate for this company."[51]

1. Background on the PG&E Bankruptcy

Although opinions may vary, some regard the PG&E bankruptcy as the direct result of California's attempt at deregulating its electric power utilities. For example, in 1996 when the California Assembly passed Assembly Bill 1890, the law implementing deregulation of the California electric utilities, the legislature presumed that deregulation would result in lower overall electricity prices.[52] In order to allow electrical utilities to recover their "transition costs" from deregulation, A.B. 1890 froze retail rates during the period 1998 to 2002. When in fact inadequate supply resulted in the dramatic rise of electric power prices on the open market, PG&E's operating costs exceeded revenue from the frozen rates and the company began hemorrhaging billions of dollars in operating costs.[53] After its repeated attempts to obtain rate relief were rejected, PG&E eventually filed Chapter 11.

2. Likely Benefits to PG&E

Obviously, bankruptcy provides a process by which a utility company could, for instance, discharge its existing debts to creditors by granting them equity in the reorganized entity. Filing for bankruptcy may also allow the utility to avoid servicing pre-existing debt, freeing assets for other

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50. *See, e.g.*, Laura M. Holson, *Bankruptcy Filing of California Utility Tests Limits of Court*, N.Y. TIMES, Apr. 9, 2001 (quoting David Wiggs, former chairman of El Paso Electric, as stating "It is going to be expensive, and, in the end, you have to find a political solution anyway.").

51. Stacey L. Bradford, *Against the Odds, Edison Keeps Faith in California Lawmakers*, The Daily Bankr. Rev., Sept. 19, 2001.

52. *In re Public Serv. Co. of N.H.*, 90 B.R. 575 (Bankr. D.N.H. 1988).

53. *Id.*

purposes. If the utility were insolvent, post-petition interest on unsecured debt would also stop. Furthermore, filing for bankruptcy would allow the company immediately to be deemed more credit-worthy than before; in fact, the Bankruptcy Code specifically provides powerful means for debtors to obtain post-petition financing.[54] Finally, the bankruptcy court would provide a forum wherein all of the concerned parties could come together to find a common solution. For example, in the *Columbia Gas* bankruptcy case, the bankruptcy court was able to resolve, through negotiation and compromise, over 4,000 claims against the debtor for the breach of natural gas take-or-pay contracts totaling over $13 billion.

Filing for bankruptcy may also give PG&E a stronger bargaining position if a political battle is indeed unavoidable. PG&E's bankruptcy filing places significant pressure on the State of California, which was worried about its own status as a possible creditor of PG&E in light of AB1X, the state legislation that authorized the State of California to purchase power for PG&E's customers, and about the impact that may occur if PG&E is allowed to reject its contracts to buy electricity from the state's so-called qualifying facilities (QFs). For example, California State Senator Debra Bowen, chair of the California Senate Energy Committee, was concerned early in the process that the state could go bankrupt if PG&E rejected its QF contracts. If PG&E rejected these contracts, Senator Bowen argued that the state may have been forced to buy the power that was subject to such QF contracts to make up the shortfall and "[T]hat, more than anything, has the ability to bankrupt the state."[55]

This doomsday scenario has, not unexpectedly, been damped. The CPUC has allowed QFs to elect to sell power to PG&E in the future for a fixed price, a benefit over the previous variable pricing. PG&E has agreed to assume many QF power contracts if the QFs: (1) in fact do offer a fixed price; (2) allow PG&E to defer paying the past arrearages until the effective date of its plan of reorganization; and (3) waive other pecuniary damage claims. The Bankruptcy Court has approved the assumption of QF power contracts on these terms.

3. Likely Limitations

A bankruptcy court may not, however, be able to resolve the fundamental problem facing the California utilities. As a case in point, PG&E's revenues generated by present rate levels may not be sufficient to meet its costs. Bankruptcy may allow PG&E to restructure its pre-petition debt, but unless it is allowed to raise rates to meet the costs of buying wholesale energy (or unless it finds some way to obtain cheaper power), PG&E may not be capable of emerging from Chapter 11 as a viable, independent company. Fortunately, under FERC order, the wholesale cost of power has

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54. 11 U.S.C. § 364 (2000).

55. *California Concerned PG&E Unit May List State as Creditor*, THE DAILY BANKR. REV., Apr. 10, 2001, at 2.

declined below crisis levels.

Whereas previous utility bankruptcies have allowed the debtor utilities to reject unprofitable long-term contracts and divest themselves of liabilities, resulting in more healthy companies or attractive targets for acquisition, the problems facing the California utilities were derived largely from their *lack* of long-term power contracts that would protect them against spikes in the market price of wholesale power, coupled with legislative caps on the rates that they may charge their customers. Prior precedent suggests that the bankruptcy courts cannot preempt state law on the issue of ratemaking and the bankruptcy court would not be able to force wholesale power suppliers to enter into favorable, long-term contracts with the California utilities. Thus, the bankruptcy court will probably be unable to provide a permanent solution to this critical problem.

B. *Noteworthy Early Rulings in the PG&E Bankruptcy*

Although the PG&E bankruptcy is, at the time of this article, just getting underway, Judge Montali, the bankruptcy judge presiding over the PG&E case, has already issued at least two notable rulings.

On May 18, 2001, Judge Montali disbanded the official Ratepayers' Committee appointed in the case by the United States Trustee, ruling that there was no basis in the Bankruptcy Code for a ratepayers' committee and that its appointment was an abuse of discretion.[56] Judge Montali noted that section 1102 of the Bankruptcy Code authorizes the appointment of one creditors' committee and additional creditors' committees "if necessary to assure adequate representation of creditors," (*i.e.*, holders of pre-petition claims).[57] Since "no one is able to articulate a particular claim of any ratepayer *qua* ratepayer, that existed on the petition date," Judge Montali ruled that the adequate representation of creditors did not require the formation of a ratepayer committee.[58] The court noted that "ratepayers have other means and other fora to protect their interests," such as the Official Committee of Unsecured Creditors and the Attorney General's office.[59]

On June 1, 2001, Judge Montali issued a second noteworthy opinion in which he denied PG&E's motion seeking to prevent the CPUC from implementing an accounting order, issued March 27, 2001, that required PG&E to reclassify its accounting of certain transition costs, or "stranded" costs that arose out of deregulation. The original intent of the rate freeze was to allow the electric utilities to recover their stranded costs. It was assumed that the freeze would hold power rates at a level exceeding PG&E's production costs, thereby allowing the utility the "headroom" to recover its

56. *In re* Pacific Gas & Electric Co., Case No. 01-30923, Memorandum Decision Regarding Motion for Order Vacating Appointment by U. S. Trustee of Official Comm. of Ratepayers (Bankr. N.D. Cal. May 18, 2001)[hereinafter *PG&E Motion to Vacate Appointment*].

57. *Id.* at 5.

58. *PG&E Motion to Vacate Appointment*, *supra* note 56, at 6.

59. *Id.* at 2.

stranded costs. The continuation of the rate freeze depended in part on whether the utility had recovered its stranded costs. This, in turn, largely depended on whether PG&E was required to transfer certain negative balances into the account that tracks its stranded costs.

The CPUC's March 27 order reversed its earlier position that the utilities should not transfer such negative balances. This reversal substantially undermined PG&E's position that the stranded costs had been recovered. Therefore, the rate freeze should have ended in mid-2000 and the CPUC's refusal to end it was illegal.[60]

Judge Montali first held that the accounting order was not blocked by the automatic stay since the order fell squarely under the section 362(b)(4) "police and regulatory" exception to the automatic stay.[61] Judge Montali then went on to deny PG&E's motion for preliminary injunction brought under section 105 of the Bankruptcy Code because the CPUC's actions did not violate federal law.[62] "The fact that PG&E will suffer significant losses if the Accounting Decision is enforced does not constitute a violation of federal law."[63]

"Moreover," Judge Montali wrote, to excise from the CPUC's fifty-nine page ratemaking decision the two (of twelve) ordering paragraphs from which PG&E sought relief "would create jurisdictional chaos. The public interest is better served by deference to the regulatory scheme and leaving the entire regulatory function to the regulator, rather than selectively enjoining the specific aspects of one regulatory decision that PG&E disputes."[64]

C. *PG&E's Proposed Plan of Reorganization*

On September 20, 2001, PG&E filed its first proposed plan of reorganization, projecting the plan would become effective in 2003. The proposed plan has the advantages of being supported by the official creditors' committee and not raising retail rates from current levels.[65] However, critics have already labeled the proposed plan as "robbery" because the proposed plan would transfer some of the utility's most lucrative assets to PG&E Corporation, arguably at below market value.[66] In light of these criticisms, the plan will likely be changed more than once before it can be

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60. *In re Public Serv. Co. of N.H.*, 90 B.R. 575, 581 (Bankr. D.N.H. 1988).

61. *PG&E Motion to Vacate Appointment, supra* note 61, (discussing 11 U.S.C. § 362(b)(4) (2000)).

62. *Id.* at 25.

63. *PG&E Motion to Vacate Appointment, supra* note 61, *citing* Baker v. Drake, Inc. v. Public Serv. Comm'n of Nev., 35 F.3d 1348, 1354 (9th Cir. 1994).

64. *PG&E Motion to Vacate Appointment, supra* note 61, at 29.

65. PACIFIC GAS AND ELEC. CO., *Pacific Gas and Electric Company and PG&E Corporation File Plan of Reorganization*, (Sept. 20, 2001), *available at* http://www.pge.com/006_news/006a_news_rel/010920.shtml.

66. Jason Leopold, *Power Points: PG&E Reorganization Rests on "Robbery,"* THE DAILY BANKR. REV., Sept. 24, 2001, at 3.

confirmed.

The proposed plan spins off the regulated utility into a separate entity no longer affiliated with PG&E Corporation. As part of the reorganization, PG&E Corporation would purchase the electric generation, electric transmission, and natural gas transmission systems currently owned and operated by the utility. The sales of these assets would generate cash that would be used, in combination with the issuance of long-term notes, for the full payment of all "valid creditor claims."[67] The utility would continue to own and operate the retail electric and natural gas distribution system.

A bankruptcy reorganization sells assets and restructures companies, which is just what this plan proposes. The proposed actions in the PG&E plan would draw upon some of the bankruptcy courts' core powers such as the power under section 1123(a)(5) of the Bankruptcy Code to transfer or sell "all or any part of the property of the estate to one or more entities."[68] On the other hand, the proposed asset sales would violate provisions of the California public utilities code. The corporate restructuring would, in effect, leave the state with much less to regulate. Many of the utility's present assets would be owned by unregulated entities.

On balance, it is likely that, if push comes to shove, the powers of the bankruptcy court would prevail over state law on the issues of selling assets and restructuring entities. But the state is not powerless to bring its own pressure on the process through rate reviews and challenging the supremacy of the bankruptcy provisions. In addition, the sales of assets may be for less than fair values, which would be prohibited by section 549 of the Bankruptcy Code.[69]

Because of these potential sticking points, it is likely that either the CPUC will attempt to take a more active role in the reorganization or that ratepayers will find another way to be heard, notwithstanding Judge Montali's previous ruling that the ratepayers cannot be represented by an official committee. In fact, the proposed PG&E plan is somewhat similar to PSNH's first proposed plan.[70] As in the proposed PG&E plan, the initial PSNH plan would have resulted in the shift of ratemaking jurisdiction over large portions of PSNH's operations from the state regulatory agency to the FERC. That plan, like this one, showed the steel fist of the bankruptcy process; in the end, however, state interests were preserved in a largely consensual, substantially different, plan of reorganization.

D. *Other Issues in the PG&E Bankruptcy*

It remains to be seen whether PG&E will continue to dispute the billions of dollars it owes to the California Independent System Operator and the California Power Exchange, the latter which, incidently, also filed for

67. *Id.*
68. 11 U.S.C. § 1123(a)(5)(B) (2001).
69. 11 U.S.C. § 549 (2000).
70. Discussed in more detail in Section III.A. above.

bankruptcy in early March. PG&E disputed these claims, arising out of PG&E's power purchases and grid fees, purportedly on the basis that the California market failure and unexpected power shortages constitute a force majeure for which PG&E should not be held responsible.

Another remaining issue in the pending PG&E bankruptcy, and in subsequent cases, will be the disposition of forward contracts (contracts which provide the ability to buy or sell commodities in the market on a forward basis) entered into by PG&E. Prior precedent suggests that settlement payments on such forward contracts made prior to filing may not be avoidable as preferences under section 546(e) of the Bankruptcy Code, unless such payments qualify as fraudulent transfers under section 548(a)(1)(A) of the Bankruptcy Code.[71] Moreover, the Bankruptcy Code expressly allows the closing out of forward contracts.[72]

It is also noteworthy that the California Attorney General has asked the Securities and Exchange Commission (SEC) to investigate billions of dollars that were transferred from PG&E to its parent company, PG&E Corporation, between 1997 and 1999. The SEC has a right to make such an investigation in certain circumstances under the Public Utility Holding Company Act (PUHCA). It has been reported that PG&E Corporation claims it is an intrastate entity that is exempt from PUHCA.[73] If improper, these cash transfers might be voidable as fraudulent transfers.

Finally, it is important to note that Chapter 11 is a very public fishbowl. No doubt, as this article is being written, there are a number of felines hungrily eyeing PG&E as it swims in circles.

V. CONCLUSION

Chapter 11 bankruptcy can be a tremendously effective means of resolving a troubled company's financial problems. The Bankruptcy Code provides a debtor company with many useful means of restructuring preexisting debt and disposing of other financial liabilities. Indeed, Chapter 11 has proven successful at some level in every recent utility bankruptcy. Chapter 11, however, is not a panacea for all economic ills. There are some problems that simply may not be resolvable under Chapter 11 alone. The current California energy crisis is one such situation not easily resolved under the Bankruptcy Code. The ultimate resolution of the crisis will likely require a difficult political resolution.

Fortunately, not every utility bankruptcy involves the same intractable problems facing the California utilities. Chapter 11 has proven itself a very effective process for restoring electric utilities to viability and will likely continue to be useful in future utility bankruptcies. In fact, the PG&E bankruptcy may increase the likelihood of success in future utility bank-

71. *In re* Olympic Natural Gas Co., 258 B.R. 161 (Bankr. S.D. Tex. 2001) (interpreting 11 U.S.C. § 546(e) (2000)).

72. 11 U.S.C. § 556 (2000).

73. Jessica Berthold, *California Attorney General Asks SEC to Probe PG&E Cash Transfer*, THE DAILY BANKR. REV., July 9, 2001.

ruptcies. Presumably, other state legislatures and regulatory agencies are learning hard economic realities from PG&E about keeping utility companies viable. If these lessons are taken to heart, future troubled utility companies may find the path to resolving their economic difficulties much easier because PG&E has gone before them.

Kentucky Operator to Cease Enrichment of Uranium

By MATTHEW L. WALD
Published: May 24, 2013

WASHINGTON — The only American-owned plant for enriching uranium, a cold war relic near Paducah, Ky., will be shut down next month, its operator said on Friday. The closing could pose a problem for the American nuclear weapons arsenal over time but is not likely to affect civilian nuclear electric plants.

The plant, opened in 1954 by the Atomic Energy Commission, was becoming uncompetitive in the market for uranium enrichment. The federal government was subsidizing the plant for the last year under a barter deal in which it provided uranium to some of the operator's customers so they would continue to use the plant. But the Energy Department decided not to extend it.

The plant separates two forms of uranium that exist in nature, chemically identical but differing in their ability to sustain nuclear fission, through a process called enrichment. Paducah uses gaseous diffusion technology, which was developed during World War II to make the bomb that destroyed Hiroshima. Gaseous diffusion uses about 20 times the electricity as centrifuges, the technology that supplanted it.

The announcement was made by USEC, the nuclear operator formerly known as the U.S. Enrichment Corporation, which was spun off from the federal government in 1998. The plant is still owned by the Energy Department, which will face a steep bill for decontaminating it and tearing it down. The roughly 1,000 people who work at the Paducah plant are likely to lose their jobs.

USEC, based in Bethesda, Md., said it had a large inventory of enriched uranium and would continue to import enriched uranium from Russia for sale to American utilities. The Russian program began with uranium from decommissioned nuclear bombs but will soon be using uranium enriched by the Russians for commercial uses. The American market is also supplied by a European-owned centrifuge plant in New Mexico.

Andrea Jennetta, the publisher of Fuel Cycle Week, a trade publication, said, "USEC is almost like a broker, a middleman, now." But she said the civilian market was well supplied and the source did not make much difference.

The worldwide market for enriching uranium has been weakened, in part, by the shutdown of Japanese reactors after the Fukushima accident in March 2011.

The complication of the Paducah closing, though, is the weapons program. The United States has a large surplus of enriched uranium, but the bombs need another material, tritium, a form of hydrogen and the "h" in "h-bomb."

The government closed its last reactor for making tritium in 1988, but it is now made in a civilian power reactor owned by the Tennessee Valley Authority. Under international n
though, that reactor must be powered with uranium enriched in the United States. The
enough American fuel on hand to run the reactor making tritium for years

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KIUC EXHIBIT 11

The government stopped making highly enriched uranium, used for weapons and the propulsion of submarines and aircraft carriers, years ago. But it does not need more for warheads, and it has a big inventory for submarine use.

USEC has been trying to develop an advanced centrifuge, in Portsmouth, Ohio, at a site formerly used for a gaseous diffusion plant. It has applied twice to the Energy Department for a $2 billion loan guarantee to build the plant, and been sent back to the drawing boards both times by the department because of technical concerns.

Members of Congress with USEC plants in or near their districts have tried to help, but on Friday, the Senate minority leader, Mitch McConnell of Kentucky; Rand Paul, Kentucky's other senator; and Ed Whitfield, the Republican member of the House from the area, seemed to accept the decision and asked for help from the Energy Department in developing new sources of employment.

USEC has built a pilot-scale enrichment plant, with help from the Energy Department, with the idea that if it cannot work as a commercial product, the government will take it over to maintain a small enrichment capability for national security purposes.

Jeremy T. Derryberry, a spokesman for USEC, said the company had lined up $2 billion in private financing to commercialize the pilot program. But it still needs the government loan to build the project.

Paducah will be shut down over the next month, Mr. Derryberry said.

A version of this article appeared in print on May 25, 2013, on page B3 of the New York edition with the headline: Operator To Cease Enrichment Of Uranium.


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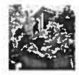
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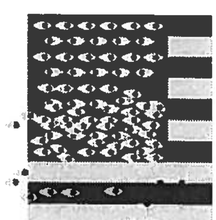
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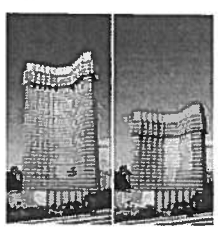
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published Friday, May 31st, 2013

TVA suffers blow, loses biggest customer

by Dave Flessner
view bio »

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OAK RIDGE, Tenn. — The Tennessee Valley Authority is losing its biggest customer today amid growing concerns about rising industrial power rates.

USEC Inc. is shutting down its Paducah, Ky., gaseous diffusion plant, ending uranium enrichment at the 61-year-old plant and idling 1,000 employees over the next year.

"While we have pursued possible opportunities for continuing enrichment, (the U.S. Department of Energy) has concluded that there were not sufficient benefits to the taxpayers to extend enrichment," USEC Senior Vice President Robert Van Namen said in announcing the closing last week.

USEC, which has enriched uranium for TVA and other utilities since 1952, accounted for about 5 percent, or nearly $600 million, of TVA power sales last year. But demand for USEC's enriched uranium has plunged as plans for new nuclear plants were scrapped and a global surplus of uranium developed.

"This is a big blow to employment and blow to us as a provider," TVA President Bill Johnson said here Thursday.

VIDEO

This story is featured in today's TimesFreePress newscast.

Johnson said TVA had budgeted for such a closing this year, but the USEC shutdown and other industrial sales declines still pushed down sales to TVA's biggest manufacturing firms by a bigger-than-expected drop of more than $100 million in the first half of the current fiscal year. The closing of the USEC plant will further erode TVA's industrial sales.

"Unfortunately, TVA is not as competitive as it once was and some industrial customers have indicated that production may move to plants elsewhere where power is cheaper," said EPB President Harold DePriest, chairman of the Tennessee Valley Public Power Association which represents the 155 distributors.

U.S. Sen. Bob Corker, R-Tenn., said TVA industrial rates have risen more than other utilities in the past decade even though TVA's overall electricity prices remain below the U.S. average. Corker noted that TVA directors can raise power rates without any outside regulatory review, unlike most U.S. utilities.

"We want and need TVA to be successful and competitive with its rates," Corker said.

TVA spokesman Duncan Mansfield said TVA ranked 38th lowest among the top 100 utilities in America in the average price of electricity. The federal utility has set a goal of regaining its top quartile ranking for electricity prices.

Johnson, who became TVA CEO in January, said he is giving "high-level focus" on finding ways to improve TVA's competitiveness.

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"Our data shows that our rates on a national and regional basis are fairly competitive, but I think the real question is what do you need to sustain existing industry and expand it and what you need to help attract industry to our region?" Johnson said in an interview after addressing the Tennessee Valley Corridor Summit meeting here. "One of the things we're looking at now is a pricing strategy effort to see, along with our distributors and other stakeholders, if there is more we can do."

Johnson conceded that TVA costs have gone up in recent years. Expenses were pushed higher by unexpected costs to clean up a coal ash spill at Kingston, replenish part of an underfunded pension program, upgrade operations at the troubled Browns Ferry Nuclear Plant and finish a second reactor at the Watts Bar Nuclear Plant. Watts Bar is expected to end up costing TVA nearly $1.5 billion more than what was forecast five years ago.

"It's time for us to really hone in on cost management and efficiency," Johnson said. "In the TVA model, our objective is to keep our rates as low as we can."

Johnson sought to deflect criticism of TVA from those pushing to privatize the government utility, noting that the federal utility actively promotes the growth and quality of life in its seven-state region.

TVA's multipurpose, public ownership has been challenged by Obama administration budget planners, who proposed a strategic review of TVA to see if selling the agency might help lower the federal debt and "put the nation on a more sustainable" fiscal path.

Johnson said in the past five years TVA helped recruit $25 billion of new investment through its economic development programs while protecting billions of dollars of property through its dams and other flood control measures.

"What we're doing is working," Johnson said. "We like to say that for 80 years we've kept the lights glowing, the river flowing and the jobs growing."

Contact Dave Flessner at dflessner@timesfreepress.com.

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about Dave Flessner...

Dave Flessner is the business editor for the Times Free Press. A journalist for 35 years, Dave has been business editor and projects editor for the Chattanooga Times Free Press, city editor for The Chattanooga Times, business and county reporter for the Chattanooga Times, correspondent for the Lansing State Journal and Ingham County News in Michigan, staff writer for the Hastings Daily Tribune in Nebraska, and news director for WCBN-FM in Michigan. Dave, a native ...

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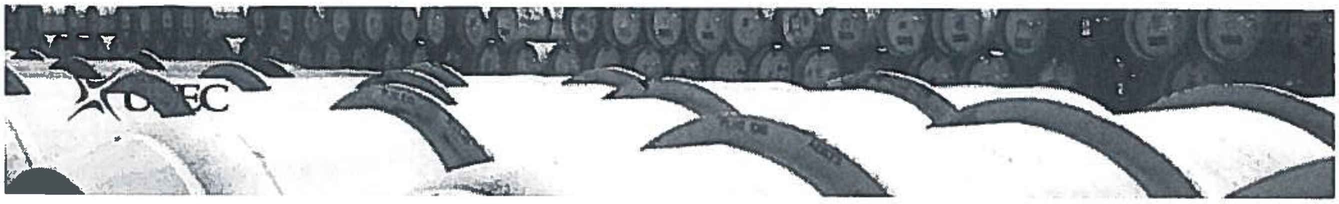


Paducah Gaseous Diffusion Plant

The Paducah Gaseous Diffusion Plant in Paducah, Kentucky, is the only U.S.-owned uranium enrichment facility in the United States.

Owned by the U.S. Department of Energy, it is leased and operated by the United States Enrichment Corporation, a wholly owned subsidiary of USEC Inc.

The plant employs about 1,200 people and produces low-enriched uranium fuel for commercial nuclear power plants in the United States and around the world.

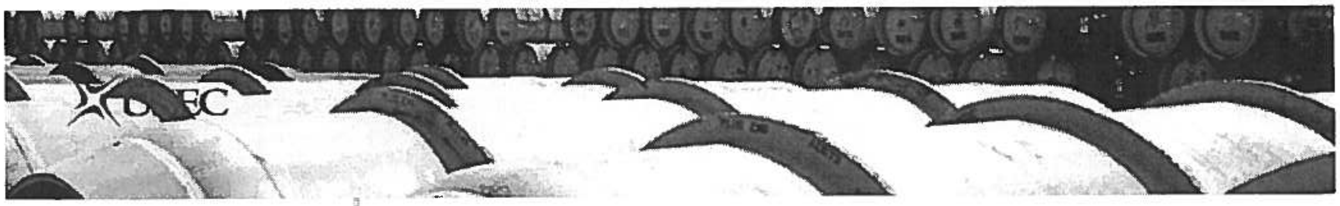
The plant was opened in 1952 as part of a U.S. government program to produce highly enriched uranium to fuel military reactors and produce nuclear weapons. Enrichment at Paducah originally was limited to low levels, and the plant served as a "feed facility" for other defense plants in Oak Ridge, Tennessee, and Piketon, Ohio, where the enriched uranium was processed.

That mission changed in the 1960s, when Paducah, along with its sister plant in Piketon, began to enrich uranium for use in commercial nuclear reactors to generate electricity.

In May 2001, USEC completed a plan to consolidate its uranium enrichment operations at Paducah. In June 2002, transfer and shipping operations at the Piketon plant were also consolidated at Paducah.

Key Facts

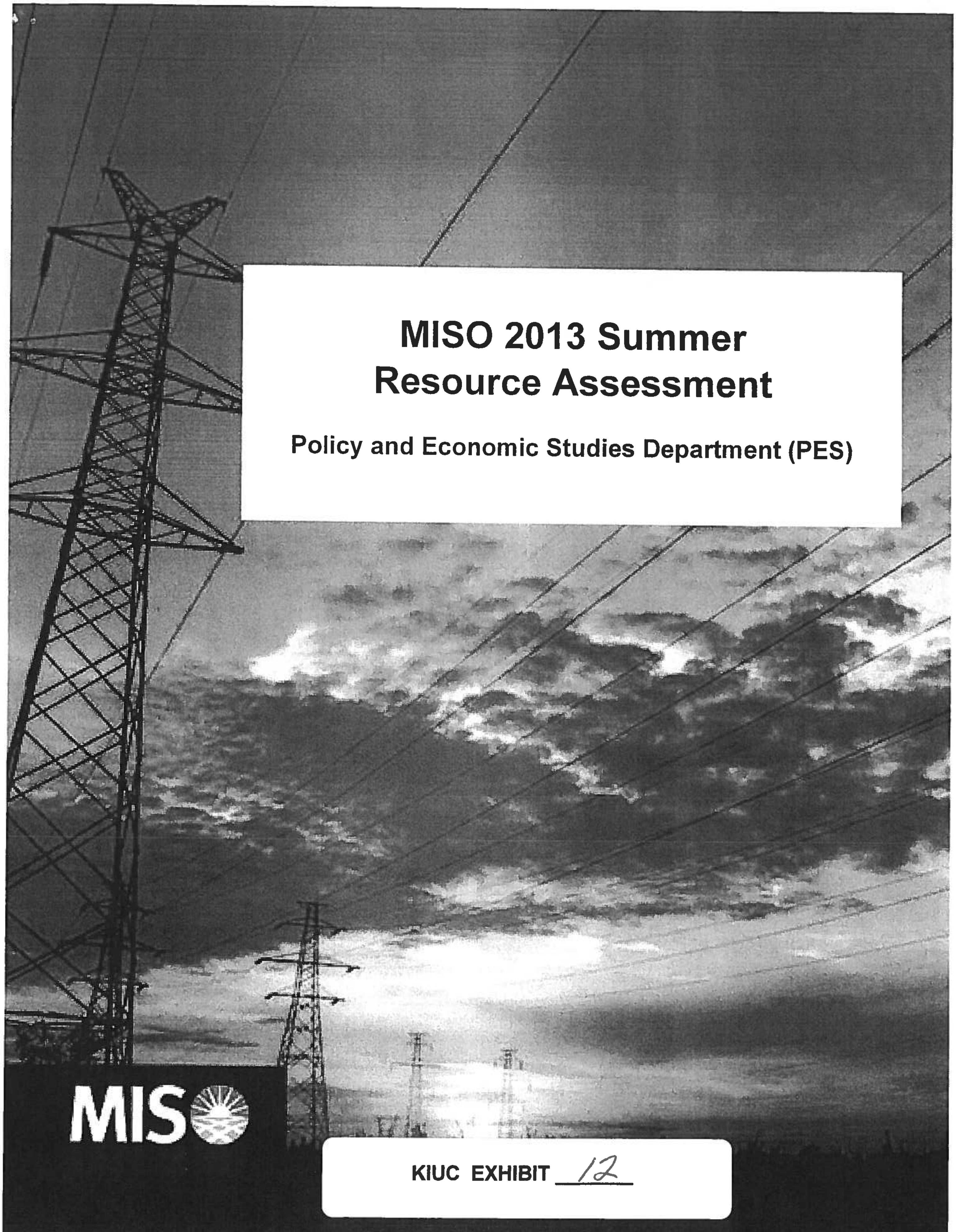
Federal Site Acreage:	3,425
Gaseous Diffusion Plant Acreage:	750
Total Number of Buildings:	161
Process Buildings:	4
Process Building Dimensions:	1,100 ft. long, 970 ft. wide, 90 ft. high
Process Building Acreage Under Roof:	74 acres
Number of Enrichment Stages:	1,760
Peak Design Power Capacity:	3,040 megawatts



Miles of Roadway:	19
Miles of Railroad:	9
Miles of Perimeter Fence:	5 miles

Nuclear Fuel Cycle

Nuclear power is a vital part of the world's energy mix. Find out how the uranium fuel that powers the world's nuclear reactors is mined and processed in several important steps that make up the nuclear fuel cycle.



MISO 2013 Summer Resource Assessment

Policy and Economic Studies Department (PES)

MISO

KIUC EXHIBIT 12

1 Executive Summary

During the 2013 summer peak hour, MISO expects adequate resources to serve load, with a 28.1 percent forecasted Reserve Margin, which far exceeds the requirement of 14.2 percent. It is always possible for a combination of higher loads, higher forced outage rates, fuel limitations, low water levels and other factors to lead to curtailment of firm load; however, this is a low probability event for the 2013 summer.

MISO forecasts the coincident Net Internal Demand to peak at 91,532 MW, with 117,267 MW of capacity to serve MISO load, during the 2013 summer season. Included in the capacity are 6,119 MW of Net Interchange, and 3,394 MW of behind-the-meter generation, and 40 MW of Demand Response Resources. MISO expects 1,600 MW of wind capacity to be available to serve load this summer, which is approximately 13 percent of wind Nameplate Capacity.

MISO does not anticipate Environmental Regulations to have an impact during the 2013 summer season; however, MISO is currently evaluating these regulations' impacts post 2013 summer.

For planning year 2013 MISO's Planning Reserve Margin Requirement is 14.2 percent which is 2.5 percentage points lower than last year's requirement. The major driver of this decrease is an adjusted model which allows MISO to access more external resources from neighboring entities.

MISO forecasts a 28.1 percent Reserve Margin for 2013 summer peak, which is 13.9 percentage points higher than the Planning Reserve Margin Requirement of 14.2 percent.

MISO does not anticipate any significant impacts from Bulk Electric System (BES) transmission lines and/or BES transformers being out-of-service through the summer season. MISO does not foresee any transmission constraints that could significantly impact reliability.

Furthermore, MISO does not foresee any operational risks internal to MISO or external which would adversely impact summer reliability. MISO coordinates extensively with neighboring reliability coordinators as part of the seasonal assessment and outage coordination processes, and via scheduled daily conference calls and ad-hoc communications as need arises in real-time operations. MISO is not aware of any significant issues in neighboring areas expected to threaten overall system reliability. There is always the potential for low water levels and/or high water temperatures to result from unusually hot and dry weather, and these situations would be resolved through existing procedures depending on the circumstances.

Table 1-1 on the next page provides capacity forecasts, demand forecasts, and a range of reserve margin levels for the upcoming 2013 summer peak. Section 2 provides corresponding risk of MISO initiating Emergency Operating Procedures this summer. The likelihood of such an event has a low probability of occurrence.

THE PRESIDENT'S CLIMATE ACTION PLAN

Executive Office of the President

June 2013

KIUC EXHIBIT 13

Table of Contents

PRESIDENT OBAMA'S CLIMATE ACTION PLAN

"We, the people, still believe that our obligations as Americans are not just to ourselves, but to all posterity. We will respond to the threat of climate change, knowing that the failure to do so would betray our children and future generations. Some may still deny the overwhelming judgment of science, but none can avoid the devastating impact of raging fires and crippling drought and more powerful storms.

The path towards sustainable energy sources will be long and sometimes difficult. But America cannot resist this transition, we must lead it. We cannot cede to other nations the technology that will power new jobs and new industries, we must claim its promise. That's how we will maintain our economic vitality and our national treasure -- our forests and waterways, our croplands and snow-capped peaks. That is how we will preserve our planet, commanded to our care by God. That's what will lend meaning to the creed our fathers once declared."

-- President Obama, Second Inaugural Address, January 2013

THE CASE FOR ACTION

While no single step can reverse the effects of climate change, we have a moral obligation to future generations to leave them a planet that is not polluted and damaged. Through steady, responsible action to cut carbon pollution, we can protect our children's health and begin to slow the effects of climate change so that we leave behind a cleaner, more stable environment.

In 2009, President Obama made a pledge that by 2020, America would reduce its greenhouse gas emissions in the range of 17 percent below 2005 levels if all other major economies agreed to limit their emissions as well. Today, the President remains firmly committed to that goal and to building on the progress of his first term to help put us and the world on a sustainable long-term trajectory. Thanks in part to the Administration's success in doubling America's use of wind, solar, and geothermal energy and in establishing the toughest fuel economy standards in our history, we are creating new jobs, building new industries, and reducing dangerous carbon pollution which contributes to climate change. In fact, last year, carbon emissions from the energy sector fell to the lowest level in two decades. At the same time, while there is more work to do, we are more energy secure than at any time in recent history. In 2012, America's net oil imports fell to the lowest level in 20 years and we have become the world's leading producer of natural gas – the cleanest-burning fossil fuel.

While this progress is encouraging, climate change is no longer a distant threat – we are already feeling its impacts across the country and the world. Last year was the warmest year ever in the contiguous United States and about one-third of all Americans experienced 10 days or more of 100-degree heat. The 12 hottest years on record have all come in the last 15 years. Asthma rates have doubled in the past 30 years and our children will suffer more asthma attacks as air pollution gets worse. And increasing floods, heat waves, and droughts have put farmers out of business, which is already raising food prices dramatically.

These changes come with far-reaching consequences and real economic costs. Last year alone, there were 11 different weather and climate disaster events with estimated losses exceeding $1 billion each across the United States. Taken together, these 11 events resulted in over $110 billion in estimated damages, which would make it the second-costliest year on record.

In short, America stands at a critical juncture. Today, President Obama is putting forward a broad-based plan to cut the carbon pollution that causes climate change and affects public health. Cutting carbon pollution will help spark business innovation to modernize our power plants, resulting in cleaner forms of American-made energy that will create good jobs and cut our dependence on foreign oil. Combined with the Administration's other actions to increase the efficiency of our cars and household appliances, the President's plan will reduce the amount of energy consumed by American families, cutting down on their gas and utility bills. The plan, which consists of a wide variety of executive actions, has three key pillars:

1) **Cut Carbon Pollution in America:** In 2012, U.S. carbon emissions fell to the lowest level in two decades even as the economy continued to grow. To build on this progress, the Obama Administration is putting in place tough new rules to cut carbon pollution – just like we have for other toxins like mercury and arsenic – so we protect the health of our children and move our economy toward American-made clean energy sources that will create good jobs and lower home energy bills.

2) **Prepare the United States for the Impacts of Climate Change:** Even as we take new steps to reduce carbon pollution, we must also prepare for the impacts of a changing climate that are already being felt across the country. Moving forward, the Obama Administration will help state and local governments strengthen our roads, bridges, and shorelines so we can better protect people's homes, businesses and way of life from severe weather.

3) **Lead International Efforts to Combat Global Climate Change and Prepare for its Impacts:** Just as no country is immune from the impacts of climate change, no country can meet this challenge alone. That is why it is imperative for the United States to couple action at home with leadership internationally. America must help forge a truly global solution to this global challenge by galvanizing international action to significantly reduce emissions (particularly among the major emitting countries), prepare for climate impacts, and drive progress through the international negotiations.

Climate change represents one of our greatest challenges of our time, but it is a challenge uniquely suited to America's strengths. Our scientists will design new fuels, and our farmers will grow them. Our engineers to devise new sources of energy, our workers will build them, and our businesses will sell them. All of us will need to do our part. If we embrace this challenge, we will not just create new jobs and new industries and keep America on the cutting edge; we will save lives, protect and preserve our treasured natural resources, cities, and coastlines for future generations.

What follows is a blueprint for steady, responsible national and international action to slow the effects of climate change so we leave a cleaner, more stable environment for future generations. It highlights progress already set in motion by the Obama Administration to advance these goals and sets forth new steps to achieve them.

CUT CARBON POLLUTION IN AMERICA

In 2009, President Obama made a commitment to reduce U.S. greenhouse gas emissions in the range of 17 percent below 2005 levels by 2020. The President remains firmly committed to achieving that goal. While there is more work to do, the Obama Administration has already made significant progress by doubling generation of electricity from wind, solar, and geothermal, and by establishing historic new fuel economy standards. Building on these achievements, this document outlines additional steps the Administration will take – in partnership with states, local communities, and the private sector – to continue on a path to meeting the President's 2020 goal.

I. Deploying Clean Energy

Cutting Carbon Pollution from Power Plants: Power plants are the largest concentrated source of emissions in the United States, together accounting for roughly one-third of all domestic greenhouse gas emissions. We have already set limits for arsenic, mercury, and lead, but there is no federal rule to prevent power plants from releasing as much carbon pollution as they want. Many states, local governments, and companies have taken steps to move to cleaner electricity sources. More than 35 states have renewable energy targets in place, and more than 25 have set energy efficiency targets.

Despite this progress at the state level, there are no federal standards in place to reduce carbon pollution from power plants. In April 2012, as part of a continued effort to modernize our electric power sector, the Obama Administration proposed a carbon pollution standard for new power plants. The Environmental Protection Agency's proposal reflects and reinforces the ongoing trend towards cleaner technologies, with natural gas increasing its share of electricity generation in recent years, principally through market forces and renewables deployment growing rapidly to account for roughly half of new generation capacity installed in 2012.

With abundant clean energy solutions available, and building on the leadership of states and local governments, we can make continued progress in reducing power plant pollution to improve public health and the environment while supplying the reliable, affordable power needed for economic growth. By doing so, we will continue to drive American leadership in clean energy technologies, such as efficient natural gas, nuclear, renewables, and clean coal technology.

To accomplish these goals, President Obama is issuing a Presidential Memorandum directing the Environmental Protection Agency to work expeditiously to complete carbon pollution standards for both new and existing power plants. This work will build on the successful first-term effort to develop greenhouse gas and fuel economy standards for cars and trucks. In developing the standards, the President has asked the Environmental Protection Agency to build on state leadership, provide flexibility, and take advantage of a wide range of energy sources and technologies including many actions in this plan.

Promoting American Leadership in Renewable Energy: During the President's first term, the United States more than doubled generation of electricity from wind, solar, and geothermal sources. To ensure America's continued leadership position in clean energy, President Obama has set a goal to double renewable electricity generation once again by 2020. In order to meet this ambitious target, the Administration is announcing a number of new efforts in the following key areas:

- **Accelerating Clean Energy Permitting:** In 2012 the President set a goal to issue permits for 10 gigawatts of renewables on public lands by the end of the year. The Department of the Interior achieved this goal ahead of schedule and the President has directed it to permit an additional 10 gigawatts by 2020. Since 2009, the Department of Interior has approved 25 utility-scale solar facilities, nine wind farms, and 11 geothermal plants, which will provide enough electricity to power 4.4 million homes and support an estimated 17,000 jobs. The Administration is also taking steps to encourage the development of hydroelectric power at existing dams. To develop and demonstrate improved permitting procedures for such projects, the Administration will designate the Red Rock Hydroelectric Plant on the Des Moines River in Iowa to participate in its Infrastructure Permitting Dashboard for high-priority projects. Also, the Department of Defense – the single largest consumer of energy in the United States – is committed to deploying 3 gigawatts of renewable energy on military installations, including solar, wind, biomass, and geothermal, by 2025. In addition, federal agencies are setting a new goal of reaching 100 megawatts of installed renewable capacity across the federally subsidized housing stock by 2020. This effort will include conducting a survey of current projects in order to track progress and facilitate the sharing of best practices.

- **Expanding and Modernizing the Electric Grid:** Upgrading the country's electric grid is critical to our efforts to make electricity more reliable, save consumers money on their energy bills, and promote clean energy sources. To advance these important goals, President Obama signed a Presidential Memorandum this month that directs federal agencies to streamline the siting, permitting and review process for transmission projects across federal, state, and tribal governments.

Unlocking Long-Term Investment in Clean Energy Innovation: The Fiscal Year 2014 Budget continues the President's commitment to keeping the United States at the forefront of clean energy research, development, and deployment by increasing funding for clean energy technology across all agencies by 30 percent, to approximately $7.9 billion. This includes investment in a range of energy technologies, from advanced biofuels and emerging nuclear technologies – including small modular reactors – to clean coal. To continue America's leadership in clean energy innovation, the Administration will also take the following steps:

- **Spurring Investment in Advanced Fossil Energy Projects:** In the coming weeks, the Department of Energy will issue a Federal Register Notice announcing a draft of a solicitation that would make up to $8 billion in (self-pay) loan guarantee authority available for a wide array of advanced fossil energy projects under its Section 1703 loan guarantee program. This solicitation is designed to support investments in innovative technologies that can cost-effectively meet financial and policy goals, including the avoidance, reduction, or sequestration of anthropogenic emissions of greenhouse gases. The proposed solicitation will cover a broad range of advanced fossil energy projects. Reflecting the Department's commitment to continuous improvement in program management, it will take comment on the draft solicitation, with a plan to issue a final solicitation by the fall of 2013.

- **Instituting a Federal Quadrennial Energy Review:** Innovation and new sources of domestic energy supply are transforming the nation's energy marketplace, creating economic opportunities at the same time they raise environmental challenges. To ensure that federal energy policy meets our economic, environmental, and security goals in this changing landscape, the Administration will conduct a Quadrennial Energy Review which will be led by the White House Domestic Policy Council and Office of Science and Technology Policy, supported by a Secretariat established at the Department of Energy, and involving the robust engagement of federal agencies and outside stakeholders. This first-ever review will focus on infrastructure challenges, and will identify the threats, risks, and opportunities for U.S. energy and climate security, enabling the federal government to translate policy goals into a set of analytically based, clearly articulated, sequenced and integrated actions, and proposed investments over a four-year planning horizon.

II. Building a 21st-Century Transportation Sector

Increasing Fuel Economy Standards: Heavy-duty vehicles are currently the second largest source of greenhouse gas emissions within the transportation sector. In 2011, the Obama Administration finalized the first-ever fuel economy standards for Model Year 2014-2018 for heavy-duty trucks, buses, and vans. These standards will reduce greenhouse gas emissions by approximately 270 million metric tons and save 530 million barrels of oil. During the President's second term, the Administration will once again partner with industry leaders and other key stakeholders to develop post-2018 fuel economy standards for heavy-duty vehicles to further reduce fuel consumption through the application of advanced cost-effective technologies and continue efforts to improve the efficiency of moving goods across the United States.

The Obama Administration has already established the toughest fuel economy standards for passenger vehicles in U.S. history. These standards require an average performance equivalent of 54.5 miles per gallon by 2025, which will save the average driver more than $8,000 in fuel costs over the lifetime of the vehicle and eliminate six billion metric tons of carbon pollution – more than the United States emits in an entire year.

Developing and Deploying Advanced Transportation Technologies: Biofuels have an important role to play in increasing our energy security, fostering rural economic development, and reducing greenhouse gas emissions from the transportation sector. That is why the Administration supports the Renewable Fuels Standard, and is investing in research and development to help bring next-generation biofuels on line. For example, the United States Navy and Departments of Energy and Agriculture are working with the private sector to accelerate the development of cost-competitive advanced biofuels for use by the military and commercial sectors. More broadly, the Administration will continue to leverage partnerships between the private and public sectors to deploy cleaner fuels, including advanced batteries and fuel cell technologies, in every transportation mode. The Department of Energy's eGallon informs drivers about electric car operating costs in their state – the national average is only $1.14 per gallon of gasoline equivalent, showing the promise for consumer pocketbooks of electric-powered vehicles. In addition, in the coming months, the Department of Transportation will work with other agencies to further explore strategies for integrating alternative fuel vessels into the U.S. flag fleet. Further, the Administration will continue to work with states, cities and towns through the Department of Transportation, the Department of Housing and Urban Development, and the Environmental Protection Agency to improve transportation options, and lower transportation costs while protecting the environment in communities nationwide.

III. Cutting Energy Waste in Homes, Businesses, and Factories

Reducing Energy Bills for American Families and Businesses: Energy efficiency is one of the clearest and most cost-effective opportunities to save families money, make our businesses more competitive, and reduce greenhouse gas emissions. In the President's first term, the Department of Energy and the Department of Housing and Urban Development completed efficiency upgrades in more than one million homes, saving many families more than $400 on their heating and cooling bills in the first year alone. The Administration will take a range of new steps geared towards achieving President Obama's goal of doubling energy productivity by 2030 relative to 2010 levels:

- **Establishing a New Goal for Energy Efficiency Standards:** In President Obama's first term, the Department of Energy established new minimum efficiency standards for dishwashers, refrigerators, and many other products. Through 2030, these standards will cut consumers' electricity bills by hundreds of billions of dollars and save enough electricity to power more than 85 million homes for two years. To build on this success, the Administration is setting a new goal: Efficiency standards for appliances and federal buildings set in the first and second terms combined will reduce carbon pollution by at least 3 billion metric tons cumulatively by 2030 – equivalent to nearly one-half of the carbon pollution from the entire U.S. energy sector for one year – while continuing to cut families' energy bills.

- **Reducing Barriers to Investment in Energy Efficiency:** Energy efficiency upgrades bring significant cost savings, but upfront costs act as a barrier to more widespread investment. In response, the Administration is committing to a number of new executive actions. As soon as this fall, the Department of Agriculture's Rural Utilities Service will finalize a proposed update to its Energy Efficiency and Conservation Loan Program to provide up to $250 million for rural utilities to finance efficiency investments by businesses and homeowners across rural America. The Department is also streamlining its Rural Energy for America program to provide grants and loan guarantees directly to agricultural producers and rural small businesses for energy efficiency and renewable energy systems.

  In addition, the Department of Housing and Urban Development's efforts include a $23 million Multifamily Energy Innovation Fund designed to enable affordable housing providers, technology firms, academic institutions, and philanthropic organizations to test new approaches to deliver cost-effective residential energy. In order to advance ongoing efforts and bring stakeholders together, the Federal Housing Administration will convene representatives of the lending community and other key stakeholders for a mortgage roundtable in July to identify options for factoring energy efficiency into the mortgage underwriting and appraisal process upon sale or refinancing of new or existing homes.

- **Expanding the President's Better Buildings Challenge:** The Better Buildings Challenge, focused on helping American commercial and industrial buildings become at least 20 percent more energy efficient by 2020, is already showing results. More than 120 diverse organizations, representing over 2 billion square feet are on track to meet the 2020 goal: cutting energy use by an average 2.5 percent annually, equivalent to about $58 million in energy savings per year. To continue this success, the Administration will expand the program to multifamily housing – partnering both with private and affordable building owners and public housing agencies to cut energy waste. In addition, the Administration is launching the Better Buildings Accelerators, a new track that will support and encourage adoption of State and local policies to cut energy waste, building on the momentum of ongoing efforts at that level.

IV. Reducing Other Greenhouse Gas Emissions

Curbing Emissions of Hydrofluorocarbons: Hydrofluorocarbons (HFCs), which are primarily used for refrigeration and air conditioning, are potent greenhouse gases. In the United States, emissions of HFCs are expected to nearly triple by 2030, and double from current levels of 1.5 percent of greenhouse gas emissions to 3 percent by 2020.

To reduce emissions of HFCs, the United States can and will lead both through international diplomacy as well as domestic actions. In fact, the Administration has already acted by including a flexible and powerful incentive in the fuel economy and carbon pollution standards for cars and trucks to encourage automakers to reduce HFC leakage and transition away from the most potent HFCs in vehicle air conditioning systems. Moving forward, the Environmental Protection Agency will use its authority through the Significant New Alternatives Policy Program to encourage private sector investment in low-emissions technology by identifying and approving climate-friendly chemicals while prohibiting certain uses of the most harmful chemical alternatives. In addition, the President has directed his Administration to purchase cleaner alternatives to HFCs whenever feasible and transition over time to equipment that uses safer and more sustainable alternatives.

Reducing Methane Emissions: Curbing emissions of methane is critical to our overall effort to address global climate change. Methane currently accounts for roughly 9 percent of domestic greenhouse gas emissions and has a global warming potential that is more than 20 times greater than carbon dioxide. Notably, since 1990, methane emissions in the United States have decreased by 8 percent. This has occurred in part through partnerships with industry, both at home and abroad, in which we have demonstrated that we have the technology to deliver emissions reductions that benefit both our economy and the environment. To achieve additional progress, the Administration will:

- **Developing an Interagency Methane Strategy:** The Environmental Protection Agency and the Departments of Agriculture, Energy, Interior, Labor, and Transportation will develop a comprehensive, interagency methane strategy. The group will focus on assessing current emissions data, addressing data gaps, identifying technologies and best practices for reducing emissions, and identifying existing authorities and incentive-based opportunities to reduce methane emissions.

- **Pursuing a Collaborative Approach to Reducing Emissions:** Across the economy, there are multiple sectors in which methane emissions can be reduced, from coal mines and landfills to agriculture and oil and gas development. For example, in the agricultural sector, over the last three years, the Environmental Protection Agency and the Department of Agriculture have worked with the dairy industry to increase the adoption of methane digesters through loans, incentives, and other assistance. In addition, when it comes to the oil and gas sector, investments to build and upgrade gas pipelines will not only put more Americans to work, but also reduce emissions and enhance economic productivity. For example, as part of the Administration's effort to improve federal permitting for infrastructure projects, the interagency Bakken Federal Executive Group is working with industry, as well as state and tribal agencies, to advance the production of oil and gas in the Bakken while helping to reduce venting and flaring. Moving forward, as part of the effort to develop an interagency methane strategy, the Obama Administration will work collaboratively with state governments, as well as the private sector, to reduce emissions across multiple sectors, improve air quality, and achieve public health and economic benefits.

Preserving the Role of Forests in Mitigating Climate Change: America's forests play a critical role in addressing carbon pollution, removing nearly 12 percent of total U.S. greenhouse gas emissions each year. In the face of a changing climate and increased risk of wildfire, drought, and pests, the capacity of our forests to absorb carbon is diminishing. Pressures to develop forest lands for urban or agricultural uses also contribute to the decline of forest carbon sequestration. Conservation and sustainable management can help to ensure our forests continue to remove carbon from the atmosphere while also improving soil and water quality, reducing wildfire risk, and otherwise managing forests to be more resilient in the fact of climate change. The Administration is working to identify new approaches to protect and restore our forests, as well as other critical landscapes including grasslands and wetlands, in the face of a changing climate.

V. Leading at the Federal Level

Leading in Clean Energy: President Obama believes that the federal government must be a leader in clean energy and energy efficiency. Under the Obama Administration, federal agencies have reduced greenhouse gas emissions by more than 15 percent – the equivalent of permanently taking 1.5 million cars off the road. To build on this record, the Administration is establishing a new goal: The federal government will consume 20 percent of its electricity from renewable sources by 2020 – more than double the current goal of 7.5 percent. In addition, the federal government will continue to pursue greater energy efficiency that reduces greenhouse gas emissions and saves taxpayer dollars.

Federal Government Leadership in Energy Efficiency: On December 2, 2011, President Obama signed a memorandum entitled "Implementation of Energy Savings Projects and Performance-Based Contracting for Energy Savings," challenging federal agencies, in support of the Better Buildings Challenge, to enter into $2 billion worth of performance-based contracts within two years. Performance contracts drive economic development, utilize private sector innovation, and increase efficiency at minimum costs to the taxpayer, while also providing long-term savings in energy costs. Federal agencies have committed to a pipeline of nearly $2.3 billion from over 300 reported projects. In coming months, the Administration will take a number of actions to strengthen efforts to promote energy efficiency, including through performance contracting. For example, in order to increase access to capital markets for investments in energy efficiency, the Administration will initiate a partnership with the private sector to work towards a standardized contract to finance federal investments in energy efficiency. Going forward, agencies will also work together to synchronize building codes – leveraging those policies to improve the efficiency of federally owned and supported building stock. Finally, the Administration will leverage the "Green Button" standard – which aggregates energy data in a secure, easy to use format – within federal facilities to increase their ability to manage energy consumption, reduce greenhouse gas emissions, and meet sustainability goals.

PREPARE THE UNITED STATES FOR THE IMPACTS OF CLIMATE CHANGE

As we act to curb the greenhouse gas pollution that is driving climate change, we must also prepare for the impacts that are too late to avoid. Across America, states, cities, and communities are taking steps to protect themselves by updating building codes, adjusting the way they manage natural resources, investing in more resilient infrastructure, and planning for rapid recovery from damages that nonetheless occur. The federal government has an important role to play in supporting community-based preparedness and resilience efforts, establishing policies that promote preparedness, protecting critical infrastructure and public resources, supporting science and research germane to preparedness and resilience, and ensuring that federal operations and facilities continue to protect and serve citizens in a changing climate.

The Obama Administration has been working to strengthen America's climate resilience since its earliest days. Shortly after coming into office, President Obama established an Interagency Climate Change Adaptation Task Force and, in October 2009, the President signed an Executive Order directing it to recommend ways federal policies and programs can better prepare the Nation for change. In May 2010, the Task Force hosted the first National Climate Adaptation Summit, convening local and regional stakeholders and decision-makers to identify challenges and opportunities for collaborative action.

In February 2013, federal agencies released Climate Change Adaptation Plans for the first time, outlining strategies to protect their operations, missions, and programs from the effects of climate change. The Department of Transportation, for example, is developing guidance for incorporating climate change and extreme weather event considerations into coastal highway projects, and the Department of Homeland Security is evaluating the challenges of changing conditions in the Arctic and along our Nation's borders. Agencies have also partnered with communities through targeted grant and technical-assistance programs—for example, the Environmental Protection Agency is working with low-lying communities in North Carolina to assess the vulnerability of infrastructure investments to sea level rise and identify solutions to reduce risks. And the Administration has continued, through the U.S. Global Change Research Program, to support science and monitoring to expand our understanding of climate change and its impacts.

Going forward, the Administration will expand these efforts into three major, interrelated initiatives to better prepare America for the impacts of climate change:

I. Building Stronger and Safer Communities and Infrastructure

By necessity, many states, cities, and communities are already planning and preparing for the impacts of climate change. Hospitals must build capacity to serve patients during more frequent heat waves, and urban planners must plan for the severe storms that infrastructure will need to withstand. Promoting on-the-ground planning and resilient infrastructure will be at the core of our work to strengthen America's communities. Specific actions will include:

Directing Agencies to Support Climate-Resilient Investment: The President will direct federal agencies to identify and remove barriers to making climate-resilient investments; identify and remove counterproductive policies that increase vulnerabilities; and encourage and support smarter, more resilient investments, including through agency grants, technical assistance, and other programs, in sectors from transportation and water management to conservation and disaster relief. Agencies will also be directed to ensure that climate risk-management considerations are fully integrated into federal infrastructure and natural resource management planning. To begin meeting this challenge, the Environmental Protection Agency is committing to integrate considerations of climate change impacts and adaptive measures into major programs, including its Clean Water and Drinking Water State Revolving Funds and grants for brownfields cleanup, and the Department of Housing and Urban Development is already requiring grant recipients in the Hurricane Sandy–affected region to take sea-level rise into account.

Establishing a State, Local, and Tribal Leaders Task Force on Climate Preparedness: To help agencies meet the above directive and to enhance local efforts to protect communities, the President will establish a short-term task force of state, local, and tribal officials to advise on key actions the federal government can take to better support local preparedness and resilience-building efforts. The task force will provide recommendations on removing barriers to resilient investments, modernizing grant and loan programs to better support local efforts, and developing information and tools to better serve communities.

Supporting Communities as they Prepare for Climate Impacts: Federal agencies will continue to provide targeted support and assistance to help communities prepare for climate-change impacts. For example, throughout 2013, the Department of Transportation's Federal Highway Administration is working with 19 state and regional partners and other federal agencies to test approaches for assessing local transportation infrastructure vulnerability to climate change and extreme weather and for improving resilience. The Administration will continue to assist tribal communities on preparedness through the Bureau of Indian Affairs, including through pilot projects and by supporting participation in federal initiatives that assess climate change vulnerabilities and develop regional solutions. Through annual federal agency "Environmental Justice Progress Reports," the Administration will continue to identify innovative ways to help our most vulnerable communities prepare for and recover from the impacts of climate change. The importance of critical infrastructure independence was brought home in the Sandy response. The Federal Emergency Management Agency and the Department of Energy are working with the private sector to address simultaneous restoration of electricity and fuels supply.

Boosting the Resilience of Buildings and Infrastructure: The National Institute of Standards and Technology will convene a panel on disaster-resilience standards to develop a comprehensive, community-based resilience framework and provide guidelines for consistently safe buildings and infrastructure – products that can inform the development of private-sector standards and codes. In addition, building on federal agencies' "Climate Change Adaptation Plans," the Administration will continue efforts to increase the resilience of federal facilities and infrastructure. The Department of Defense, for example, is assessing the relative vulnerability of its coastal facilities to climate change. In addition, the President's FY 2014 Budget proposes $200 million through the Transportation Leadership Awards program for Climate Ready Infrastructure in communities that build enhanced preparedness into their planning efforts, and that have proposed or are ready to break ground on infrastructure projects, including transit and rail, to improve resilience.

Rebuilding and Learning from Hurricane Sandy: In August 2013, President Obama's Hurricane Sandy Rebuilding Task Force will deliver to the President a rebuilding strategy to be implemented in Sandy-affected regions and establishing precedents that can be followed elsewhere. The Task Force and federal agencies are also piloting new ways to support resilience in the Sandy-affected region; the Task Force, for example, is hosting a regional "Rebuilding by Design" competition to generate innovative solutions to enhance resilience. In the transportation sector, the Department of Transportation's Federal Transit Administration (FTA) is dedicating $5.7 billion to four of the area's most impacted transit agencies, of which $1.3 billion will be allocated to locally prioritized projects to make transit systems more resilient to future disasters. FTA will also develop a competitive process for additional funding to identify and support larger, stand-alone resilience projects in the impacted region. To build coastal resilience, the Department of the Interior will launch a $100 million competitive grant program to foster partnerships and promote resilient natural systems while enhancing green spaces and wildlife habitat near urban populations. An additional $250 million will be allocated to support projects for coastal restoration and resilience across the region. Finally, with partners, the U.S. Army Corps of Engineers is conducting a $20 million study to identify strategies to reduce the vulnerability of Sandy-affected coastal communities to future large-scale flood and storm events, and the National Oceanic and Atmospheric Administration will strengthen long-term coastal observations and provide technical assistance to coastal communities.

II. Protecting our Economy and Natural Resources

Climate change is affecting nearly every aspect of our society, from agriculture and tourism to the health and safety of our citizens and natural resources. To help protect critical sectors, while also targeting hazards that cut across sectors and regions, the Administration will mount a set of sector- and hazard-specific efforts to protect our country's vital assets, to include:

Identifying Vulnerabilities of Key Sectors to Climate Change: The Department of Energy will soon release an assessment of climate-change impacts on the energy sector, including power-plant disruptions due to drought and the disruption of fuel supplies during severe storms, as well as potential opportunities to make our energy infrastructure more resilient to these risks. In 2013, the Department of Agriculture and Department of the Interior released several studies outlining the challenges a changing climate poses for America's agricultural enterprise, forests, water supply, wildlife, and public lands. This year and next, federal agencies will report on the impacts of climate change on other key sectors and strategies to address them, with priority efforts focusing on health, transportation, food supplies, oceans, and coastal communities.

Promoting Resilience in the Health Sector: The Department of Health and Human Services will launch an effort to create sustainable and resilient hospitals in the face of climate change. Through a public-private partnership with the healthcare industry, it will identify best practices and provide guidance on affordable measures to ensure that our medical system is resilient to climate impacts. It will also collaborate with partner agencies to share best practices among federal health facilities. And, building on lessons from pilot projects underway in 16 states, it will help train public-health professionals and community leaders to prepare their communities for the health consequences of climate change, including through effective communication of health risks and resilience measures.

Promoting Insurance Leadership for Climate Safety: Recognizing the critical role that the private sector plays in insuring assets and enabling rapid recovery after disasters, the Administration will convene representatives from the insurance industry and other stakeholders to explore best practices for private and public insurers to manage their own processes and investments to account for climate change risks and incentivize policy holders to take steps to reduce their exposure to these risks.

Conserving Land and Water Resources: America's ecosystems are critical to our nation's economy and the lives and health of our citizens. These natural resources can also help ameliorate the impacts of climate change, if they are properly protected. The Administration has invested significantly in conserving relevant ecosystems, including working with Gulf State partners after the Deepwater Horizon spill to enhance barrier islands and marshes that protect communities from severe storms. The Administration is also implementing climate-adaptation strategies that promote resilience in fish and wildlife populations, forests and other plant communities, freshwater resources, and the ocean. Building on these efforts, the President is also directing federal agencies to identify and evaluate additional approaches to improve our natural defenses against extreme weather, protect biodiversity and conserve natural resources in the face of a changing climate, and manage our public lands and natural systems to store more carbon.

Maintaining Agricultural Sustainability: Building on the existing network of federal climate-science research and action centers, the Department of Agriculture is creating seven new Regional Climate Hubs to deliver tailored, science-based knowledge to farmers, ranchers, and forest landowners. These hubs will work with universities and other partners, including the Department of the Interior and the National Oceanic and Atmospheric Administration, to support climate resilience. Its Natural Resources Conservation Service and the Department of the Interior's Bureau of Reclamation are also providing grants and technical support to agricultural water users for more water-efficient practices in the face of drought and long-term climate change.

Managing Drought: Leveraging the work of the National Disaster Recovery Framework for drought, the Administration will launch a cross-agency National Drought Resilience Partnership as a "front door" for communities seeking help to prepare for future droughts and reduce drought impacts. By linking information (monitoring, forecasts, outlooks, and early warnings) with drought preparedness and longer-term resilience strategies in critical sectors, this effort will help communities manage drought-related risks.

Reducing Wildfire Risks: With tribes, states, and local governments as partners, the Administration has worked to make landscapes more resistant to wildfires, which are exacerbated by heat and drought conditions resulting from climate change. Federal agencies will expand and prioritize forest and rangeland restoration efforts in order to make natural areas and communities less vulnerable to catastrophic fire. The Department of the Interior and Department of Agriculture, for example, are launching a Western Watershed Enhancement Partnership – a pilot effort in five western states to reduce wildfire risk by removing extra brush and other flammable vegetation around critical areas such as water reservoirs.

Preparing for Future Floods: To ensure that projects funded with taxpayer dollars last as long as intended, federal agencies will update their flood-risk reduction standards for federally funded projects to reflect a consistent approach that accounts for sea-level rise and other factors affecting flood risks. This effort will incorporate the most recent science on expected rates of sea-level rise (which vary by region) and build on work done by the Hurricane Sandy Rebuilding Task Force, which announced in April 2013 that all federally funded Sandy-related rebuilding projects must meet a consistent flood risk reduction standard that takes into account increased risk from extreme weather events, sea-level rise, and other impacts of climate change.

III. Using Sound Science to Manage Climate Impacts

Scientific data and insights are essential to help government officials, communities, and businesses better understand and manage the risks associated with climate change. The Administration will continue to lead in advancing the science of climate measurement and adaptation and the development of tools for climate-relevant decision-making by focusing on increasing the availability, accessibility, and utility of relevant scientific tools and information. Specific actions will include:

Developing Actionable Climate Science: The President's Fiscal Year 2014 Budget provides more than $2.7 billion, largely through the 13-agency U.S. Global Change Research Program, to increase understanding of climate-change impacts, establish a public-private partnership to explore risk and catastrophe modeling, and develop the information and tools needed by decision-makers to respond to both long-term climate change impacts and near-term effects of extreme weather.

Assessing Climate-Change Impacts in the United States: In the spring of 2014, the Obama Administration will release the third U.S. National Climate Assessment, highlighting new advances in our understanding of climate-change impacts across all regions of the United States and on critical sectors of the economy, including transportation, energy, agriculture, and ecosystems and biodiversity. For the first time, the National Climate Assessment will focus not only on dissemination of scientific information but also on translating scientific insights into practical, useable knowledge that can help decision-makers anticipate and prepare for specific climate-change impacts.

Launching a Climate Data Initiative: Consistent with the President's May 2013 Executive Order on Open Data – and recognizing that freely available open government data can fuel entrepreneurship, innovation, scientific discovery, and public benefits – the Administration is launching a Climate Data Initiative to leverage extensive federal climate-relevant data to stimulate innovation and private-sector entrepreneurship in support of national climate-change preparedness.

Providing a Toolkit for Climate Resilience: Federal agencies will create a virtual climate-resilience toolkit that centralizes access to data-driven resilience tools, services, and best practices, including those developed through the Climate Data Initiative. The toolkit will provide easy access to existing resources as well as new tools, including: interactive sea-level rise maps and a sea-level-rise calculator to aid post-Sandy rebuilding in New York and New Jersey, new NOAA storm surge models and interactive maps from the National Oceanic and Atmospheric Administration that provide risk information by combining tidal data, projected sea levels and storm wave heights, a web-based tool that will allow developers to integrate NASA climate imagery into websites and mobile apps, access to the U.S. Geological Survey's "visualization tool" to assess the amount of carbon absorbed by landscapes, and a Stormwater Calculator and Climate Assessment Tool developed to help local governments assess stormwater-control measures under different precipitation and temperature scenarios.

LEAD INTERNATIONAL EFFORTS TO ADDRESS GLOBAL CLIMATE CHANGE

The Obama Administration is working to build on the actions that it is taking domestically to achieve significant global greenhouse gas emission reductions and enhance climate preparedness through major international initiatives focused on spurring concrete action, including bilateral initiatives with China, India, and other major emitting countries. These initiatives not only serve to support the efforts of the United States and others to achieve our goals for 2020, but also will help us move beyond those and bend the post-2020 global emissions trajectory further. As a key part of this effort, we are also working intensively to forge global responses to climate change through a number of important international negotiations, including the United Nations Framework Convention on Climate Change.

I. Working with Other Countries to Take Action to Address Climate Change

Enhancing Multilateral Engagement with Major Economies: In 2009, President Obama launched the Major Economies Forum on Energy and Climate, a high-level forum that brings together 17 countries that account for approximately 75 percent of global greenhouse gas emissions, in order to support the international climate negotiations and spur cooperative action to combat climate change. The Forum has been successful on both fronts – having contributed significantly to progress in the broader negotiations while also launching the Clean Energy Ministerial to catalyze the development and deployment of clean energy and efficiency solutions. We are proposing that the Forum build on these efforts by launching a major initiative this year focused on further accelerating efficiency gains in the buildings sector, which accounts for approximately one-third of global carbon pollutions from the energy sector.

Expanding Bilateral Cooperation with Major Emerging Economies:
From the outset, the Obama Administration has sought to intensify bilateral climate cooperation with key major emerging economies, through initiatives like the U.S.-China Clean Energy Research Center, the U.S.-India Partnership to Advance Clean Energy, and the Strategic Energy Dialogue with Brazil.

We will be building on these successes and finding new areas for cooperation in the second term, and we are already making progress: Just this month, President Obama and President Xi Jinping of China reached an historic agreement at their first summit to work to use the expertise and institutions of the Montreal Protocol to phase down the consumption and production of HFCs, a highly potent greenhouse gas. The impact of phasing out HFCs by 2050 would be equivalent to the elimination of two years' worth of greenhouse gas emissions from all sources.

Combatting Short-Lived Climate Pollutants: Pollutants such as methane, black carbon, and many HFCs are relatively short-lived in the atmosphere, but have more potent greenhouse effects than carbon dioxide. In February 2012, the United States launched the Climate and Clean Air Coalition to Reduce Short-Lived Climate Pollution, which has grown to include more than 30 country partners and other key partners such as the World Bank and the U.N. Environment Programme. Major efforts include reducing methane and black carbon from waste and landfills. We are also leading through the Global Methane Initiative, which works with 42 partner countries and an extensive network of over 1,100 private sector participants to reduce methane emissions.

Reducing Emissions from Deforestation and Forest Degradation: Greenhouse gas emissions from deforestation, agriculture, and other land use constitute approximately one-third of global emissions. In some developing countries, as much as 80 percent of these emissions come from the land sector. To meet this challenge, the Obama Administration is working with partner countries to put in place the systems and institutions necessary to significantly reduce global land-use-related emissions, creating new models for rural development that generate climate benefits, while conserving biodiversity, protecting watersheds, and improving livelihoods.

In 2012 alone, the U.S. Agency for International Development's bilateral and regional forestry programs contributed to reducing more than 140 million tons of carbon dioxide emissions, including through support for multilateral initiatives such as the Forest Investment Program and the Forest Carbon Partnership Facility. In Indonesia, the Millennium Challenge Corporation is funding a five-year "Green Prosperity" program that supports environmentally sustainable, low carbon economic development in select districts.

The Obama Administration is also working to address agriculture-driven deforestation through initiatives such as the Tropical Forest Alliance 2020, which brings together governments, the private sector, and civil society to reduce tropical deforestation related to key agricultural commodities, which we will build upon.

Expanding Clean Energy Use and Cut Energy Waste: Roughly 84 percent of current carbon dioxide emissions are energy-related and about 65 percent of all greenhouse gas emissions can be attributed to energy supply and energy use. The Obama Administration has promoted the expansion of renewable, clean, and efficient energy sources and technologies worldwide through:

- Financing and regulatory support for renewable and clean energy projects
- Actions to promote fuel switching from oil and coal to natural gas or renewables
- Support for the safe and secure use of nuclear power
- Cooperation on clean coal technologies
- Programs to improve and disseminate energy efficient technologies

In the past three years we have reached agreements with more than 20 countries around the world, including Mexico, South Africa, and Indonesia, to support low emission development strategies that help countries to identify the best ways to reduce greenhouse gas emissions while growing their economies. Among the many initiatives that we have launched are:

- The U.S. Africa Clean Energy Finance Initiative, which aligns grant-based assistance with project planning expertise from the U.S. Trade and Development Agency and financing and risk mitigation tools from the U.S. Overseas Private Investment Corporation to unlock up to $1 billion in clean energy financing.

- The U.S.-Asia Pacific Comprehensive Energy Partnership, which has identified $6 billion in U.S. export credit and government financing to promote clean energy development in the Asia-Pacific region.

Looking ahead, we will target these and other resources towards greater penetration of renewables in the global energy mix on both a small and large scale, including through our participation in the Sustainable Energy for All Initiative and accelerating the commercialization of renewable mini-grids. These efforts include:

- **Natural Gas.** Burning natural gas is about one-half as carbon-intensive as coal, which can make it a critical "bridge fuel" for many countries as the world transitions to even cleaner sources of energy. Toward that end, the Obama Administration is partnering with states and private companies to exchange lessons learned with our international partners on responsible development of natural gas resources. We have launched the Unconventional Gas Technical Engagement Program to share best practices on issues such as water management, methane emissions, air quality, permitting, contracting, and pricing to help increase global gas supplies and facilitate development of the associated infrastructure that brings them to market. Going forward, we will promote fuel-switching from coal to gas for electricity production and encourage the development of a global market for gas. Since heavy-duty vehicles are expected to account for 40 percent of increased oil use through 2030, we will encourage the adoption of heavy duty natural gas vehicles as well.

- **Nuclear Power.** The United States will continue to promote the safe and secure use of nuclear power worldwide through a variety of bilateral and multilateral engagements. For example, the U.S. Nuclear Regulatory Commission advises international partners on safety and regulatory best practices, and the Department of Energy works with international partners on research and development, nuclear waste and storage, training, regulations, quality control, and comprehensive fuel leasing options. Going forward, we will expand these efforts to promote nuclear energy generation consistent with maximizing safety and nonproliferation goals.

- **Clean Coal.** The United States works with China, India, and other countries that currently rely heavily on coal for power generation to advance the development and deployment of clean coal technologies. In addition, the U.S. leads the Carbon Sequestration Leadership Forum, which engages 23 other countries and economies on carbon capture and sequestration technologies. Going forward, we will continue to use these bilateral and multilateral efforts to promote clean coal technologies.

- **Energy Efficiency.** The Obama Administration has aggressively promoted energy efficiency through the Clean Energy Ministerial and key bilateral programs. The cost-effective opportunities are enormous: The Ministerial' s Super-Efficient Equipment and Appliance Deployment Initiative and its Global Superior Energy Performance Partnership are helping to accelerate the global adoption of standards and practices that would cut energy waste equivalent to more than 650 mid-size power plants by 2030. We will work to expand these efforts focusing on several critical areas, including: improving building efficiency, reducing energy consumption at water and wastewater treatment facilities, and expanding global appliance standards.

Negotiating Global Free Trade in Environmental Goods and Services: The U.S. will work with trading partners to launch negotiations at the World Trade Organization towards global free trade in environmental goods, including clean energy technologies such as solar, wind, hydro and geothermal. The U.S. will build on the consensus it recently forged among the 21 Asia-Pacific Economic Cooperation (APEC) economies in this area. In 2011, APEC economies agreed to reduce tariffs to 5 percent or less by 2015 on a negotiated list of 54 environmental goods. The

APEC list will serve as a foundation for a global agreement in the WTO, with participating countries expanding the scope by adding products of interest. Over the next year, we will work towards securing participation of countries which account for 90 percent of global trade in environmental goods, representing roughly $481 billion in annual environmental goods trade. We will also work in the Trade in Services Agreement negotiations towards achieving free trade in environmental services.

Phasing Out Subsidies that Encourage Wasteful Consumption of Fossil Fuels: The International Energy Agency estimates that the phase-out of fossil fuel subsidies – which amount to more than $500 billion annually – would lead to a 10 percent reduction in greenhouse gas emissions below business as usual by 2050. At the 2009 G-20 meeting in Pittsburgh, the United States successfully advocated for a commitment to phase out these subsidies, and we have since won similar commitments in other fora such as APEC. President Obama is calling for the elimination of U.S. fossil fuel tax subsidies in his Fiscal Year (FY) 2014 budget, and we will continue to collaborate with partners around the world toward this goal.

Leading Global Sector Public Financing Towards Cleaner Energy: Under this Administration, the United States has successfully mobilized billions of dollars for clean energy investments in developing countries, helping to accelerate their transition to a green, low-carbon economy. Building on these successes, the President calls for an end to U.S. government support for public financing of new coal plants overseas, except for (a) the most efficient coal technology available in the world's poorest countries in cases where no other economically feasible alternative exists, or (b) facilities deploying carbon capture and sequestration technologies. As part of this new commitment, we will work actively to secure the agreement of other countries and the multilateral development banks to adopt similar policies as soon as possible.

Strengthening Global Resilience to Climate Change: Failing to prepare adequately for the impacts of climate change that can no longer be avoided will put millions of people at risk, jeopardizing important development gains, and increasing the security risks that stem from climate change. That is why the Obama Administration has made historic investments in bolstering the capacity of countries to respond to climate-change risks. Going forward, we will continue to:

- Strengthen government and local community planning and response capacities, such as by increasing water storage and water use efficiency to cope with the increased variability in water supply

- Develop innovative financial risk management tools such as index insurance to help smallholder farmers and pastoralists manage risk associated with changing rainfall patterns and drought

- Distribute drought-resistant seeds and promote management practices that increase farmers' ability to cope with climate impacts.

Mobilizing Climate Finance: International climate finance is an important tool in our efforts to promote low-emissions, climate-resilient development. We have fulfilled our joint developed country commitment from the Copenhagen Accord to provide approximately $30 billion of climate assistance to developing countries over FY 2010-FY 2012. The United States contributed approximately $7.5 billion to this effort over the three year period. Going forward, we will seek to build on this progress as well as focus our efforts on combining our public resources with smart policies to mobilize much larger flows of private investment in low-emissions and climate resilient infrastructure.

II. Leading Efforts to Address Climate Change through International Negotiations

The United States has made historic progress in the international climate negotiations during the past four years. At the Copenhagen Conference of the United Nations Framework Convention on Climate Change (UNFCCC) in 2009, President Obama and other world leaders agreed for the first time that all major countries, whether developed or developing, would implement targets or actions to limit greenhouse emissions, and do so under a new regime of international transparency. And in 2011, at the year-end climate meeting in Durban, we achieved another breakthrough: Countries agreed to negotiate a new agreement by the end of 2015 that would have equal legal force and be applicable to all countries in the period after 2020. This was an important step beyond the previous legal agreement, the Kyoto Protocol, whose core obligations applied to developed countries, not to China, India, Brazil or other emerging countries.
The 2015 climate conference is slated to play a critical role in defining a post-2020 trajectory. We will be seeking an agreement that is ambitious, inclusive and flexible. It needs to be ambitious to meet the scale of the challenge facing us. It needs to be inclusive because there is no way to meet that challenge unless all countries step up and play their part. And it needs to be flexible because there are many differently situated parties with their own needs and imperatives, and those differences will have to be accommodated in smart, practical ways.

At the same time as we work toward this outcome in the UNFCCC context, we are making progress in a variety of other important negotiations as well. At the Montreal Protocol, we are leading efforts in support of an amendment that would phase down HFCs; at the International Maritime Organization, we have agreed to and are now implementing the first-ever sector-wide, internationally applicable energy efficiency standards; and at the International Civil Aviation Organization, we have ambitious aspirational emissions and energy efficiency targets and are working towards agreement to develop a comprehensive global approach.

KIUC EXHIBIT 14

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

And/Or

In the Confidential File Materials at the PSC

KIUC EXHIBIT 15

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

And/Or

In the Confidential File Materials at the PSC

Tab No. 59
Filing Requirement
807 KAR 5:001 Section 10(10)(m)
Sponsoring Witness: Billie J. Richert

Description of Filing Requirement:

Revenue summary for both base and forecasted periods with supporting schedules which provide detailed billing analyses for all customer classes.

Response:

The base period revenue summary, which includes detailed billing analyses for all customer classes, is included on pages 1 through 4 of the attachment to this response.

The forecasted period revenue summary, which includes detailed billing analyses for all customer classes, is included on pages 5 through 8 of the attachment to this response.

KIUC EXHIBIT 16

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Base Period 12ME - April 30, 2013
Base Year 5/1/2012 - 4/30/2013
Revenue Summary

	Total Base Year Revenue (000s)
Rural	$ 124,786
Large Industrial	45,927
Smelter	363,712
Total	$ 534,425

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Base Period 12ME - April 30, 2013

Billing Analysis Base Year
Actual Billing Determinants and Revenue 5/1/2012 - 10/31/2012
Forecasted Billing Determinants and Revenue 11/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 4/30/2013

Smelter Rate	Billing Units	Rate	Revenue $
Base Fixed Energy (kWh)	7,325,304,000	$ 0.039405	$ 288,655,720
Base Variable Energy	34,591,103	0.021806	754,294
Back-Up Energy	12,573,778	0.039529	497,024
Surplus Energy	(2,493,184)	0.034709	(86,535)
Supplemental Energy	217,000	0.030114	6,535
TIER Adjustment	7,325,304,000	0.002942	21,550,670
Non-FAC PPA	7,359,895,103	(0.000505)	(3,714,688)
FAC	7,359,895,103	0.003492	25,702,084
Environmental Surcharge	7,359,895,103	0.002263	16,652,656
Surcharge	7,359,895,103	0.001860	13,690,361
Adjustment			4,276
Rate ($/kWh)		$ 0.049349	$ 363,712,397

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Base Period 12ME - April 30, 2013

Billing Analysis Base Year
Actual Billing Determinants and Revenue 5/1/2012 - 10/31/2012
Forecasted Billing Determinants and Revenue 11/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 4/30/2013

Rural Rate	Billing Units	Rate	Billing $	Revenue $
Demand (kW)	5,388,931	$ 9.50	$ 51,194,844	$ 51,194,844
Energy (kWh)	2,420,925,805	0.029736	71,988,650	71,988,650
Base Rate ($/kWh)	2,420,925,805	$ 0.050883	$ 123,183,494	$ 123,183,494
Non-Smelter Non-FAC PPA	2,420,925,805	$ (0.001242)	$ (3,006,668)	$ (3,006,668)
FAC	2,420,925,805	0.003480	8,423,690	8,423,690
Environmental Surcharge	2,420,925,805	0.002534	6,135,605	6,135,605
Surcredit	2,420,925,805	(0.004110)	(9,950,155)	(9,950,155)
Economic Reserve	2,420,925,805	(0.006442)	(15,596,792)	
Rate ($/kWh)		$ 0.045103	$ 109,189,174	$ 124,785,966

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Base Period 12ME - April 30, 2013

Billing Analysis Base Year
Actual Billing Determinants and Revenue 5/1/2012 - 10/31/2012
Forecasted Billing Determinants and Revenue 11/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 4/30/2013

Large Industrial Rate	Billing Units	Rate	Billing $	Revenue $
Demand (kW)	1,700,070	$ 10.50	$ 17,850,735	$ 17,850,735
Energy (kWh)	953,161,521	0.024505	23,357,223	23,357,223
Base Rate ($/kWh)	953,161,521	$ 0.043233	$ 41,207,958	$ 41,207,958
Non-Smelter Non-FAC PPA	953,161,521	$ (0.001249)	$ (1,190,856)	$ (1,190,856)
FAC	953,161,521	0.003490	3,326,542	3,326,542
Environmental Surcharge	953,161,521	0.006866	6,544,658	6,544,658
Surcredit	953,161,521	(0.004156)	(3,961,493)	(3,961,493)
Economic Reserve	953,161,521	(0.010744)	(10,240,683)	
Rate ($/kWh)		$ 0.037440	$ 35,686,126	$ 45,926,809

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Forecasted Period 12ME - August 31, 2014
Forecasted Year 9/1/2013 - 8/31/2014
Revenue Summary

		Total Forecasted Year Revenue (000s)
Rural	$	179,193
Large Industrial		54,433
Smelter		189,502
Total	$	423,128

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Forecasted Period 12ME - August 31, 2014
Billing Analysis Forecasted Year
Budgeted Billing Determinants and Revenue 9/1/2013 - 8/31/2014

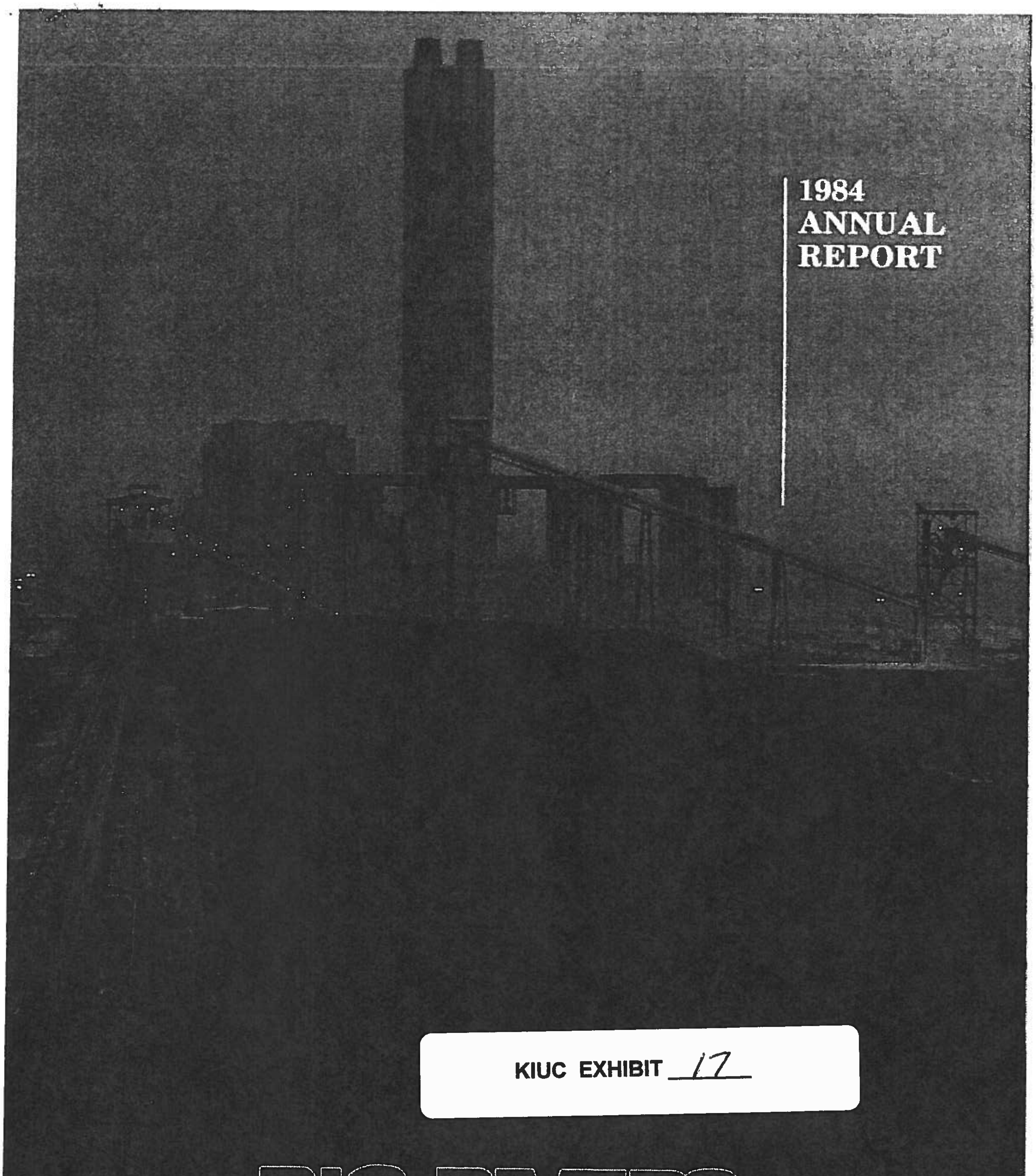
Smelter Rate	Billing Units		Rate		Revenue $
Base Fixed Energy (kWh)	3,159,206,400	$	0.047597	$	150,368,554
TIER Adjustment	3,159,206,400	$	0.002945	$	9,303,467
Non-FAC PPA	3,159,206,400		(0.000369)		(1,165,347)
FAC	3,159,206,400		0.005121		16,176,808
Environmental Surcharge	3,159,206,400		0.002818		8,905,812
Surcharge	3,159,206,400		0.001872		5,912,468
Rate ($/kWh)		$	0.059984	$	189,501,761

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Forecasted Period 12ME - August 31, 2014
Billing Analysis Forecasted Year
Budgeted Billing Determinants and Revenue 9/1/2013 - 8/31/2014

Rural Rate	Billing Units	Rate	Billing $	Revenue $
Demand (kW)	5,322,297	$ 16.95	$ 90,212,932	$ 90,212,932
Energy (kWh)	2,436,557,000	0.030000	73,096,710	73,096,710
Base Rate ($/kWh)	2,436,557,000	$ 0.067025	163,309,642	163,309,642
Non-Smelter Non-FAC PPA	2,436,557,000	$ (0.000781)	$ (1,903,467)	$ (1,903,467)
FAC	2,436,557,000	0.005141	12,526,275	12,526,275
Environmental Surcharge	2,436,557,000	0.003897	9,496,100	9,496,100
Surcredit	2,436,557,000	(0.001738)	(4,235,358)	(4,235,358)
Economic Reserve	2,436,557,000	(0.010114)	(24,642,915)	
Rate ($/kWh)		$ 0.063430	$ 154,550,277	$ 179,193,192

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Forecasted Period 12ME - August 31, 2014
Billing Analysis Forecasted Year
Budgeted Billing Determinants and Revenue 9/1/2013 - 8/31/2014

Large Industrial Rate	Billing Units	Rate	Billing $	Revenue $
Demand (kW)	1,674,594	$ 12.41	$ 20,781,712	$ 20,781,712
Energy (kWh)	943,698,679	0.030000	28,310,960	28,310,960
Base Rate ($/ kWh)	943,698,679	$ 0.052022	49,092,672	49,092,672
Non-Smelter Non-FAC PPA	943,698,679	$ (0.000781)	$ (737,229)	$ (737,229)
FAC	943,698,679	0.005125	4,836,245	4,836,245
Environmental Surcharge	943,698,679	0.003092	2,918,280	2,918,280
Surcredit	943,698,679	(0.001777)	(1,677,110)	(1,677,110)
Economic Reserve	943,698,679	(0.009302)	(8,778,318)	
Rate ($/kWh)		$ 0.048379	$ 45,654,540	$ 54,432,858



1984 ANNUAL REPORT

KIUC EXHIBIT 17

BIG RIVERS
ELECTRIC CORPORATION

PRESIDENT'S AND GENERAL MANAGER'S REPORT

BIG RIVERS

This year, like the one Charles Dickens wrote about in *A Tale of Two Cities,* was both the worst and the best of times. Net income from operations reflected one of our best years. But when it comes to solving the financial predicament associated with the construction of our latest generating plant, that's another story.

Let's deal first with the troubles accompanying completion of the D. B. Wilson Plant, a 395-megawatt (MW) (net capacity) coal-fired generating facility. Our story is not unique. About eight years ago we researched and planned for a two-unit plant. At that time, demand and growth were increasing at 10 percent annually. And we knew we must add more capacity to continue meeting our distribution cooperatives' member-owners electrical needs reliably and cost efficiently. As the national economy suddenly plummeted, we revised our load forecasts, delayed and ultimately cancelled the second unit. The need for Unit No. 1 was still there, however. As completion neared on that unit, the aluminum market took a drastic and unpredicted nosedive. And that serious drop had a profound effect on Big Rivers. Two aluminum smelters — National-Southwire Aluminum (NSA), Hawesville, and ARCO Metals (now Alcan), Sebree — consume 70 percent of our power. In the spring of the year, we at Big Rivers were in the midst of finalizing a leveraged lease with General Electric Credit Corporation. Consummation of that deal and a 19 percent wholesale rate increase (our first in four years) were the means we had worked out to bring Wilson Unit No. 1 on line while avoiding a prohibitively high rate increase. During the many months we were negotiating this leveraged lease, the aluminum companies were kept up to date. They expressed gratitude for and approval of our innovation and determination. That is, until aluminum prices fell. Survival instincts took over and NSA mounted an intense and effective campaign against our proposed rate increase, citing a plant shutdown because they'd go broke. Obviously, if they were forced to close, there would have been a ripple effect on the entire West Kentucky economy. We were forced to take another look at the rate situation since economic conditions beyond our control had altered both residential and industrial need for more electricity. Unfortunately, the delay killed our leveraged lease.

We looked to the Rural Electrification Administration (REA) for assistance. They put us in touch with two other generation and transmission (G&T) cooperatives who needed power. We approached Wabash Valley Power Association, Inc. and later Oglethorpe Power Corporation about buying all or part of the Wilson Plant. We weren't able to work anything out.

We knew that once commercialization of the Wilson Plant became a reality, there was another reality — that of making our first quarterly payment to REA against the Wilson construction loan. Without revenue from the Wilson Plant, there would be no way to make that payment. The worst of times doesn't begin to describe our situation here. For a while we had two choices, filing for reorganization under Chapter 11 of the U.S. Bankruptcy Act, or a takeover by REA. Big Rivers wanted neither.

Not sitting idly by, we continued seeking prospective buyers for the plant and buyers for long-term power. At year's end we were expecting REA to approve our contract with Municipal Energy Agency of Mississippi for 54 MW of power. We are hoping that we can nail down other contracts that we're negotiating.

On November 28, Big Rivers filed suit in U.S. District Court against REA for withholding $27.6 million in loan money previously promised for construction projects, including the Wilson Plant. The money withheld does not affect the ongoing operation of this Corporation but was designated to pay vendors already completing major projects or in the process of finishing them. After refusing to distribute October and November disbursements, REA said they would release the funds when we consolidated with East Kentucky Power Cooperative (EKPC). In mid-December our board of directors and the board at East Kentucky, Winchester, approved Bechtel Energy Corporation to conduct an "organizational alternatives study." The study will include a gamut of

Morton Henshaw
President, Board of Directors

William H. Thorpe
General Manager

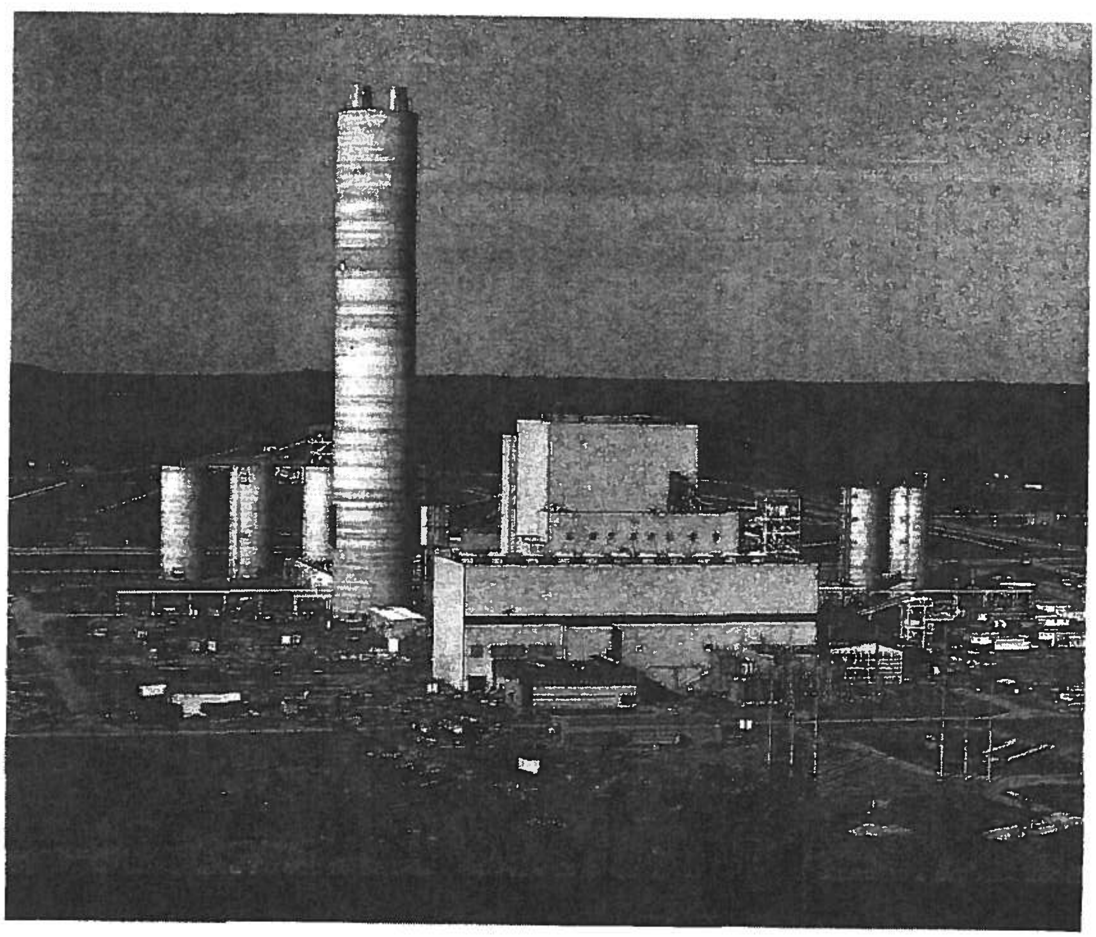
possibilities. East Kentucky is an 18-member G&T providing electricity to 280,000 member-owners in Eastern and Central Kentucky. Their load is 95 percent residential. Results of this study are not expected before June 1985. It is REA's contention that combining the two utilities will help solve our financial situation stemming from commercializing the Wilson Plant, and the imbalance between industrial and residential loads. Because it was forced to use current revenues to replace impounded loan funds in paying contractors finishing the Wilson Plant, Big Rivers did not make its November and December 1984 loan payments to REA, which declared all of Big Rivers' loans payable. The U.S. Department of Justice then sued Big Rivers to foreclose the REA mortgage. This suit and Big Rivers' suit against REA Administrator Harold Hunter are pending.

Earlier we mentioned that despite all the troubles surrounding the Wilson Plant, we otherwise had a good year. On January 3, we successfully completed the cutover of Jackson Purchase Electric Cooperative Corporation's load from an investor-owned utility to Big Rivers. We finished construction of new transmission substations and lines, including our first 345-kilovolt (kV). We ended the year with margins of $4.7 million.

Big Rivers' results from operations were good: sales to members increased 671,333,496 kilowatt-hours (kWh); we set a record net generation of 6,876,367,100 kWh; our system coincidental peak of 1027 was up 75 MW above the 1983 peak; and we operated successfully and soundly for the fourth consecutive year without a wholesale rate increase. In the following report, you will learn in more detail about these and other significant events of 1984.

Even though a professional engineering consultant reviewed our load forecasts and we were experiencing unprecedented growth, a faltering American economy abruptly stunted that growth in West Kentucky. For the present, Wilson Unit No. 1 just isn't needed, and we at Big Rivers have been paying a painful price. But we're doing everything humanly possible to lessen the effect on our consumers.

THE WILSON PLANT, at present, is not needed by Big Rivers' distribution cooperatives' consumer-members. Big Rivers is seeking to solve the dilemma without burdening the consumers. The Rural Electrification Administration (REA) has recommended Big Rivers merge with East Kentucky Power Cooperative in Winchester. Big Rivers and East Kentucky at year's end hired a consultant to study merger.



We were not able to predict the severe and dramatic changes in the national economy. We hope to solve these problems and keep the plant. If not, it won't be long before we'll once again be facing insufficient capacity and the cost of building will only increase.

Emotionally, it's been a roller-coaster year. During the months of trying to work something out following the plunge in aluminum prices, one week we'd be optimistic, then that door would slam shut, and down we'd go again. That's how it was time and time again. Imagine employee morale around here when almost daily for months you could not pick up a paper or listen to a broadcast without being reminded that Big Rivers was teetering on the brink of a financial disaster.

This is the time to emphasize just how decent, patient and committed our employees have been. While people throughout this Corporation were rightfully concerned, there was no panic, and our personnel continued efficient day-to-day operation of Big Rivers. That's a real tribute to our employees.

On November 16, we filed a minimal wholesale rate increase to cover operating costs. The Wilson Plant was not included. Details of the rate change are discussed in the Finance Department report.

On April 12, 1985, Big Rivers' board of directors agreed to merge with EKPC as outlined in Bechtel Energy Corporation's preliminary report which showed the merger to be economically feasible. If East Kentucky's board favors consolidation, both utilities would ask their respective distribution cooperatives' boards to approve the merger plan. State statute requires the approval of a majority of these cooperatives. If the co-ops agree to merger, REA and the Kentucky PSC would then have to approve the plan after public hearings.

In closing we convey our gratitude to the directors for their tireless efforts to solve the crucial problems we encountered this year. We are grateful for each director's experience, concern and relentless pursuit of a solution mutually beneficial and acceptable to everyone involved.

Sadly we note the December 7 death of board vice president Texal D. Brooks (see page 24). We shall miss his knowledge, his warmth and humor. Sandra Wood was chosen to fill the vacancy. She is the first woman to serve on our board. We deeply regret the circumstances necessitating the election of a new board member, but we welcome her ideas and enthusiasm as our board and management strive to resolve the Wilson dilemma.

Morton Henshaw

Morton Henshaw
President, Board of Directors

W. H. Thorpe

William H. Thorpe
General Manager

BIG RIVERS
ELECTRIC CORPORATION

Annual Report

1985

PRESIDENT'S AND GENERAL MANAGER'S REPORT

Frustration best characterizes a year of repeated attempts to solve Big Rivers Electric Corporation's financial crisis. What was the source of this frustration? Several factors.

We began the year with a pending rate case, being delinquent on our debt service, being sued by the federal government to foreclose on our mortgage and requesting the assets of this corporation be sold at the courthouse steps, being threatened with closing of our large-load aluminum smelting plants, being pressured by the Rural Electrification Administration (REA) to merge with another Kentucky generating cooperative, having the loan funds to complete the D. B. Wilson Plant and other construction projects withheld, being publicly accused of imprudent management, having low employee morale and being faced with bankruptcy which would have a devastating impact on the entire west Kentucky economy.

Big Rivers was catapulted into these troubles when, upon nearing completion in 1984 of the D. B. Wilson Plant, the forecasted demand for electricity did not materialize and the price of aluminum sank to the lowest level ever in real dollars. Two aluminum smelters use about 70 percent of all power Big Rivers generates for members.

Late in 1984 REA refused to release approved loan funds because of our financial situation. Big Rivers chose to use existing operating funds to pay contractors finishing our Wilson Plant. Consequently, we were unable to make our November and December 1984 loan payments to REA. The federal government's response was the foreclosure suit.

That $1.1 billion foreclosure suit and a Big Rivers' suit against the federal government for withholding the loan money are pending in U.S. District Court with the next pretrial conference scheduled for April 30, 1986. During the interim, a working committee of representatives from Big Rivers, the Justice Department, REA, Manufacturers Hanover Trust Company and Irving Trust Company continue to meet in efforts to find a mutually acceptable way of resolving our precarious situation.

In February, Kentucky's 1st District Congressman requested the Government Accounting Office (GAO) and later the Inspector General's Office (IG) of the U.S. Department of Agriculture to audit Big Rivers' management. Several months later each agency notified us that the audits found neither mismanagement nor fault with our decision-making process in building the Wilson Plant.

In June, REA rejected the merger proposal which Big Rivers and East Kentucky Power Cooperative, Inc. (EKPC) boards of directors jointly submitted earlier in the year. REA had strongly recommended that both Kentucky generation and transmission cooperatives (G&Ts) consider merger.

The Wilson facility, a 409-megawatt (MW) (net capacity) coal-fired generating plant, was not commercialized during 1985. We did sell test power from the unit.

While at many times during the year our endurance and patience were pushed to near limits, the latter part of the year saw some stability return to the corporation. Two of the contributing factors were the intervention of U.S. Senator Mitch McConnell and our initial success in selling long-term power from the Wilson Plant, highlighted in the Energy Supply Department report.

On November 11, Senator McConnell conducted an Agriculture Committee field hearing in Henderson "to set some fires under the negotiators in this mess." Representatives from local government, lending institutions, aluminum smelters and Big Rivers and concerned citizens spoke at the hearing. At the conclusion of that public forum, the Senator said the federal government should drop its suit against Big Rivers and help work out the financial problems. The federal agencies continue to participate in the negotiations of the working committee mentioned earlier in this report.

In our continuing efforts to minimize costs, we were successful in revising coal contracts which will save our 75,000 consumers nearly $19 million on electric bills over the next few years. We've been working on reducing coal costs for more than two years, and these are some of the last contracts to be renegotiated. More detailed information can be found in the Fuels Department report.

The Big Rivers' Board of Directors welcomed two new members, Bill Doom (Jackson Purchase Electric Cooperative Corporation) and Marion Cecil (Green River Electric Corporation), replacing Harvey Sanders (JPECC) and Edward Delker (GREC). We thank our entire board for their special dedication and resolve in searching for a workable solution to our serious problems. Big Rivers employees also deserve recognition for conducting "business as usual" and for not letting the longevity of the Wilson situation permanently keep them down.

We dare not predict what 1986 will bring. But we can and we will hope that the year holds a mutually acceptable solution, one that will bring normalcy to this cooperative.

Morton Henshaw

Morton Henshaw
President, Board of Directors

W. H. Thorpe

William H. Thorpe
General Manager

FINANCE

The year began with enormous uncertainties. And even though large strides have been taken, at year-end Big Rivers had not resolved its financial crisis.

As the year closed, Big Rivers was still unable to meet its debt service requirements and was delinquent $120.9 million. Big Rivers is also continuing to capitalize interest during construction and other operating costs net of revenues on the Wilson Plant. The already high installed cost of that generating facility is continuing to grow. The revenue required to pay the increased carrying costs of this facility will become even more prohibitive unless a solution is found and implemented soon.

By the end of the year, Big Rivers had presented to the creditors a workout plan which, in time, would solve our financial dilemma. This plan will be modified as it progresses through the various stages of consideration and as other parties have input.

Big Rivers' financial crisis can be solved through some form of debt restructuring, additional financing, increased rates to the non-smelter load, and additional sales of excess capacity to other utilities. The degree to which each of these items contributes to the financial solution will be determined during 1986 as the final workout plan is negotiated and developed by the involved parties.

During March, Alcan Aluminum Corporation shut down one of its three potlines at its Sebree smelter resulting in a layoff of approximately 250 employees and a reduction of about 100 MW of energy per hour required from Big Rivers.

On May 6, the Kentucky Public Service Commission (PSC) denied our request for a 7.1 percent rate increase. This application, which would have increased annual revenues by $16.7 million, excluded the debt service and other expenses on the Wilson Plant from Big Rivers' revenue needs. This utility has not had an increase since January 1981.

On November 1, Big Rivers was able to pay the bondholders of maturing $82.5 million 7.25% Ohio County pollution control bonds through an $83.3 million refinancing issue secured by Manufacturers Hanover Trust Company's letter of credit. The new bonds have a variable floating rate and initially sold at 5.75%.

National Southwire Aluminum (NSA) at Hawesville filed a petition with the PSC to rehear Big Rivers' rate case on the basis that our rates were established to pay the debt service requirements of our system without the D. B. Wilson Plant. Big Rivers had not been making full payments on the debt service due REA since November 1984. NSA's position was that Big Rivers' rates should be reduced to eliminate the debt service that Big Rivers was collecting through its rates. In July, Big Rivers was able to begin making partial payments on the debt service. The PSC subsequently denied NSA's petition for rehearing.

In November, NSA petitioned the PSC to reduce NSA's cost of power to 22 mills per kilowatt-hour (kWh). The PSC has scheduled a June 4, 1986 public hearing in this matter.

During 1985, Big Rivers had 6.9 billion kWh sales to its members and $208.3 million revenues. Big Rivers' total kWh sales in 1985 were 10.2 billion and had a total revenue of $280.6 million. Net margins for the year were $3.5 million compared to $4.7 million in 1984.

PRODUCTION AND CONSTRUCTION

Total production from the existing system (excluding the Wilson Plant) was 8.23 billion kWh in 1985, compared with 8.76 billion kWh in 1984. This change was primarily due to Alcan removing a potline from service. Operating cost per kWh generated was 25.40 mills in 1985, compared with 24.66 mills in 1984.

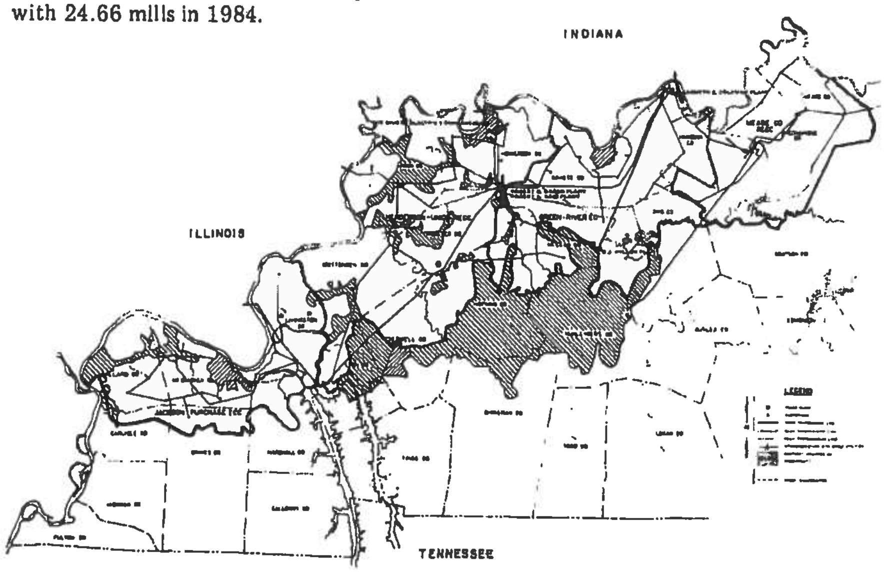
Though the Wilson Plant has not been commercialized due to flue gas scrubber problems, it produced power for intersystem sales in 1985. Initial testing of equipment was successful. The 409 MW net capacity unit operated at 454 MW on January 1, 1986. However, the unit will operate at approximately 325 MW until a fourth scrubber module is installed.

Kellogg Corporation, honoring its contract to provide a scrubber system removing at least 90% of the sulfur from the coal burned prior to the gasses being emitted into the environment, will install at Kellogg's expense a fourth module to meet Environmental Protection Agency standards for this plant. Completion date is projected for September 1986.

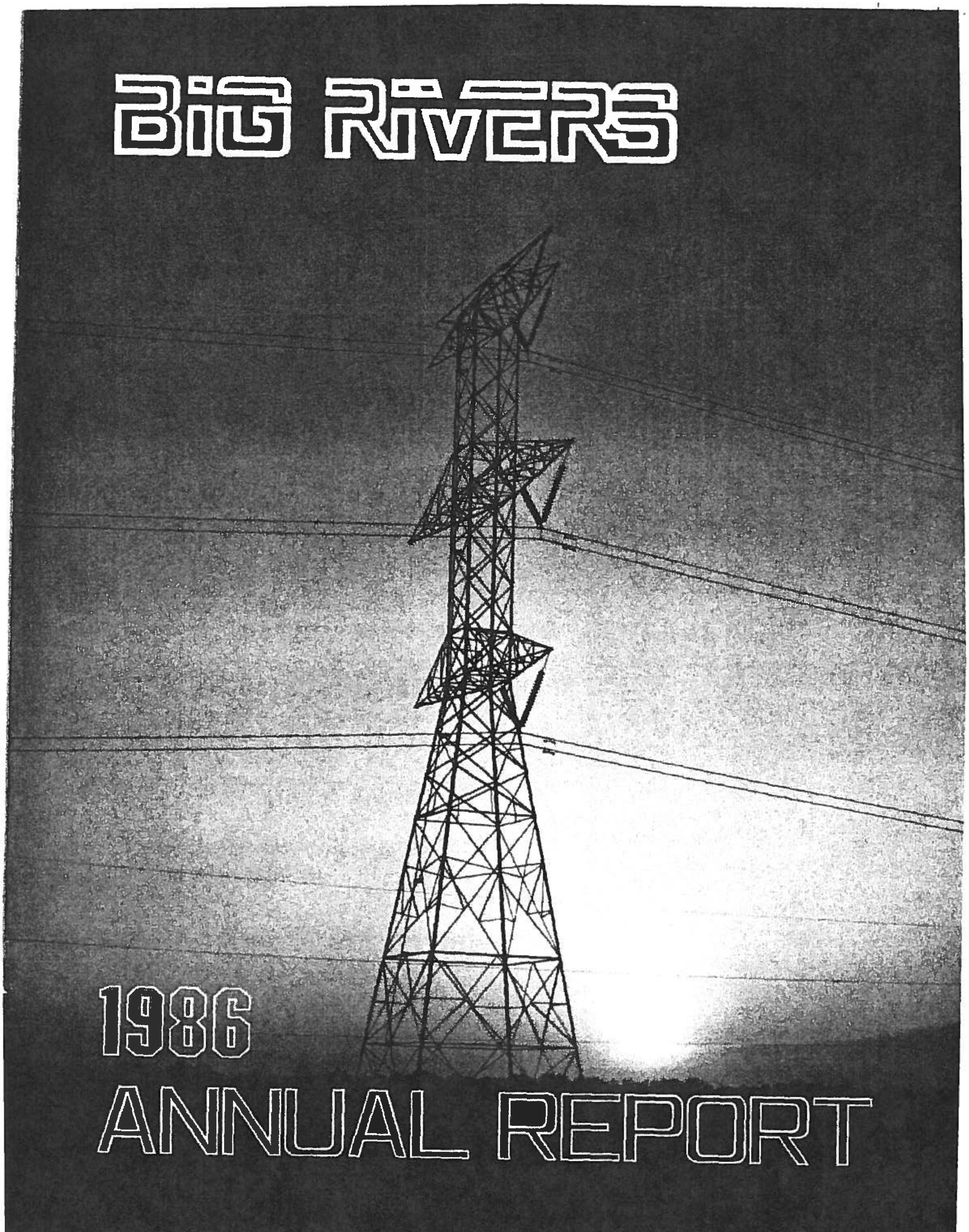
Steam generator problems will be solved during the 1986 spring outage. And during the summer of 1986, results of measures to eliminate cooling tower difficulties will be tested.

High unit availability is a key factor in selling blocks of power. And securing power sales is one way we're attempting to solve our financial crisis. Our units' availability is 89.76% and is a result of the corporation's emphasis on the Maintenance Management and the Performance Monitoring programs.

The men and women at the Kenneth C. Coleman Plant are to be congratulated for working an entire 12 months without a lost-time accident.



BIG RIVERS



1986 ANNUAL REPORT

PRESIDENT'S AND GENERAL MANAGER'S REPORT

After months of intense negotiations with the Rural Electrification Administration (REA), Manufacturers Hanover and Irving Trust — our creditors — we agreed in early August to a workout plan which was expected to begin putting Big Rivers back on a firm financial footing. An essential component of that workout formula was an increase in our rates.

On August 7, Big Rivers filed for a $7.5 million annual increase in revenues over and above revenues based on the 1985 test year. The application was made to the Kentucky Public Service Commission (PSC) and asked for a 3.55 percent increase in total revenues. It would have been Big Rivers' first rate increase since 1981.

The PSC held hearings commencing on December 2 and ending on December 18. On March 17, 1987, it denied the requested rate increase. Although Big Rivers did not seek PSC approval of its workout plan with its creditors, the PSC asserted jurisdiction over and rejected the workout plan. It then initiated a new case, PSC 9885, to establish a revised workout plan and revised rates. It set for hearing on July 28, 1987, the revised workout plan, and revised rates. It ordered Big Rivers to negotiate such a revised workout plan with its creditors, and to negotiate flexible electric rates with the aluminum smelter customers, warning that if this is not done by that date, the PSC would establish rates for Big Rivers.

The Commission further stated:

"In this Order the Commission has asserted its statutory right to review and approve a revised workout plan. The overall goal of the revised workout plan should be to stabilize the Big Rivers service area and provide for economic growth to diversify Big Rivers' load. **The plan must offer an equitable balance among all interests. Any acceptable revised workout plan must seriously consider the following guidelines.**

1. It is the opinion of the Commission that a good starting point for negotiation is the Sunflower Electric Cooperative Debt Restructure Plan. Recognizing the disturbing lack of load diversity and Big Rivers' dependence upon a sluggish aluminum industry, provisions similar to the Sunflower Plan which are not contingent upon an immediate rate increase and guaranteed full repayment of debt are desirable.

2. The immediate and primary source for debt service is off-system sales. Therefore, an agreement on off-system sales should be used in calculating any schedule of debt repayment. Big Rivers' ratepayers should not have unlimited responsibility for the payment of Big Rivers' debt. Furthermore, they should not be required to provide all the revenues required to offset shortfalls arising from insufficient off-system sales.

3. The interests of all affected parties must be considered: rural consumers, industrial customers and creditors. Big Rivers should meet with the creditors to negotiate a revised workout plan. Big Rivers and the aluminum companies should negotiate a flexible rate plan that recognizes the cyclical nature of the industry and the revenue requirements of the utility. Big Rivers, the Attorney General, and other interested parties should meet to discuss the negotiation and determine how the interests of customers other than NSA and Alcan can best be protected.

4. While the Commission expects and the public interest requires that all participants negotiate expeditiously and in good faith, the Commission will make the ultimate decision as to a reasonable long-term solution and no participant will have a veto. The Commission wishes to see the results of negotiations within the time frame established herein.

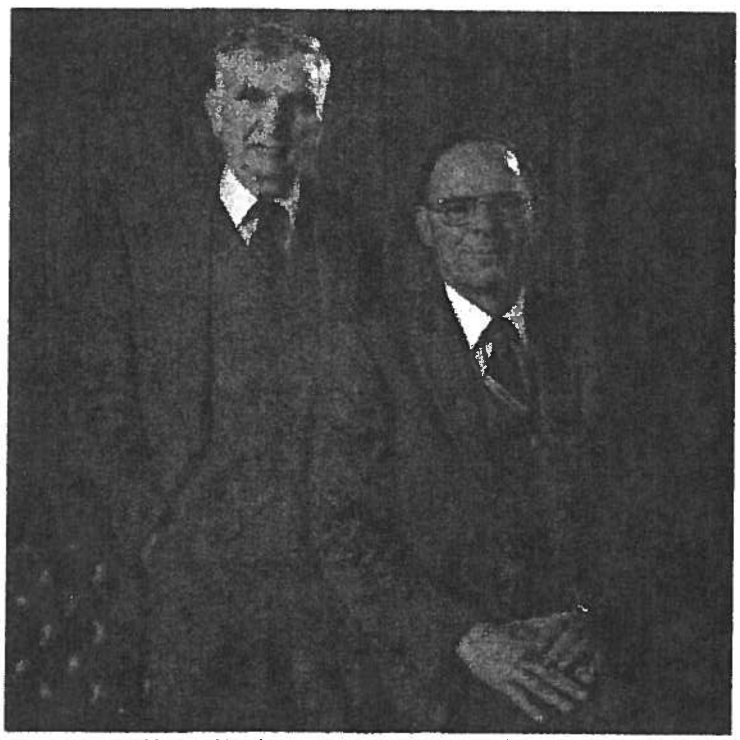
5. **The payment of Big Rivers' obligations to its creditors should take into consideration longer terms, reduced interest rates, deferral of principal and interest payments, preferred stock options, payments tied to off-system sales, and reduction of principal.**

6. Consideration should be given to sale or disposal of Wilson to another entity or through establishment of a generating subsidiary as a possible long-term solution.

7. The plan should include well documented projections of system and off-system sales and cash flow over both the short and long term. Documentation should include a thorough explanation of all assumptions, reasonable specificity of targets, and detailed work papers supporting the long and short run cash flow projections.

8. A revised workout plan must contain much more affirmative support by REA of Big Rivers' efforts to achieve off-system sales. The current workout plan states only that 'the REA will not unreasonably withhold its consent to power sales agreements proposed by BREC (Big Rivers) or to "non-disturbance" provisions with power purchasers in appropriate cases.'

9. Priority of disbursements with regard to principal and interest should be clearly established.



Morton Henshaw William H. Thorpe

10. Big Rivers is currently involved in litigation with REA and the Justice Department, Alcan, and NSA. The revised workout plan should include a settlement of all outstanding litigation."

Though so much of our effort this year was tied to the preparation and presentation of our rate case, we also concentrated in other areas.

The D.B. Wilson generating plant, a 409-megawatt (MW), net capacity, coal-fired unit was placed in commercial operation on November 1, 1986.

We are committed to the economic well-being of western Kentucky. Big Rivers was formed in 1961 not only to provide a reliable and dependable source of electricity but to be a catalyst for regional economic development. In recent years we have seen thousands of western Kentucky jobs lost due to recessions in the coal and steel markets, decline in some manufacturing plants, a devastatingly unstable farm economy and layoffs in many industries, including aluminum. In December Big Rivers hired an Economic Development Representative to assist the 22 counties served by Big Rivers' distribution cooperatives in attracting and retaining business and industry. Bill Johnson came to Big Rivers with the experience, commitment and contacts necessary to provide that help.

To meet the demands of corporate and departmental growth, and to increase efficiency, the functions of our Accounting Department have been placed under a Manager of General Accounting, a Manager of Taxes, Insurance and Budgets, and a Manager of Financial Services.

Big Rivers also welcomed a new board member — Paul Buchanan — representing Jackson Purchase Electric Cooperative Corporation. He replaced Stanley Jones, whom we thank for his dedicated service.

We are grateful to our employees who continued to work efficiently and resolutely despite the uncertainty of our financial future. Our salaried employees in 1986, as in 1985, worked without a general wage increase, and we commend them for their personal sacrifices.

We also recognize our Board of Directors' important contributions and thank them for their support and guidance. Each of the four distribution cooperatives selects three members who serve on our board. These individuals work diligently to protect the concerns of more than 75,000 member-consumers in western Kentucky. Those co-ops and their representatives on our board are identified on the corporate directory page of this report.

Morton Henshaw

Morton Henshaw
President, Board of Directors

W. H. Thorpe

William H. Thorpe
General Manager

FINANCE

During 1986, our distribution members bought 6.2 billion kilowatt-hours (kWh) of power, a .7 billion decrease from the previous year. This change resulted from the shut down of a second potline by Alcan Aluminum at Sebree. The smelter removed one potline during 1985 due to the depressed aluminum prices, and the second potline was closed during 1986 because of economic conditions. Neither of these potlines was returned to service at year end.

Our total kWh sales were 9.5 billion, compared to 10.2 billion in 1985. Total revenues from sales decreased $23.4 million to $257 million. This loss of revenues reflects: the loss of sales to Alcan; savings in lower fuel costs which are passed directly to the consumer in lower energy costs; and the lower sale price of power to interconnected utilities caused by availability of competing excess energy.

Big Rivers incurred a $41.2 million loss in 1986 compared to a $3.5 million net margin in 1985. The November 1 commercialization of the Wilson Plant required discontinuing the capitalization of its associated costs of interest, start-up and testing operations, and began the financial recognition of its operating costs, including interest and depreciation, in the statements of operation. This brought about a $14.6 million loss. Construction costs of $27.7 million associated with Wilson Unit No. 2 which was cancelled in 1984 and carried in a deferred debit account were charged off during the year in accordance with FASB 90.

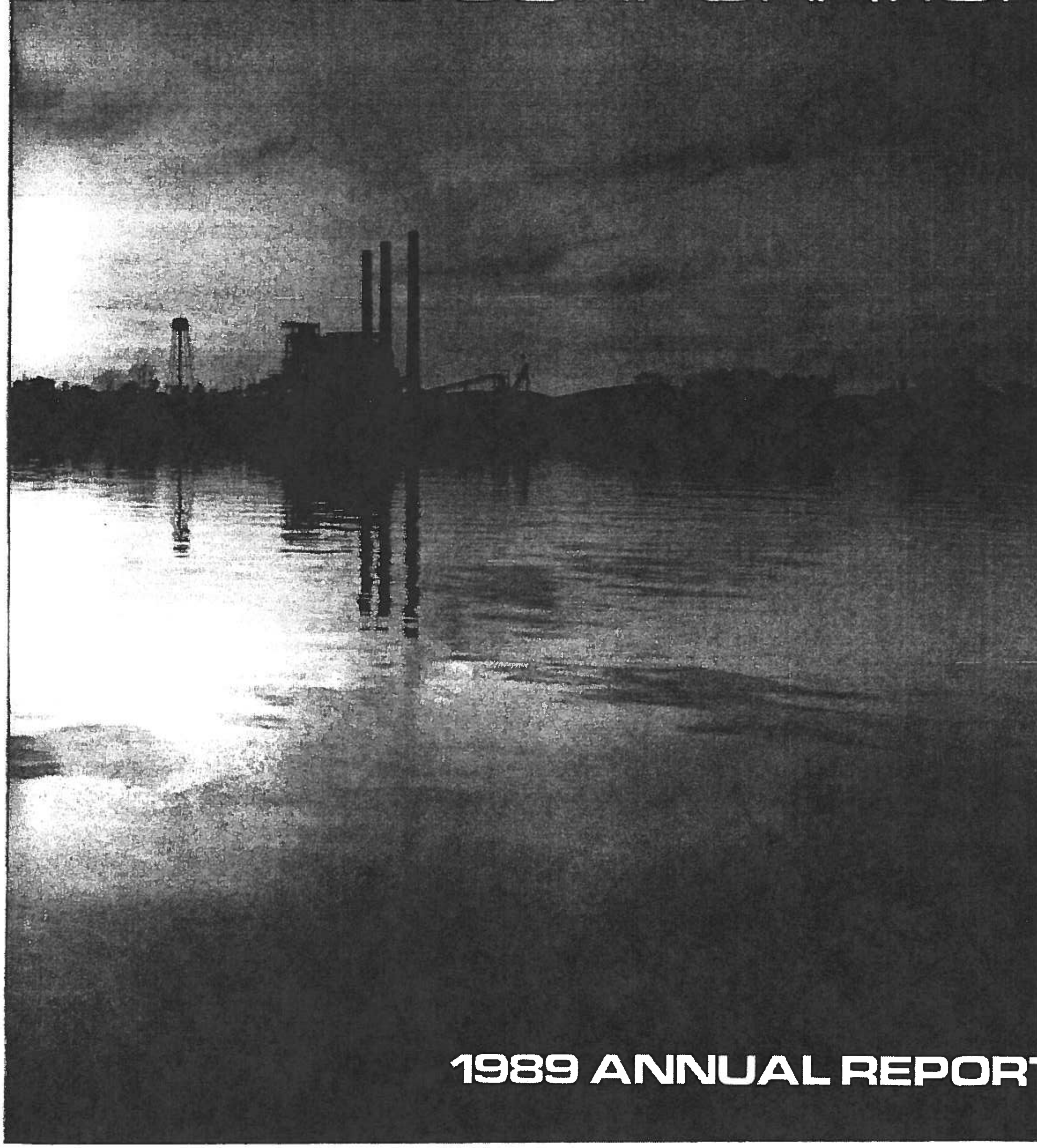
At year end we were in arrears on our original debt service schedule by $198 million, and our equity had decreased to approximately $5 million.

We filed an application with REA to authorize the refinancing of approximately $578 million of loan advances from the Federal Financing Bank which are guaranteed by REA as provided by legislation which amended the Rural Electrification Act of 1936 and in accordance with provisions of Title 7, Code of Federal Regulations. Determination of our eligibility and approval of such refinancing are anticipated in 1987.

As reported last year, a financial workout plan had been submitted to our creditors which included debt restructuring, additional financing, increased rates to the non-smelter load, and time to make additional intersystem sales. During the year, a "Proposed Debt Restructuring Plan" was negotiated which included each of these concepts, although the degree of contribution of each item changed substantially. The executed "Proposed Debt Restructuring Plan" primarily included provisions regarding:

1. the filing of a rate case to include increased capacity charges to $7.50 per month per kW with a ratchet on peak demand.
2. Big Rivers' agreement not to exceed a specified level of capital expenditures without prior creditor approval.
3. specific interim financial operating procedures until the PSC decision becomes final including an escape provision in the event the PSC did not approve Big Rivers' proposed rates.
4. an additional bank loan of $24 million at 8% to be used to pay higher cost government debt.
5. the financing of government arrearage debt at an 8% interest rate.

BIG RIVERS ELECTRIC CORPORATION



PRESIDENT'S AND GENERAL MANAGER'S REPORT

The decade of the '80s was extremely turbulent and frustrating for Big Rivers Electric Corporation. It began with great promise for growth, and construction of the D.B. Wilson Plant was started in 1980. By 1982, the economy had turned downward, aluminum prices dropped significantly, and by 1984 Big Rivers faced financial difficulties. During the ensuing years, the corporation was embroiled in Kentucky Public Service Commission (KPSC) hearings, lawsuits, threatened foreclosure by the Rural Electrification Administration (REA), and negotiations to resolve its financial problems. However, these trying times resulted in a complete restructuring of debt and a workout plan which promises a stable, progressive future.

Closing out this turbulent decade, 1989 can best be described as a record year which provided increased momentum in regaining our financial strength and stability. Records and accomplishments were:

- A new system peak demand of 1,177 megawatts (MW) was recorded on December 22, breaking the previous high of 1,157 MW established on August 18, 1988.

- For the first year ever, each monthly system peak demand was in excess of 1,000 MW.

- The highest member energy requirement in a 24-hour period was also recorded on December 22, with 27,310 megawatt-hours (MWh), for an average system hourly demand of 1,138 MW.

- Energy sales to members totalled 8,072,761,464 kilowatt-hours (kWh), which was 258,154,390 kWh greater than the previous high of 7,814,607,074.

- Margins for the year were $35,133,319, the largest ever, which reduced our deficit equity to $29,406,971.

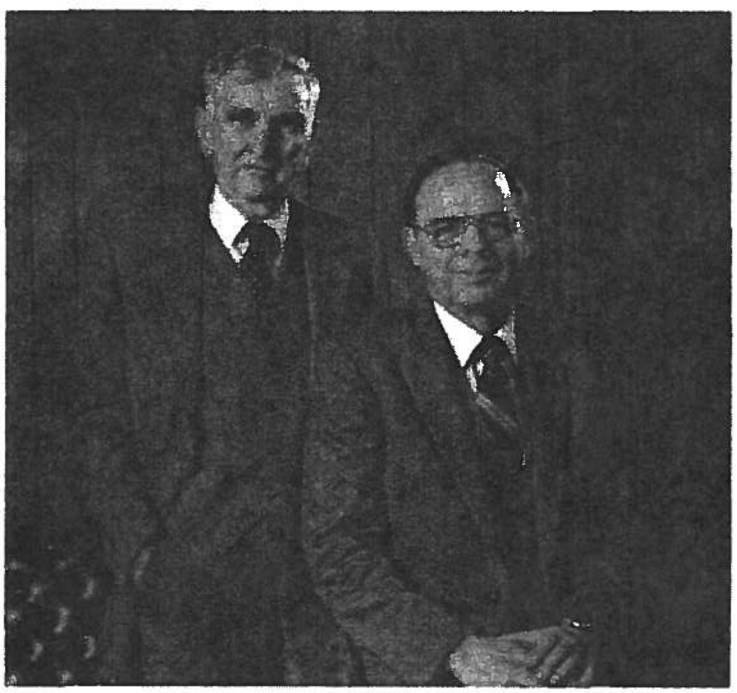
- Payments totaling $202,159,245 were made for debt service, the most ever paid in one year.

- $186,484,389 was paid on our total government debt, reducing the principal amount of outstanding debt due REA to $929,015,682.

- $15,674,856 was paid on pollution control bonds and other debt.

- Two intersystem power sales contracts of 200 MW each were executed. The first, a 3-year contract with Oglethorpe Power Corporation of Tucker, Georgia, is their first firm power agreement with a utility other than Georgia Power Company. The second, a 21-year contract with Indianapolis Power & Light Company (IPL) was executed in September. IPL will begin purchasing 100 MW on January 1, 1991, and the second 100 MW on January 1, 1993. Indiana Utility Regulatory Commission approval is pending. For 1990, a "reservation charge" will be paid by IPL in return for Big Rivers' guarantee to make the capacity available beginning in 1991.

- Valley Grain Products, Inc., a new industrial customer



Morton Henshaw William H. Thorpe

of Henderson-Union Rural Electric Cooperative Corporation (Henderson-Union), became the first company to receive service under a KPSC-approved economic development rate.

- Southwire Company of Carrollton, Georgia, a member of Green River Electric Corporation (Green River Electric), doubled production at its Hancock County, Kentucky, rod and cable mill and became the second industrial customer qualifying for this new rate.

These new milestones in our continuing operations were gratifying, but of even more importance is the settlement of disputes with our members' two largest companies, the aluminum smelters.

On February 27, 1990, Big Rivers, Henderson-Union, Green River Electric, Alcan Aluminum (Alcan), and National-Southwire Aluminum (NSA) asked the KPSC for prompt approval of a settlement which assures Big Rivers the same revenue level as contemplated in the Debt Restructuring Agreement with our creditors and assures the viability of the smelters when aluminum prices are low.

The variable rate (fluctuates with the market price of aluminum) will remain in effect, however, through a balancing account, the settlement results in Big Rivers receiving an average of 29.1285 mills per kWh from January 1, 1990, through August 31, 1997. This rate is subject to fuel cost adjustments, changes in law or regulations (including acid rain and taxes) and the load factor at which the smelters operate.

If approved, the settlement eliminates the 1990 review of the variable aluminum tariff, resolves the present NSA complaint before the KPSC, dismisses all pending KPSC appeals, as well as litigation in the Kentucky courts regarding the first two rate increases and the Debt Restructuring Agreement. The parties have agreed to not initiate new litigation or complaints pertaining to the variable aluminum rate during the term of the rate (August 1997) or oppose Big Rivers' third rate increase which will be filed with the KPSC by July 1, 1990, to be effective January 1, 1991. If approved, this will increase the demand charge from $8.80 per KW per month to $10.15. In addition, the settlement provisions under the Debt Restructuring Agreement were modified, giving Big Rivers more flexibility in meeting its debt service obligations.

A management audit of the Corporation, as required by Kentucky law for the state's largest utilities, began in October. Big Rivers is the last corporation of this group to be scrutinized. All interviews have been completed and all requested documents have been furnished to the auditing group. The audit is scheduled to be complete, with recommendations, by mid-April 1990.

The details in the remainder of this report, we believe, indicate that Big Rivers is now on a firm footing and is well positioned to meet the challenges of the future.

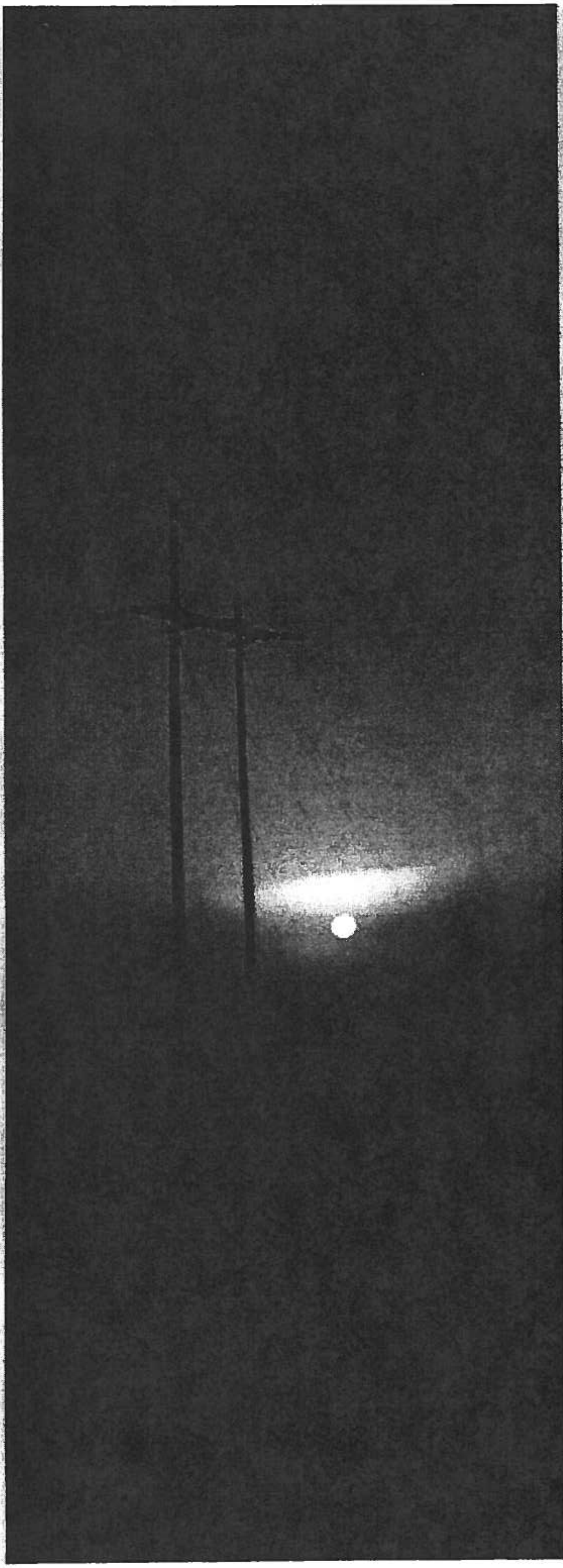
Big Rivers' management and Board of Directors sincerely appreciate the dedication and perseverance of our employees during the past ten years, and we look forward to working together during the promising years ahead.

Morton Henshaw

Morton Henshaw
President, Board of Directors

W. H. Thorpe

William H. Thorpe
General Manager



1993 Annual Report

Big Rivers Electric Corporation

President's & General Manager's Report

We are pleased to report that we are continuing to improve our operations through increased sales and improved efficiencies. New sales records were established in 1993. A new system peak demand of 1,217 MW occurred on July 28, compared to the previous record of 1,177 MW set on December 22, 1989. Energy sales of 11,247,464 MWh during the year surpassed the 1988 record of 11,003,122 MWh. Revenues increased from last year by 9.7 percent to $350.9 million, while operating expenses increased 9.3 percent to $291.5 million. Although we incurred a net loss of $30.6 million, this was a betterment of 19.3 percent from 1992 and our third consecutive year of improved results.

The year can best be summarized as a year of audits, reviews, investigations, hearings, and litigation. The year began with the continuation of investigations by the Federal Bureau of Investigation (FBI) and the Internal Revenue Service (IRS) of certain coal suppliers, the company's former general manager, and other individuals not related to the company. Big Rivers is not and has not been a target of these investigations and is fully cooperating with the investigators.

Two of the individuals under investigation have been indicted and have pleaded guilty to numerous counts relating to corruption in the western Kentucky coal industry. Eddie R. Brown, owner of coal companies and a trucking firm which had conducted business with Big Rivers, was indicted and pleaded guilty to numerous counts, wherein it is alleged that he made payments to a third party, Shirley Pritchett, for the benefit of W.H. Thorpe, Big Rivers' former general manager, and payments to Thorpe's daughter, Denise Perkins, all for Thorpe's favorable consideration in the awarding and maintaining of contracts between Big Rivers and Brown. Shirley Pritchett has also been indicted and pleaded guilty to numerous counts, including the payment of approximately $700,000 to Thorpe.

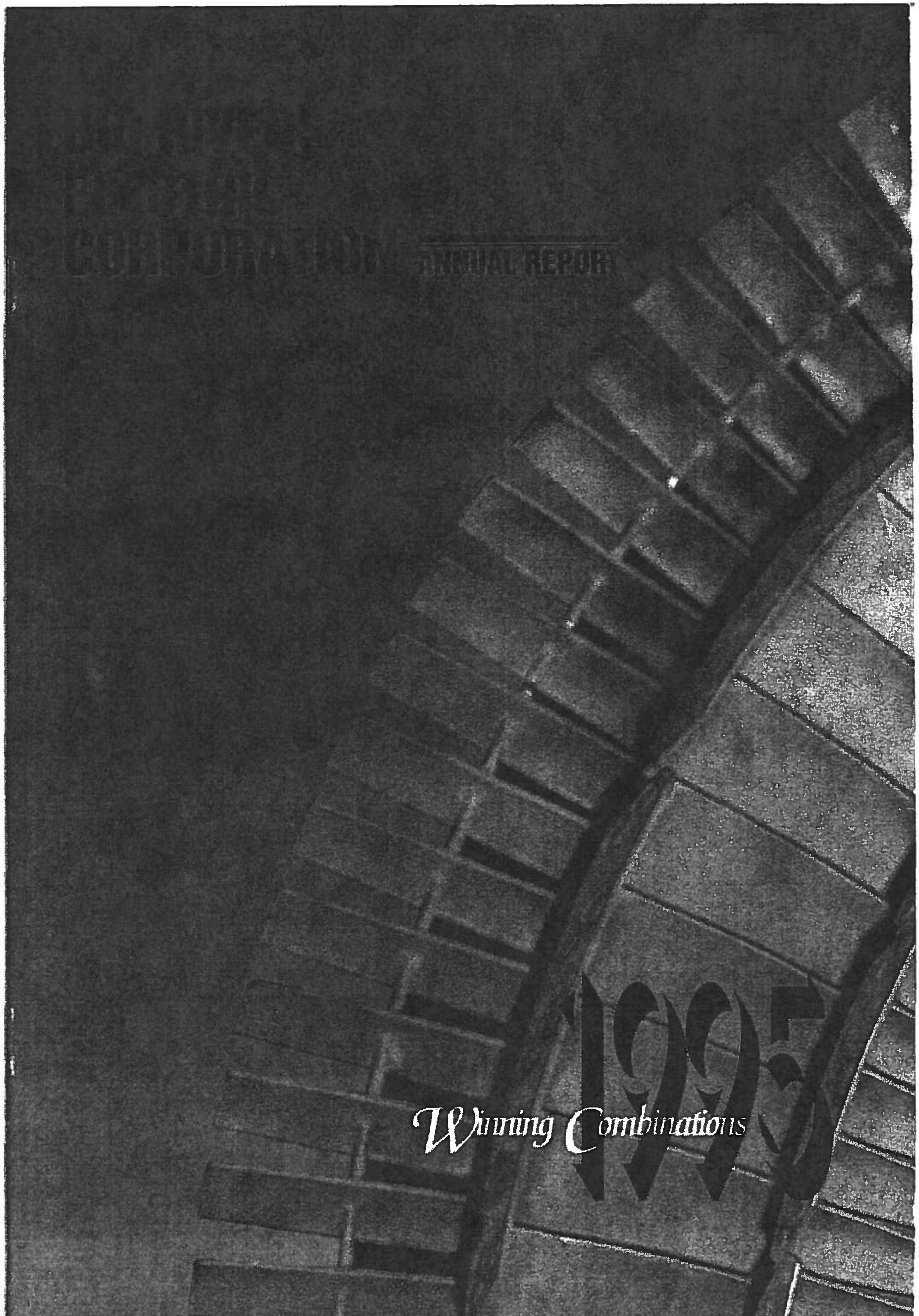
Big Rivers has filed a lawsuit seeking a declaratory judgement to set aside three coal contracts with Costain Coal, Inc. The contracts were entered into in 1981, 1983, and 1984 with Jim Smith Contracting Co. Smith sold the coal contracts and other coal properties to Costain in 1987. In 1988, Smith paid Thorpe $500,000 for advice on the sale of a rail line.

Neither Thorpe nor Perkins has been indicted. Thorpe and Perkins deny any wrongful acts. In a plea agreement in the U.S. District Court for western Kentucky, Pritchett agreed to pay Big Rivers approximately $1 million. The company has also filed civil lawsuits against the wrongdoers to recover damages.

The Kentucky Public Service Commission (KPSC), in late 1992, ordered a "focused management audit" of Big Rivers' fuel procurement policies, practices, and procedures. The audit was to cover a period beginning November 1, 1990, and extend through April 30, 1992. The final audit report was issued in May. The report stated that the former general manager committed serious violations of the standard of conduct expected of utility executives, but concluded that it was not possible to prove or disprove whether improprieties occurred with the information available from the audit.

The auditor found that, with the exception of fuel costs at the Wilson Plant, the company's fuel costs were below the average of the 22 generating plants within a 100-mile radius of Big Rivers' plants. The auditor expressed an opinion that Big Rivers had $6 million of unreasonable fuel costs during the period under review. That determination was based upon the auditor's opinion that the company should not have amended a contract with Green River Coal Company (GRCC) in 1988 modifying the productivity index. Had the contract not been amended, the company would have had $5.2 million lower fuel costs during the period. Also, the auditor concluded that the company should not have entered into a contract with another coal supplier. He therefore determined that the supplier had insufficient financial resources which resulted in an additional $0.8 million of unreasonable fuel costs.

GRCC took Chapter 11 bankruptcy following the company's notification it would seek to recover any refunds ordered by the Public Service Commission of Kentucky (KPSC) as a result of the above audit. Further, in the indictments and guilty pleas of Brown and Pritchett, it was implied that they also received inside information from Thorpe which allowed GRCC to become a coal supplier for the D.B. Wilson Plant. The Bankruptcy Court stayed discovery procedures until the case could either be heard or disputes settled through the assistance of a court-appointed examiner.


CORPORATION
ANNUAL REPORT
1995
Winning Combinations

esident's and General Manager's Message

Synergy – it's a term coined to represent the idea of combining each other's strengths to create something stronger than either unit could ever be alone. Big Rivers Electric Corporation is in the midst of forging a new partnership based on our personal strengths as well as those of a west coast utility. This will allow our members to emerge as healthy competitors in the electric utility industry. This union brings together the winning combinations of insight and individual talent matched by state-of-the-art electric utility technology, and, most significantly, the teaming of two entities driven by the will to succeed.

In forming this exciting combination, Big Rivers intends to have as our partner PacifiCorp, a multi-billion dollar electric and telephone utility based in Portland, Oregon. The transition has already begun after year-long reviews and negotiations. However, the process of arriving at this point deserves a brief reflection.

In August 1994, the Special Committee on Financial Planning implemented the mechanisms designed to facilitate this important change. The Committee, as well as the Board of Directors, wanted to leverage the utility's assets to form a business relationship that would best benefit the 90,000-plus member ratepayers who demand and deserve reliable, low-cost electric power. As the Committee began the task of overcoming the company's financial obstacles, one challenge after another emerged in the months that followed.

Many utilities from across the country contacted the Committee about establishing a business relationship. Suitors called. Suitors left. Ultimately, the Committee successfully recruited business proposals from six highly-respected energy companies.

Analysis of the proposals proved almost as complex as the solicitation process itself. There were financial considerations. There were regulatory considerations. There were rate considerations for consumers, industrial and residential, along with employee considerations. At the end of the process the proposals varied. However, they all shared a common thread: the member ratepayers and the economic well-being of western Kentucky would be protected – something the Committee had insisted upon.

About the Cover

Turbine blades — only one component of many necessary to generate electricity.

No single component is insignificant. Electricity is created only when all elements of the process are successfully working together.

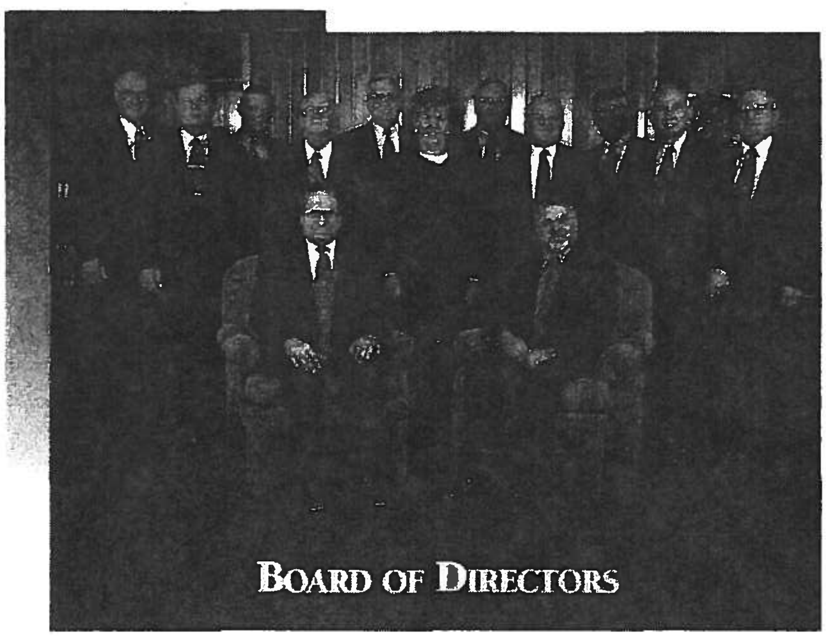
Meeting the challenges Big Rivers faced in 1995 required a similar process — one which utilized all the best resources of the company.

The winning combination of Big Rivers and PacifiCorp will create a stronger company — one which will successfully compete in a challenging and changing industry.

The next step in the company's new direction was nearly complete. We were moving from a partnership of four distribution cooperatives that gave it life more than 30 years ago, into a partnership with the co-ops and another entity in hopes of sustaining life for the next 30 years.

In December 1995, the Board of Directors recommended that the Committee continue to pursue negotiations with PacifiCorp. Under the terms of PacifiCorp's proposal, Big Rivers would retain ownership of its generation assets, and PacifiCorp would lease and manage the facilities, selling power to Big Rivers for the member co-ops and on the wholesale open market for the life of the lease. Big Rivers would continue to own and operate the transmission system and would receive revenue from members, PacifiCorp, and other utilities for the provision of transmission services to accommodate both on-system and off-system energy sales.

Under details of the plan, Big Rivers would generate sufficient revenue to retire most of its debt, while maintaining autonomy as a transmission company and service provider. Most importantly, Big Rivers would survive as an economic presence in western Kentucky into the 21st century and beyond.



Seated l. to r. *William C. Denton, Al Robison (Acting General Manager)*
Standing l. to r. *Jimmy Mounts, Johnny L. Hamm, Edward F. Johnson, J. D. Cooper, John Myers, Sandra B. Wood (Board President), James Sills, Ralph Hardin, H. M. "Bo" Smith, Morton Henshaw, Joseph Hamilton.*

On January 30, 1996, the Board of Directors entered into a non-binding letter of intent with PacifiCorp – the next critical step in developing this partnership and transforming Big Rivers into a new energy services company poised to compete in the industry.

A great deal of effort will still be required to obtain the necessary endorsements of a final agreement. But it is encouraging that the cooperative has made these remarkable strides in an adversarial environment where naysayers downplayed the possibility of Big Rivers surviving; where critics openly questioned the viability of the process; and where detractors scoffed at the suggestion that the Board of Directors, management, and employees of this proud company had the wherewithal to change.

The systematic process the Committee and Board of Directors has taken represents their dedication to transform this organization from a position of financial vulnerability to a position of economic strength. In so doing, the company has recommitted to the historic mission of meeting the needs of our member cooperatives and the customers they serve.

On behalf of the Special Committee and the Board of Directors, we would like to extend our most sincere thanks to the employees of Big Rivers who have refused to let unsettling headlines and uncertainty compromise the efficient production of safe, reliable electricity or the delivery of other valuable services to the co-ops. We would also like to extend regards and thanks to the distribution cooperatives, their boards, management, and employees for the valuable input they offered during the screening and selection processes. And most importantly, we salute the many customers who stand as constant reminders of why this company was founded and whose interests the operation was created to serve.

The challenges that lie ahead are significant. Yet 1995 showed that challenge often presents equally significant opportunity: opportunity for growth, opportunity for change, opportunity to establish a new vision, and opportunity to create more winning combinations.

Sandra Wood

Sandra B. Wood

President
and
Chairperson of the Board

A J Robison

A. J. Robison

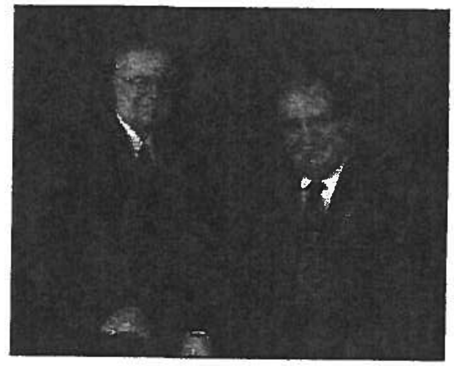
General
Manager

Stability & Growth

1999 Big Rivers Electric Corporation Annual Report

A Message from the Chair and CEO

In last year's annual report, we termed 1998 as the year the "switch was on" and described our transition to a newly-restructured organization, our business transaction with LG&E Energy Corp. and certain of its affiliates, and the successful results from July through the end of 1998. The year 1999 would have to be described as a year of growth and stability. Growth occurred on the financial front. In its first full fiscal year as a restructured organization, Big Rivers saw results that exceeded expectations. Stability was also evidenced financially, as for the first time in ten years of normal operations, Big Rivers saw a positive margin. This and the projections of continued margins provide for a sound financial foundation to begin the new millennium.



Michael H. Core, President & CEO, and William C. Denton, Chair of the Board

The growth was not only apparent on the financial side, but in other ways as well. Big Rivers, as did all of the midwest utilities, saw significant peak demand load growth during the hot, dry summer. This afforded Big Rivers opportunities to sell its surplus power at greater margins. We were also able to work with our member systems and their large industrial customers to reduce peak demand and bring benefits to the customers as well as to Big Rivers.

However, such growth presents challenges as well as opportunities. For one, it will accelerate the time frame when Big Rivers needs additional capacity to meet its growing member loads. This is addressed in a new Power Requirements Study and Integrated Resource Plan, both of which have been filed with the Kentucky Public Service Commission. In addition, the 1999 load growth also puts the need for certain transmission improvement projects on a faster track, requiring expenditures sooner than what had been projected. Big Rivers will be focusing on these and other items with its member systems in addressing the future.

Terminology Reference Guide

ECAR: East Central Area Reliability Council
FERC: Federal Energy Regulatory Commission
G&T: Generation & Transmission Cooperative
KPSC: Kentucky Public Service Commission
LEC: LG&E Energy Corp
LEM: LG&E Marketing, Inc.
NERC: National Electric Reliability Council
RUS: Rural Utilities Service
SEPA: Southeastern Power Administration
WKEC: Western Kentucky Energy Corp.
Y2K: Year 2000

Big Rivers also worked in 1999 to create even more financial stability by pursuing a defeased/sale leaseback project that was consummated in spring 2000 resulting in more financial benefits as well as stability for the member systems.

Stability is bolstered by reliability. A key reliability issue for Big Rivers and its member systems was the potential of a "Y2K" problem. As early as the beginning of 1998, we started aggressively addressing the concerns that we might face with the advent of "Y2K." By early fall of 1999 our work was completed and Big Rivers, as did most other utilities in the country, saw no problems when the clock rolled over at midnight, December 31.

As you can see, we continue to build a new and strong Big Rivers. Our performance described in this annual report provides testimony to this and promise for the future. We remain excited about the future and its opportunities to continue our growth and stability for the benefit of the member systems and their members.

William C. Denton
Chair of the Board

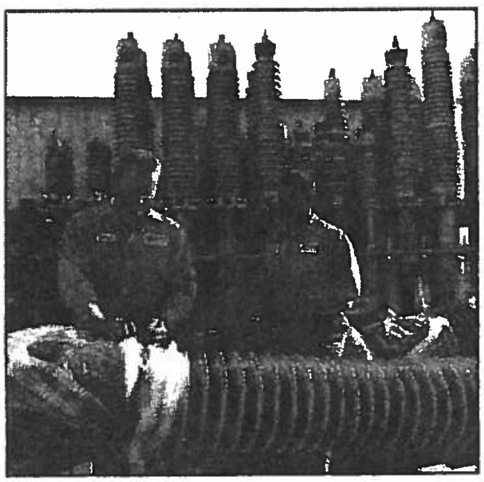
Michael H. Core
President & CEO

Big Rivers Today

Member Cooperative CEOs
Left to right are Burns Mercer, President & CEO, Meade County RECC; B. Dean Stanley, President & CEO, Kenergy Corp.; and Kelly Nuckols, President & CEO, Jackson Purchase Energy Corporation.

In the electric cooperative world, Big Rivers is known as an electric generation and transmission cooperative ("G&T"). It is owned by three member system distribution cooperatives that serve approximately 98,000 member consumers in 22 counties in western Kentucky. Those cooperatives are Jackson Purchase Energy Corporation, headquartered in Paducah; Kenergy Corp. headquartered in Henderson; and Meade County Rural Electric Cooperative Corporation headquartered in Brandenburg. Kenergy was formed July 1, 1999, as a result of a consolidation of Green River Electric Corporation in Owensboro and Henderson Union Electric Cooperative in Henderson, both members of Big Rivers.

In 1998, Big Rivers completed a massive reorganization of its operation and business as the result of a four-year planning and development process which included a nearly two-year voluntary Chapter 11 bankruptcy. The result of that process was the leasing of the operation of its own 1,459 MW generation and the assignment of its rights of another 232 MW in the Henderson Municipal Power and Light's Station Two facility to LG&E Energy Corp. and certain of its affiliates ("LEC").



Big Rivers Electric Corporation
BREC Senior Lineman Brian Catron and Substation Technician Mike Roybal examine equipment at BREC transmission.

While Big Rivers no longer has responsibility for operating the power plants, it continues to have the responsibility of wholesale power supply to its member systems for their customer loads, with the exception of the two aluminum smelters served by Kenergy. Big Rivers fulfills its power supply responsibilities to the member systems from a power purchase agreement with LG&E Energy Marketing Inc. ("LEM"), member allocations from Southeastern Power Administration ("SEPA") and the wholesale power market.

Big Rivers continues to own, operate and maintain its transmission system as it did before the restructuring. Big Rivers also has the responsibility for transmission of electricity to its member systems as well as to LEC and other third-party entities that it serves under its open access transmission tariff.

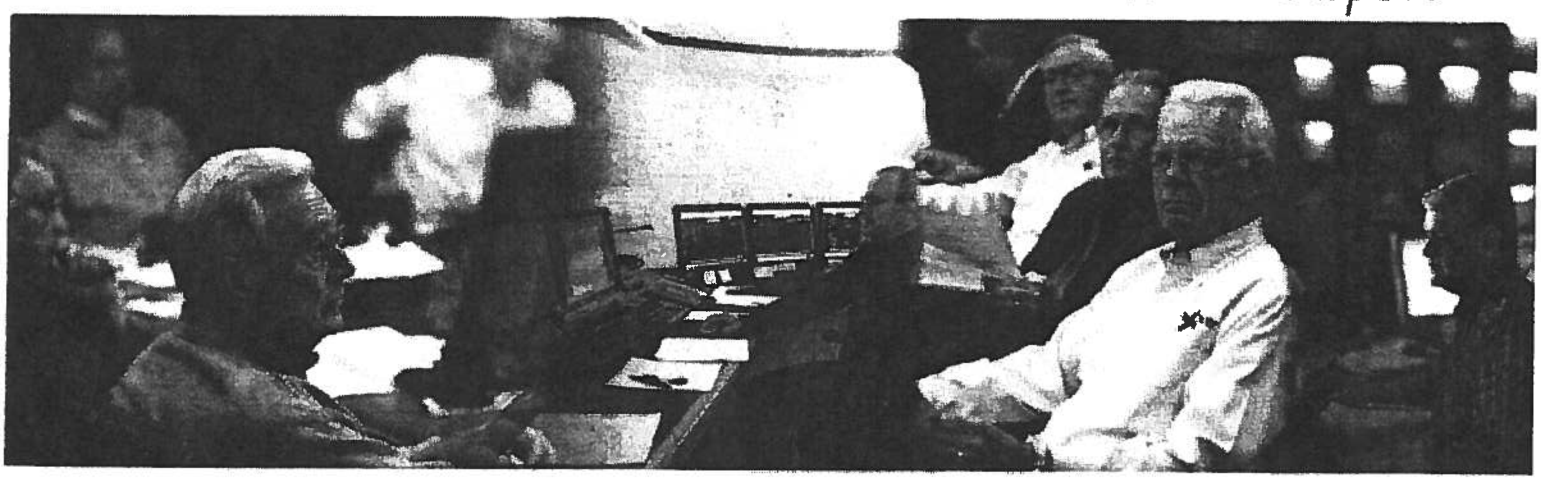
Today, Big Rivers is a corporation of 93 employees, down from nearly 900 in 1992. The board has streamlined as well. It currently is made up of six directors, two from each of the three member systems.

An Overview

With stability and growth the key words, the Big Rivers' transition, which began with the exit from bankruptcy in 1998, continued through 1999. Many details and issues that resulted from the transferal of hundreds of employees and operation of the plants in 1998 continued to be worked out in 1999 with Western Kentucky Energy Corp. ("WKEC"), the LEC subsidiary that operates the power plants. As the transition continued, Big Rivers developed the stability necessary to transition in yet another area - that of the changing landscape of a utility industry in the throes of deregulation.

leadership THROUGH TEAMWORK

2005 Annual Report



Big Rivers Electric Corporation

Your Touchstone Energy® Cooperative
The power of human connections

board chair

AND CEO'S REPORT

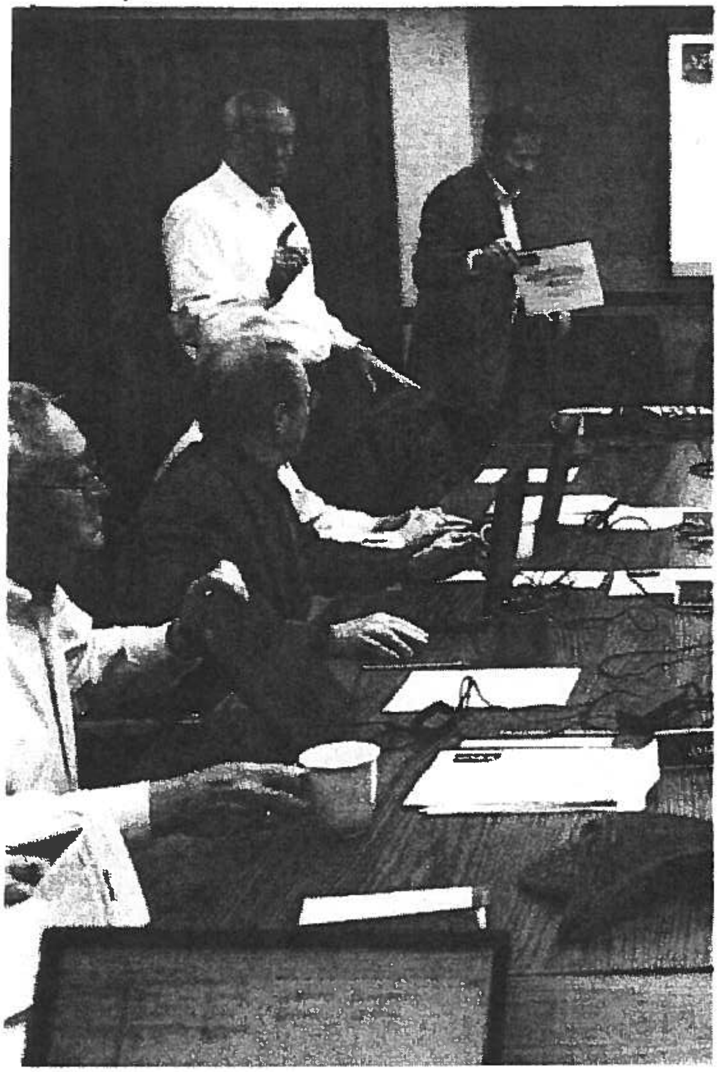
Michael Core, President and CEO
William Denton, Chair of the Board of Directors

It was another very good year for Big Rivers in 2005. We enjoyed our best year since our reorganization in 1998 with margins of $26.3 million. There are always many reasons behind any organization's success, but we would like to focus on what we believe has been a key throughout the last seven plus years; that is, leadership for the organization provided through teamwork.

The phrase "leadership through teamwork" seems to be an oxymoron as leadership implies singularity and teamwork implies more than one. But, clearly leadership at Big Rivers is not the result of any one single individual, but rather of many people working together. These include employees, board members, member-systems' boards and staffs. It also involves a number of people and organizations outside of Big Rivers that serve as an extension of our staff. These include, among others, the Kentucky Association of Electric Cooperatives (KAEC), the National Rural Electric Cooperative Association (NRECA), the National Rural Utilities Cooperative Finance Corporation (CFC), CoBank and ACES Power Marketing LLC (APM). In addition, outside legal counsels to Big Rivers as well as other consultants provide invaluable input that adds to expertise and depth of leadership that result from teamwork. Leadership through teamwork results in analyses, plans, strategies and day-to-day efforts that have brought us the success of the past seven plus years.

Teamwork begins with our board and member-systems. They have critical roles of input and direction, but they are not alone in this effort. Big Rivers' senior staff provides background, analyses and recommendations to its board and members that assist in setting the policies, budget, direction and leadership of the organization. From other staff members at Big Rivers comes additional teamwork efforts, supplemented by the outside entities referred to above, that provide the leadership in a myriad of projects.

Teamwork is also evidenced in the effort to create an even stronger Big Rivers for the future. After more than two years of intense work, Big Rivers announced in December that a Letter of Intent (LOI) was signed with E.ON U.S., LLC and certain of its affiliates (E.ON U.S. Parties), formerly LG&E Energy Corp., and one of its affiliates outlining the terms of an unwind of the 1998 transaction with those parties wherein Big Rivers leased its generating facilities and assigned its rights under the Henderson Municipal Power and Light (HMP&L) Station II arrangements to them. The 1998 transaction also included, among other things, a Purchase Power Agreement (PPA) between Big Rivers and an



affiliate of the E.ON U.S. Parties for power to supply to its members.

The signing of the LOI begins a process to seek all of the necessary approvals for an unwind by early 2007. At the same time, it was announced that a Memorandum of Understanding (MOU) with Century Aluminum of Kentucky LLC and Alcan Primary Products Corp. was signed to set the terms of a long-term power supply arrangement for their respective Hawesville and Sebree smelting operations.

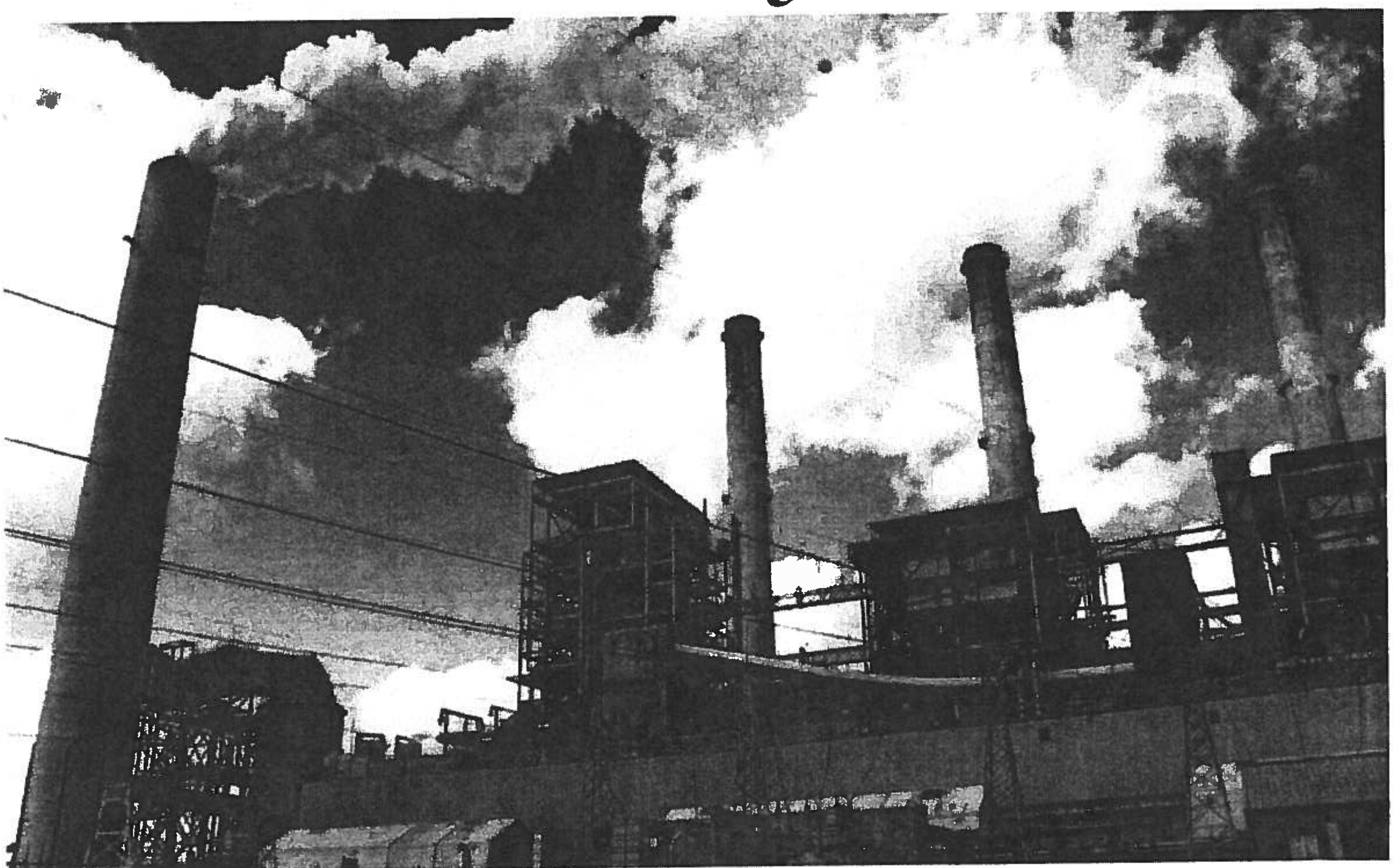
The leadership for these efforts is underway through the work of a number of teams designed to pursue the various issues involved with obtaining the necessary unwind approvals, the development of final contracts for the smelters' power supply and the transition of taking back the operations of the plants. This is a monumental work effort that will take many months if the final goal is to be reached.

Big Rivers relies on many people and organizations to be successful and to chart its future. Future leadership at Big Rivers will continue to be the result of teamwork efforts in setting and reaching the goals necessary for success.

Michael Core, President and CEO

William Denton, Chair of the Board of Directors

It's a new day ...



Annual Report for 2009

Big Rivers
ELECTRIC CORPORATION

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

Big Rivers Electric Rate Case Hearing

Kentucky Public Service Commission

July 1, 2013

Hancock County Industrial Foundation Testimony

Hancock County is home to one of the country's largest per capita industrial sectors. With over 60% of all jobs in manufacturing, the area's economy is firmly anchored in the success, growth and future of our industry. A recent study by the Department of Commerce found Hancock County to be the nation's number one county in percentage of wages paid by manufacturers. Manufacturing in Hancock County accounts for 73% of all wages paid. From aluminum smelting, rolling, drawn wire, paper manufacturing, steel coating, forming and the country's largest commercial tile manufacturer, these industries provide personal income, benefits and support schools, local government and community charities and programs.

The supply of reliable, competitive and accessible electrical power is at the heart of the success of these industries. Current market conditions within the utility industry as well as the ongoing controversy of coal fired power plants certainly make for complex and long term challenges. The Hancock County Industrial Foundation recognizes these challenges and understands the complexities of this case and the implications on our power provider and our local industries.

The Hancock County Industrial Foundation's primary mission is to assist existing industry with traditional economic development tools as well as workforce development programs and promote a strong local and regional business climate. The Foundation also works to insure a local environment beneficial to new prospective industries.

The Foundation's Board of Directors is represented by officials from all the above industries as well as both Big Rivers Coleman Station plant and Kenergy, our local retail provider. On one hand, the increases requested by Big Rivers and Kenergy, if granted by this commission, will significantly add to operational cost to local industries, which can jeopardize not only new growth but as other market factors change, could threaten their continued operation. On the other hand, the rate increases requested, if denied by this commission, threatens the power provider's ability to supply the reliable competitive electrical power central to the health and success of local industry.

The Foundation will not add to the volumes of facts, figures and passionate testimony already provided to the Commission on the merits of both sides of the arguments in this case. However, the Hancock County Industrial Foundation respectfully requests the Commission use all the authorities, experience and wisdom in its power to find creative and sustainable solutions to these complex issues. Solutions that will, to the extent possible in our changing economic environment, insure our local industries ability to compete, grow and thrive in a global and challenging marketplace and insure a reliable, competitive and sustainable supply of industrial electrical power.

The economic health of our county, region and the thousands of residents, employees and businesses are in the balance.

Thank you.

Mike Baker, Director
Hancock County Industrial Foundation
1605 US Highway 60W
Hawesville, KY 42348
270-313-6719

PUBLIC COMMENT __/___

2-14-13

Good Morning, Ladies and Gentlemen of the PSC (Public Service Commission).

My name is Kyle Estes; I am the Superintendent of Schools for the Hancock County School System, in Hawesville KY.

Hancock County Public Schools has a strong tradition of performing among the top 10 county districts in the state. We value that high performance and intend to maintain that status for years to come.

Part of the reason we are able to achieve this educational distinction is because of our middle class community values. I attributed much of our community culture to the good paying wages of business and factories such as Domtar, Aleris, Southwire, and Century Al. and to modest cost of living in our area. With the proposed rate increases I feel our community emphasizes may be in jeopardy.

The proposed rate increase will without a doubt jeopardize businesses such as Southwire, Aleris, and Domtar's competitiveness in their respective classes. In industries that have razor thin markets, this could and I would argue will ultimately lead to at least some of these businesses departure from the area. This would have a devastating effect on the community and the school system.

For instance, if Domtar closed their Hawesville plant the direct impact would be a net loss of income of $258,913 of utility tax income, $79,807 property tax income, and tangibly assessed income exceeding $100,000. Total, this comes to $438,720 of lost income to the local school system. To put this in context, this is approximately 4% of our entire estimated expenditures. Or to put it another way, it is approximately 8 teachers that would be laid off work.

As I stated earlier, this is merely the direct financial impact of losing Domtar. The indirect effects of losing this employer to our county's educational system are potentially much worse.

Hancock County Public School's enrollment is about 1622, K-12. Approximately, 7% of our student body has a parent or guardian that work for Domtar. If Hancock County were to lose Domtar and each of those parents pulled up roots and left the area to find employment elsewhere, the results would be much more catastrophic for the school system. The loss of this 7% enrollment would mean a loss of $513,904 of the state's portion of SEEK dollars. This loss coupled with the direct tax loss of $438,000 would result in a net decrease in revenue of over $900,000 or 8.5% of the school district's current budget.

PUBLIC COMMENT 2

I understand this is a complex issue with ramifications if the rate does or does not pass. My reason for being here today is to ask you to consider the widespread impact of this rate increase and how it will affect the education of our young people.

PUBLIC COMMENT 3

Mike Miller

COUNTY JUDGE / EXECUTIVE
MARSHALL COUNTY COURTHOUSE
BENTON, KENTUCKY 42025
Phone: (270) 527-4750

June 14, 2013

To the Members of the Kentucky Public Service Commission:

As we begin to recover from the global recession, Kentuckians continue to struggle to provide for their families. The last thing these hardworking men and women in our rural western Kentucky communities need during these difficult times is the added burden of higher utility bills.

Unfortunately, that is exactly what Big Rivers Electric Corporation is requesting before the Public Service Commission. And, it is not a small increase – 23% or approximately $300 per household per year.

This is not a viable option for Kentucky families and on behalf of the many thousands of taxpayers collectively representing Marshall County, we strongly urge the Public Service Commission to reject the Big Rivers rate increase.

Western Kentuckians are simply seeking fair and reasonable utility rates. We are happy to pay for the power generation that we use, but should not be forced to pay for that which we do not. Big Rivers should do what any other business must do when they are faced with market challenges – adapt without forcing their customers to pick up the tab.

Western Kentucky's economic viability is on the line. Our reasonable electric rates are one of the top reasons industries and businesses locate to our region. If we lose that competitive edge, we will see greater job losses and economic decline.

Please do all you can to protect western Kentucky citizens and to ensure fair and reasonable electric rates for those served by Big Rivers Electric Corporation.

Sincerely,

Mike Miller
County Judge/Executive

Bob Gold	Terry Anderson	Misti Drew
Commissioner, Dist. 1	Commissioner, Dist. 2	Commissioner, Dist. 3

EDUCATION PAYS

Perry A. Newcom
Crittenden County Judge-Executive

107 South Main Street, Marion, KY 42064
Phone: 270-965-5251
Fax: 270-965-5252

Dear Members of the Kentucky Public Service Commission,

As we begin to recover from the global recession Kentuckians continue to struggle to provide for their families. The last thing these hardworking men and women in our rural western Kentucky communities need during these difficult times is the added burden of higher utility bills.

Unfortunately, that is exactly what Big Rivers Electric Corp. is requesting before the Public Service Commission. And, it is not a small increase: **23% or nearly $300 per household per year!**

This is not a viable option for Kentucky families and on behalf of the many thousands of taxpayers collectively represented by those signed below, we strongly urge the Public Service Commission to reject the Big Rivers rate increase.

Western Kentuckians are simply seeking fair and reasonable utility rates. We are happy to pay for the power generation that we use but should not be forced to pay for that which we do not. Big Rivers should do what any other businesses must do when they are faced with market challenges – adapt without forcing their customers to pick up the tab.

Western Kentucky's economic viability is on the line. Our reasonable electric rates are one of the top reasons industries and businesses locate to our region. If we lose that competitive edge, we will see greater job losses and economic decline.

Please do all you can to protect western Kentucky citizens and to ensure fair and reasonable electric rates for those served by Big Rivers Electric Corp.

Sincerely,

Perry A. Newcom

Perry A. Newcom
Crittenden County Judge Executive

Fair Rates Kentucky

Opposing Unfair & Unnecessary Big Rivers' Rate Increases for the People of Western Kentucky

Kentucky Public Service Commission,

Fair Rates Kentucky is a coalition of western Kentucky utility consumers working to educate the public and speaking out against the Big Rivers proposed utility rate increases.

We believe it is unfair to burden consumers with unnecessary rate increases, the first of which would increase the average residential consumer's electric bill by 20% or $300 annually. Experts predict that the second of these increases will be even larger and more detrimental to western Kentuckians.

In order to fully capture the growing public opposition to these increases, Fair Rates Kentucky launched a petition that has gained 735 signatures. Residents from virtually every county serviced by Big Rivers signed the Fair Rates Kentucky petition including Kentuckians in Ballard, Breckinridge, Caldwell, Crittenden, Daviess, Graves, Hancock, Henderson, Hopkins, Livingston, Lyon, Marshall, McCracken, Mclean, Meade, Ohio, Union and Webster counties.

Many of the petition signers left comments highlighting their frustration with these increases and several of those comments are below:

"Ask Big Rivers to do what any other businesses would do when faced with market challenges, adapt without forcing their customers to pick up the tab."

- Mary, Daviess County

"As if it wasn't hard enough to put food on the table for my family. Enough is enough, Big Rivers."

- John, Meade County

"I am a struggling widow who has battled 2 rounds of breast cancer, who lives on a very limited budget. I have eliminated everything I can live without just to make ends meet. Raising my electric bill will cause me to have to give up a necessity, possibly medication. This is just wrong."

- Betty, Daviess County

Fair Rates Kentucky urges the Kentucky Public Service Commission to take the 735 signatures on this petition into account when determining whether the Big Rivers rate increases are fair, just and reasonable. Each signature represents a consumer, a Kentuckian, who opposes these rate increases.

Sincerely,

Fair Rates Kentucky
www.FairRatesKy.com

ipetitions
YOUR VOICE COUNTS

This petition has collected
735 signatures
using the online tools at iPetitions.com

Printed on 06-30-2013

By signing this petition I voice my opposition to the unfair and unnecessary Big Rivers' rate increases on the people of Western Kentucky.

Furthermore, I ask Big Rivers to do what any other businesses would do when faced with market challenges—adapt without forcing their customers to pick up the tab.

Fair Rates KY

Sponsored by: We are a new coalition of Western Kentucky utility consumers that simply want fair and reasonable utility rates. Western Kentuckians should only pay for the power generation they use.

About the petition

[illegible]

[illegible]

Signatures

1. Name: Dwayne Russell on May 09, 2013
County: USA
Comments:

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2. Name: Steve Henry on May 09, 2013
County: Daviess
Comments: We are willing to pay for our fair share but not for power plants that are no longer needed.

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3. Name: Valrie Henry on May 11, 2013
County: Daviess
Comments:

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4. Name: Bryan Gaynor on May 13, 2013
County: Hancock
Comments:

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5. Name: Ryan Ison on May 14, 2013
County: Daviess Co.
Comments:

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6. Name: Myra Stilwell on May 14, 2013
County: Hancock
Comments: I have to help support my mother-in-law as well as support my family of 6. A large increase in rates will only make this even more difficult for me and my family to provide food and other needs we have. Please remember that we are a working community and we use our money to support our community. The more you take the less we have.

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7. Name: Tina Payne on May 14, 2013
County: Hancock
Comments:

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8. Name: Karen Harth on May 14, 2013
County: Hancock
Comments:

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9. Name: Don Payne on May 14, 2013
County: Breckinridge
Comments:

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10. Name: Paul Saalman on May 14, 2013
County: Hancock (employed)
Comments: I agree with the position taken by Fair Rates Ky

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11. Name: Mike Pfanenstiel on May 14, 2013
County: Daviess
Comments:

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12. Name: Anonymous on May 14, 2013
County: Breckinridge
Comments:

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13. Name: John Johnson on May 14, 2013
County: Daviess
Comments:

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14. Name: Bill Jones on May 14, 2013
County: Hancock
Comments: Why not close unneeded power plants?

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15. Name: Renee McBrayer on May 14, 2013
County: Daviess
Comments:

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16. Name: Dan Lachmann on May 14, 2013
County: Davies
Comments:

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17. Name: David Voyles on May 14, 2013
County: Hancock
Comments:

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18. Name: Scott Browning on May 14, 2013
County: Daviess
Comments: Don't raise our rates - adapt without forcing your customers to pick up the tab.

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19. Name: Richard Boyles on May 14, 2013
County: Hancock
Comments:

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20. Name: Charlie Dees on May 14, 2013
County: Daviess
Comments: I support action by Big Rivers to make the appropriate business decisions in preventing uneccessary costs being passed on to customers (Industrial and Residential)...Big Rivers faces significant challanges that require operating only the most efficient/profitable power plants; producing only what the market demands...Producing power not needed does not make good fiscal since...

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21. Name: Byron Dowell on May 14, 2013
County: Breckinridge
Comments:

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22. Name: Cynthia Parker on May 14, 2013
County: Hancock
Comments: Whats fair

Not fair!! I'm working 2 jobs and my husband is working 12 hours a day, just to make ends meet. What can we do?

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23. Name: Yvonne T Pfanenstiel on May 15, 2013
County: Daviess
Comments:

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24. Name: Bradlee M Sheam on May 15, 2013
County: Hancock
Comments:

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25. Name: Steve Phelps on May 15, 2013
County: Daviess
Comments:

26. Name: Dennis Waldroup on May 15, 2013
County: Daviess
Comments: Poor planning on the part of utilities and industry should not result in average citizens being penalized.

27. Name: Chris Lasher on May 15, 2013
County: Livingston
Comments:

28. Name: Christine Revlett on May 16, 2013
County: McLean
Comments:

29. Name: Belynda Taylor on May 16, 2013
County: McLean County
Comments:

30. Name: Thomas Johnson on May 16, 2013
County: Daviess
Comments:

31. Name: Mark Brown on May 16, 2013
County: Hancock
Comments: Here at Precoat Metals Hawesville plant we are forced buy our customers to run what they demand and no more. They do not want unnessasary inventory. I feel it should be the same for supplied power. Why produce it if it's not needed and have everyone else pick up the tab for it.

32. Name: Wendell Shocklee on May 17, 2013
County: Daviess
Comments:

33. Name: Dwight C. Norman III on May 17, 2013
County: henderson
Comments:

34. Name: ALLEN D. WILSON on May 17, 2013
County: Henderson
Comments: People have been hit hard enough in this county with soaring utlity prices and companies cutting wages people are taking food off the table to pay these high prices children our doing with out things they need.It seems that's the way it is if companies can't work their problems out just pass the cost on to the people they're not stressed with enough problems.That's the easy way out for big companies.

35. Name: Mary on May 17, 2013
County: Daviess
Comments:

36. Name: Rick Jackson on May 17, 2013
County: Union
Comments:

37. Name: William P. Hazelwood on May 17, 2013
County: Henderson ky 42420
Comments: No reason in this a coal rich state. Keep this up and jobs and residents will flee the state. Spending should be managed like households. Wake up!

38. Name: Sadie Majors on May 17, 2013
County: McLean
Comments: Families are struggling to make ends meet right now!! They don't need higher electric rates to take food from their families mouths!! Why even consider an unnessessary increase???? Have a little compassion for these struggling families!!!

39. Name: Dan Allard on May 17, 2013
County: Hancock
Comments:

40. Name: Vickie Ray on May 17, 2013
County: Henderson
Comments: I think it's pretty unfair to push off your lack of income onto your residential cusyomers

41. Name: Steven Ray on May 17, 2013
County: Henderson
Comments: fed up residential customer.

42. Name: Anonymous on May 17, 2013
County: Breckinridge
Comments: If we don't have the option to buy from other power producers, our free market system has collapsed. A true business has to fight for customers, not dictate them.

43. Name: Tom Buchele on May 17, 2013
County: Hancock
Comments:

44. Name: Anonymous on May 17, 2013
County: Hancock County, KY
Comments:

45. Name: Anonymous on May 17, 2013
County: Hancock
Comments:

46. Name: Anonymous on May 17, 2013
County: Hancock
Comments:

47. Name: Jonathan Duke on May 17, 2013
County: Hancock
Comments:

48. Name: Lane Orton on May 17, 2013
County: Daviess
Comments:

49. Name: Thomas Arterberry on May 17, 2013
County: Hancock
Comments:

50. Name: Darlene Reiners on May 17, 2013
County: Daviess
Comments:

51. Name: Diana Shepherd on May 17, 2013
County: Hancock
Comments:

52. Name: Patty Dixon on May 17, 2013
County: Hancock
Comments:

53. Name: Gray, Wylie R. on May 17, 2013
County: Hancock
Comments:

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54. Name: Rachel Gordon on May 17, 2013
County: Spencer
Comments:

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55. Name: Robert St.Clair on May 17, 2013
County: Grayson
Comments:

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56. Name: Leah Schwindel on May 17, 2013
County: Hancock
Comments:

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57. Name: Joseph Smith on May 17, 2013
County: United States
Comments:

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58. Name: B Boatmon on May 17, 2013
County: daviess
Comments:

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59. Name: Bruce Morgan on May 17, 2013
County: Hancock
Comments:

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60. Name: Daymon Bunch on May 17, 2013
County: Ohio
Comments: Stop the rate increase I

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61. Name: Arnold Griffee on May 17, 2013
County: Henderson
Comments: They need to cut out the fatl, and operate like any business has to operate to survive. Utilyy companies, services everyone must have, should not be given free rein to just pass inefficient operating cost to customers, particularly when they have a lock on services provided.

---

62. Name: Richard Simpson on May 17, 2013
County: Perry, In
Comments:

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63. Name: Lurelle Wolfe on May 17, 2013
County: Henderson
Comments: This should not be allowed, especially if they will be allowed to sell electric to these businesses after the rate increase.

---

64. Name: Randy B. Gaynor on May 17, 2013
County: Hancock
Comments:

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65. Name: Kevin Linn on May 17, 2013
County: Hancock
Comments:

---

66. Name: Jason Cottrell on May 17, 2013
County: Breckinridge
Comments:

---

67. Name: Anonymous on May 17, 2013

County: Henderson
Comments: What are the obvious things Big Rivers has done to manage their costs other than raise their price????????

---

68. Name: J.L. Jordan on May 17, 2013
County: Hancock..
Comments: No more rate increases..we cant keep paying for bad buisness Deals...of otherslllplus it dosent do any good to protest to the psc ,commission!!

---

69. Name: Bryan K. Barger on May 17, 2013
County: Breckinridge, KY
Comments:

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70. Name: John Stevens on May 17, 2013
County: Meade
Comments: As if it wasn't hard enough to put food on the table for my family. Enough is enough, Big Rivers.

---

71. Name: Tammie J. Jordan on May 17, 2013
County: Hancock
Comments:

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72. Name: Patricia McKinney on May 17, 2013
County: Henderson
Comments: We the residential customers should not have to pay for the proposed increase to keep them afloat. Better organization, leadership, and sound business practices are lacking here. It would be nice if customers could get someone to pay for our increase, just as they are expecting us to do for them.

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73. Name: Lelia Moore on May 17, 2013
County: webster
Comments:

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74. Name: Karen Busby on May 17, 2013
County: Henderson
Comments:

---

75. Name: John Leinenbach on May 17, 2013
County: usa
Comments:

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76. Name: Julianna Marr on May 17, 2013
County: Henderson
Comments:

---

77. Name: Frank Poole on May 17, 2013
County: Henderson
Comments: Other than GREED Big Rivers can not justify this huge increase. A increase of any size hurts many people. There have been problems at Big Rivers since the 70's.

---

78. Name: Michael Sturgeon on May 17, 2013
County: hancock
Comments: Seems all everything does is cost more daily...got to be a stopping point somewhere!

---

79. Name: Richard Smith on May 18, 2013
County: Hancock
Comments:

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80. Name: Richard Smith on May 18, 2013
County: Hancock
Comments:

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81. Name: Brian Shepherd on May 18, 2013
County: Hancock
Comments:

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82. Name: Kenneth D Robbins on May 18, 2013
County: hancock
Comments:

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83. Name: Anonymous on May 18, 2013
County: Hancock
Comments:

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84. Name: Anonymous on May 18, 2013
County: Hancock
Comments:

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85. Name: Anonymous on May 18, 2013
County: Hancock
Comments:

---

86. Name: Anonymous on May 18, 2013
County: Hancock
Comments:

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87. Name: Pamela Williams on May 18, 2013
County: Henderson
Comments: This price hike is outrageous

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88. Name: Michael Claise on May 18, 2013
County: Hancock
Comments: Stop the rate hikes!!!

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89. Name: Michael Claise on May 18, 2013
County: Hancock
Comments: Stop the rare hike!!!

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90. Name: JanetHoward on May 18, 2013
County: Hancock
Comments:

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91. Name: Bryan Horsley on May 18, 2013
County: Hancock
Comments:

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92. Name: Thomas VanBussum on May 18, 2013
County: ohio
Comments:

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93. Name: Harold Hagman on May 18, 2013
County: Hancock
Comments:

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94. Name: Anonymous on May 18, 2013
County: Leitchfield Ky
Comments:

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95. Name: Anonymous on May 18, 2013
County: Henderson
Comments:

96. Name: Erika Atwood on May 18, 2013
County: Breckinridge
Comments:

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97. Name: Lewis Atwood on May 18, 2013
County: Breckinridge
Comments:

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98. Name: Randall Ware on May 18, 2013
County: Webster
Comments: It appears that they have overpriced their product and run off their biggest customers. That is a sign of greed and piss poor management and not a cause for a rate increase.

---

99. Name: Jason Bellew on May 18, 2013
County: henderson
Comments: residents should not be responsible for paying for power theyre not using

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100. Name: Tammy Turley on May 18, 2013
County: henderson
Comments: Please think about your customers!!!!

---

101. Name: Michael Carter on May 18, 2013
County: Hancock
Comments:

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102. Name: Michael Simmons on May 18, 2013
County: Breckinridge
Comments: I oppose the rate increase for big rivers customers!!

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103. Name: Jerome S. Jarboe on May 18, 2013
County: united states
Comments:

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104. Name: Richard Smith on May 18, 2013
County: Henderson Ky
Comments:

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105. Name: Jillana Niemuth on May 18, 2013
County: Daviess
Comments:

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106. Name: Bill Beauchamp on May 18, 2013
County: Henderson
Comments: If Big Rivers has cash flow problems from losing their larger customers then they need to downsize just like any other business entity would have to, instead of expecting all other rate payers to make up for their poor financial management.

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107. Name: Robert Buck on May 18, 2013
County: Hancock
Comments:

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108. Name: Stephen Allen on May 18, 2013
County: Henderson
Comments: Kenergy has brought this problem upon themselves by creating a portfolio heavily weighted, 70%, with industry. A balanced approach would have avoided this situation. Hold them accountable for THEIR poor management. The consumer needs an advocate.

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109. Name: Anonymous on May 18, 2013
County: Daviess

Comments:

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110. Name: Chris Harris on May 18, 2013
County: Hancock
Comments:

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111. Name: Adam Hunt on May 18, 2013
County: Hancock
Comments:

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112. Name: Dottie McClellan on May 19, 2013
County: Breckinridge
Comments:

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113. Name: Michael Book on May 19, 2013
County: Henderson
Comments: If you can't sell your power, then shut down the reactors that are not needed. That's how businesses are suppose to operate. Why do you think we are responsible for your lack of direction?

---

114. Name: Tony Adkins on May 19, 2013
County: uas
Comments:

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115. Name: Luke Wethington on May 19, 2013
County: hancock
Comments:

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116. Name: Heather Harris on May 19, 2013
County: Breckinridge
Comments:

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117. Name: David Harris on May 19, 2013
County: Breckinridge
Comments:

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118. Name: Merranda Smith on May 19, 2013
County: hancock
Comments: don't raise our rates this is ridiculous

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119. Name: James Fogle on May 19, 2013
County: Breckinridge
Comments: Why can't the Co-ops purchase their power on the open market. Would it be cheaper?

---

120. Name: Gerald W Griffin Jr on May 19, 2013
County: Henderson
Comments:

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121. Name: Don Cooper on May 19, 2013
County: KY
Comments: Big River bad decisions, like not signing a long term coal contract, should not be passed on to the consumers.

---

122. Name: Laura Shultz on May 19, 2013
County: Breckinridge
Comments:

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123. Name: Kevin W. Walters on May 19, 2013
County: Henderson
Comments: Big Rivers must adapt just like any other business or individual. If they refuse then another power company should replace Big Rivers.

124. Name: Mary Beth Willis on May 19, 2013
County: Daviess
Comments:

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125. Name: Jeff Willis on May 19, 2013
County: Daviess
Comments:

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126. Name: John McClellan on May 19, 2013
County: Breckinridge
Comments:

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127. Name: Charles Ijames on May 19, 2013
County: Daviess
Comments: We the customers, Do need to be heared. Help stop the high rates Big Rivers wants to charge. It's not right for us to pick up their loss. And yet, still going to supply century with power. I wish somebody would psy my iost.

---

128. Name: Chad Griffin on May 19, 2013
County: Hancock
Comments:

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129. Name: Robert Yates on May 19, 2013
County: henderson
Comments:

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130. Name: Kevin Jackson on May 20, 2013
County: Hancock
Comments:

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131. Name: Derek Pritchard on May 20, 2013
County: Hancock
Comments:

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132. Name: Ewald Hartung on May 20, 2013
County: USA
Comments:

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133. Name: Raypeach on May 20, 2013
County: ohio
Comments: please think of all the people that have to struggle on fixed incomes

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134. Name: Doug Ambrose on May 20, 2013
County: Daviess
Comments:

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135. Name: Dennis Husk on May 20, 2013
County: Hancock
Comments:

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136. Name: Lisa Husk on May 20, 2013
County: Hancock
Comments:

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137. Name: Matt Husk on May 20, 2013
County: Hancock
Comments:

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138. Name: Anonymous on May 20, 2013
County: H
Comments:

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139. Name: Barry L. Glasscock on May 20, 2013
County: Breckinridge Co.
Comments:

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140. Name: Timothy A. Honadie on May 20, 2013
County: Daviess
Comments:

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141. Name: Tony Gilmore on May 20, 2013
County: Daviess
Comments:

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142. Name: Mary Lou Stephens on May 20, 2013
County: Hancock
Comments:

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143. Name: R. Aaron Bennett on May 20, 2013
County: Daviess
Comments:

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144. Name: Mike Gipson on May 20, 2013
County: Daviess
Comments:

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145. Name: James Thomas White on May 20, 2013
County: Hancock
Comments: To whom is may concem, The proposed rate increases for residential and industrial customers are a reflection of poor business practices that have gone on for years within Big Rivers Electric Corp. To have such a historic rate increase all at once is unfair to all parties.

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146. Name: Christopher A. Frazier on May 20, 2013
County: Daviess
Comments:

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147. Name: Joshua J. Wisto on May 20, 2013
County: Daviess
Comments: This is a disgrace and abuse to the consumer.

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148. Name: Mark Troester on May 20, 2013
County: Henderson
Comments:

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149. Name: Michelle McHargue on May 20, 2013
County: Jefferson
Comments:

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150. Name: Renee Coomes on May 20, 2013
County: Hancock
Comments:

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151. Name: Shivanand Rao on May 20, 2013
County: Kentucky
Comments:

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152. Name: Timothy Roberts on May 20, 2013

County: Daviess
Comments:

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153. Name: Connie Garrett on May 20, 2013
County: Hancock
Comments:

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154. Name: Ed Arterberry on May 20, 2013
County: Hancock
Comments:

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155. Name: Blake Latham on May 20, 2013
County: Daviess
Comments:

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156. Name: Perry Pate on May 20, 2013
County: Breckinridge
Comments:

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157. Name: Anonymous on May 20, 2013
County: US
Comments:

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158. Name: Alice Toler on May 20, 2013
County: Hancock
Comments:

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159. Name: Chad Toler on May 20, 2013
County: Hancock
Comments:

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160. Name: Jim Howard on May 20, 2013
County: Daviess
Comments:

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161. Name: Paula White on May 20, 2013
County: KY
Comments: PLEASE! We can't afford rate increases.

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162. Name: Tim Taylor on May 20, 2013
County: Hancock
Comments:

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163. Name: Dwayne England on May 20, 2013
County: Daviess
Comments:

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164. Name: Logan K Stewart on May 20, 2013
County: Ohio
Comments:

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165. Name: Barbara R. Hess on May 20, 2013
County: Hancock
Comments: I'm on a budget--increasing my electrical rates won't increase my salary so instead of improving, it's worsening. What is a person supposed to do?

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166. Name: Darlene Woosley on May 20, 2013
County: Hancock County
Comments:

167. Name: Judy Brown Campbell on May 20, 2013
County: McLean
Comments:

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168. Name: John M. Emmick on May 20, 2013
County: Hancock
Comments:

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169. Name: Stephen D. Basham on May 20, 2013
County: Hancock
Comments:

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170. Name: Randy on May 20, 2013
County: Hancock
Comments:

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171. Name: Scott Basham on May 20, 2013
County: Hancock
Comments:

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172. Name: Susan Mudd on May 20, 2013
County: Daviess
Comments:

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173. Name: Robert D Lee on May 20, 2013
County: Hancock
Comments: Please stop the rate increase to western ky customers

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174. Name: Tina Casebolt on May 20, 2013
County: Perry, IN
Comments: work in Hancock County

---

175. Name: ROBERT K. ABSHER on May 20, 2013
County: DAVIESS
Comments:

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176. Name: Anonymous on May 20, 2013
County: Breckinridge
Comments:

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177. Name: Larry Homer on May 20, 2013
County: Davies
Comments:

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178. Name: Anonymous on May 20, 2013
County: Daviess
Comments:

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179. Name: Joe L Saalwaechter on May 20, 2013
County: aleris
Comments: where does this stop. how much do we subsidize century for their blackmail.

---

180. Name: Anonymous on May 20, 2013
County: Hancock
Comments:

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181. Name: Whitney S. Williams on May 20, 2013
County: Daviess
Comments:

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182. Name: Brent Gorman on May 20, 2013
County: Hancock County
Comments:

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183. Name: Anonymous on May 20, 2013
County: Breckinridge
Comments:

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184. Name: Tracy Johnson on May 20, 2013
County: Hancock
Comments:

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185. Name: Lora L Bloom on May 20, 2013
County: Hancock
Comments:

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186. Name: Mark Kanneberg on May 20, 2013
County: Hancock
Comments:

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187. Name: Carl Clarke on May 20, 2013
County: Perry Count IN
Comments: Why is Big Rivers cost of production (nearly $55/MW) so out of line with open market price of around $35/MW? Many producers are generating power much more cost effective. To me this would indicate very poor management on Big River's part. Don't penalize customers with their rate request.

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188. Name: Rick Greulich on May 20, 2013
County: Perry
Comments:

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189. Name: Anonymous on May 20, 2013
County: Domtar
Comments: I am a 24 year employee of Domtar (formerly Willamette) and want to support lower electric rates so that our company can be competitive in a declining paper market. Thank you.

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190. Name: Tami Frazier on May 20, 2013
County: Daviess County
Comments:

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191. Name: Brenda Owens on May 20, 2013
County: Breckinridge
Comments:

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192. Name: Matthew Stevens on May 20, 2013
County: Daviess
Comments:

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193. Name: Renae Pierrard on May 20, 2013
County: Hancock
Comments:

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194. Name: Tim Heavrin on May 20, 2013
County: Hancock
Comments: I am the plant manager for a small business in Hancock Co. and increasing our rate will have a negative impact on our ability to compete.

195. Name: Damon Gregory on May 20, 2013
County: Hancock
Comments:

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196. Name: Brandon Jones on May 20, 2013
County: DAVIESS
Comments:

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197. Name: Tony Hagan on May 20, 2013
County: Daviess
Comments:

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198. Name: Cj Maple on May 20, 2013
County: Henderson
Comments: I am against the rates as stated. We are on a fixed income being seniors and to have such drastic increases in absurd to say the least.

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199. Name: Shelby G. Basham on May 20, 2013
County: Daviess
Comments: I feel like enough is enough! It seems everyone out there just keeps "gouging and gouging". By the time the Govemments, oil companies , insurance companies, and everyone else gets finished with me, my modest raise has not enabled me to keep up. I'm going backward.

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200. Name: David Porter on May 20, 2013
County: Daviess
Comments:

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201. Name: Mark Elliott on May 20, 2013
County: US
Comments:

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202. Name: Derek Edge on May 21, 2013
County: Hancock
Comments: Small towns should not have to pay such high prices to live. If I wanted to pay for higher utilities I could move to a big city. This is rediculous. Wow.

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203. Name: Roger Sharp II on May 21, 2013
County: ohio
Comments: Everything costs enough as it is at least leave power costs as low as possible.

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204. Name: T.M.Maple on May 21, 2013
County: henderson
Comments:

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205. Name: Anonymous on May 21, 2013
County: Hancock
Comments:

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206. Name: Robert Kruse on May 21, 2013
County: hancock
Comments:

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207. Name: Donnie Whittaker on May 21, 2013
County: Handcock Kentucky USA
Comments:

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208. Name: Don Cooper on May 21, 2013
County: KY

Comments: Big Rivers Electric Corp is miss manged and rate payers shouldn't have to pay for there mistakes.

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209. Name: Tina Holtzclaw on May 21, 2013
County: Daviess
Comments:

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210. Name: Darin Brown on May 21, 2013
County: Hancock
Comments:

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211. Name: Bert A. Eaton on May 21, 2013
County: Daviess
Comments: Please don't increase my bill.

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212. Name: Diane White on May 21, 2013
County: Hancock
Comments: We are not responsible for their bad decisions and I find it beyond belief that they can force us to pay for them.

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213. Name: Billy White on May 21, 2013
County: Hancock
Comments: I don't feel it is my place to pay tor their screw ups.

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214. Name: Daniel Zengel on May 21, 2013
County: Daviess County
Comments: I votel

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215. Name: Dale H. Taillon on May 21, 2013
County: Daviess
Comments:

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216. Name: Steve Gaynor on May 21, 2013
County: hancock
Comments:

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217. Name: Christopher Linne on May 21, 2013
County: Perry County
Comments: I am employed in Kentucky and think it is unfair that this increase is being impossed on consumers. Someone needs to step in and put a stop to this.

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218. Name: Monica Zengel on May 21, 2013
County: Daviess
Comments:

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219. Name: David C Rearden on May 21, 2013
County: hancock
Comments:

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220. Name: Kevin L. Shields on May 21, 2013
County: Hancock
Comments:

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221. Name: Anthony Embry on May 21, 2013
County: Hancock
Comments:

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222. Name: Anonymous on May 21, 2013
County: Daviess
Comments:

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223. Name: Brenda Owens on May 21, 2013
County: Breckinridge
Comments:

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224. Name: Brenda Owens on May 21, 2013
County: Brecklnridge
Comments:

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225. Name: Dennis Burch on May 21, 2013
County: Daviess
Comments:

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226. Name: Karen Kimmel on May 21, 2013
County: Daviess
Comments:

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227. Name: Bradley Keown on May 21, 2013
County: Hancock
Comments:

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228. Name: Darrell Newby on May 21, 2013
County: hancock
Comments:

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229. Name: Troy Lanham on May 21, 2013
County: Daviess ky
Comments:

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230. Name: Anonymous on May 21, 2013
County: Hancock
Comments: I support this statement:

Furthermore, I ask Big Rivers to do what any other businesses would do when faced with market challenges—adapt without forcing their customers to pick up the tab.

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231. Name: Jenae Keown on May 21, 2013
County: hancock
Comments:

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232. Name: Donald E. Gray on May 21, 2013
County: Hancock
Comments:

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233. Name: Anonymous on May 21, 2013
County: Hancock
Comments:

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234. Name: Anonymous on May 21, 2013
County: Hancock
Comments:

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235. Name: Anonymous on May 21, 2013
County: Daviess
Comments:

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236. Name: Harold Adcox on May 21, 2013
County: Hancock
Comments: Cut cost from within I had to.

237. Name: James Culver on May 21, 2013
County: Henderson
Comments:

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238. Name: Regina Rudolph on May 21, 2013
County: Breckinridge
Comments:

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239. Name: Bobby Neal Hicks on May 21, 2013
County: Breckinridge
Comments:

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240. Name: J.L. Mattingly on May 21, 2013
County: Hancock
Comments:

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241. Name: Sherry Kluesner on May 21, 2013
County: Hancock
Comments: Placing unwanted and unnecessary burdens upon our families, communities and industries is not an acceptable solution to Big Rivers' poor management skills.

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242. Name: Chris Shultz on May 21, 2013
County: breckinridge
Comments:

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243. Name: Stephen Sangalli on May 21, 2013
County: Daviess
Comments:

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244. Name: Senda Shultz on May 21, 2013
County: Breckinridge
Comments:

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245. Name: Nathan Fulkerson on May 21, 2013
County: Daviess
Comments:

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246. Name: Dwight Sharp on May 21, 2013
County: Hancock
Comments:

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247. Name: David Brown on May 21, 2013
County: daviess
Comments:

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248. Name: Mike Russelburg on May 21, 2013
County: daviess
Comments: Unjust rate hikes help no one in this area.

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249. Name: Melissa Butler on May 21, 2013
County: daviess
Comments:

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250. Name: Allan Lawalin on May 22, 2013
County: Perry
Comments:

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251. Name: Jean Carden on May 22, 2013
County: Daviss
Comments:

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252. Name: Anonymous on May 22, 2013
County: Lyon
Comments: Just trying to make ends meet now - cant afford more.

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253. Name: Anonymous on May 22, 2013
County: Lyon
Comments:

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254. Name: Steven Wills on May 22, 2013
County: Daviess
Comments: I am against any rate increase by Big Rivers.

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255. Name: Scott Stiff on May 22, 2013
County: Ohio
Comments:

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256. Name: Pat Fuqua on May 22, 2013
County: Breckinridge
Comments:

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257. Name: Pat Fuuqa on May 22, 2013
County: Breckinridge
Comments:

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258. Name: Joey Gedling on May 22, 2013
County: Breckinridge
Comments: Let us buy on the open market to!

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259. Name: Anonymous on May 22, 2013
County: Hancock
Comments: don't let Big River harm the other residents and businesses of Kentucky

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260. Name: Steven Lee on May 22, 2013
County: Daviess
Comments:

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261. Name: Rodney Rhodes on May 22, 2013
County: Daviess
Comments:

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262. Name: Anonymous on May 22, 2013
County: Hancock
Comments:

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263. Name: Anonymous on May 22, 2013
County: jefferson
Comments:

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264. Name: Kevin Tignor on May 22, 2013
County: Daviess
Comments:

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265. Name: Gerald Harris on May 22, 2013
County: Perry, IN
Comments: Domtar Is always looking for ways to cut cost to stay competative in a declining paper industry.

This rate increase will be detremental to the Hawesville Mill.

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266. Name: Megan Rhodes on May 22, 2013
County: Daviess
Comments:

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267. Name: Joy Brown on May 22, 2013
County: Daviess
Comments:

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268. Name: Juanita Giltner on May 22, 2013
County: U.S.
Comments: Even though I do not reside in Kentucky, I am proud to be employed in the Commonwealth.

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269. Name: Mary Fogle on May 22, 2013
County: Breckinridge
Comments:

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270. Name: Brett A. Barnett on May 22, 2013
County: Henderson
Comments: Please reconsider the forth-coming rate hikes for your customers. It is unfair for them to have to bear the burden of your company losing several large customers in the tri-state area.

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271. Name: Anonymous on May 22, 2013
County: daviess
Comments:

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272. Name: Farty Littrell on May 22, 2013
County: USW
Comments:

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273. Name: James Wethington on May 23, 2013
County: Hancock
Comments: help keep our electric rates fair and equitable

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274. Name: Dion Tucker Groves on May 23, 2013
County: Daviess
Comments:

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275. Name: Brice Duncan on May 23, 2013
County: Hancock
Comments:

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276. Name: Sherrill Wettstain on May 23, 2013
County: Hancock
Comments:

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277. Name: Anthony Embry on May 23, 2013
County: Hancock
Comments:

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278. Name: Christy Miller on May 23, 2013
County: daviess
Comments:

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279. Name: James Meserve on May 23, 2013
County: hancock
Comments:

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280. Name: Carless Mark Mitchell on May 23, 2013
County: Daviess
Comments:

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281. Name: Julie Embry on May 23, 2013
County: Hancock
Comments: greedy!!!

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282. Name: Richard D. Groves on May 23, 2013
County: Daviess
Comments:

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283. Name: Michael Staples on May 24, 2013
County: Hancock
Comments:

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284. Name: Kevin White on May 24, 2013
County: Hancock
Comments:

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285. Name: D. Jey Miller on May 24, 2013
County: Daviess
Comments:

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286. Name: Wayne Stephens on May 24, 2013
County: Hancock
Comments:

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287. Name: Billy Stephens on May 24, 2013
County: Hancock
Comments:

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288. Name: Jeremy Horsley on May 24, 2013
County: Breckinridge
Comments:

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289. Name: Brian Wettstain on May 24, 2013
County: Hancock
Comments:

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290. Name: Debra Gaynor on May 25, 2013
County: Hancock
Comments:

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291. Name: David Tongate on May 25, 2013
County: hancock
Comments: come on man!

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292. Name: Joshua Ditto on May 27, 2013
County: Hancock
Comments:

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293. Name: Lisa Griffin-Barrow on May 27, 2013
County: Hancock
Comments:

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294. Name: Dayna Butterworth on May 27, 2013
County: Daviess
Comments:

295. Name: John Simmons on May 27, 2013
County: Breckenridge
Comments:

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296. Name: Laura Duncan on May 27, 2013
County: hancock
Comments:

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297. Name: Peggy W. Nantz on May 27, 2013
County: Henderson
Comments:

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298. Name: Anonymous on May 28, 2013
County: Caldwell
Comments: Be nice to be able to choose an electric company.

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299. Name: Frank Atkins on May 28, 2013
County: Hancock
Comments:

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300. Name: Dwight Coleman on May 28, 2013
County: Livingston
Comments: this must be stopped.

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301. Name: Kevin Tudor on May 28, 2013
County: montgomery
Comments:

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302. Name: Steve VanderGeeten on May 28, 2013
County: Daviess
Comments: Do not allow rate hikes.

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303. Name: Merry Peak on May 28, 2013
County: Daviess
Comments: ask Big Rivers to do what any other businesses would do when faced with market challenges—adapt without forcing their customers to pick up the tab.

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304. Name: Jennifer Hester on May 28, 2013
County: Henderson
Comments: This is an unfair rate increase toward already struggling consumers.

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305. Name: John Taylor on May 28, 2013
County: Daviess
Comments:

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306. Name: Trent Williams on May 28, 2013
County: Henderson
Comments:

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307. Name: James Dickman on May 28, 2013
County: Davies
Comments:

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308. Name: Mike Keown on May 28, 2013
County: Daviess
Comments:

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309. Name: Ronda Sweet on May 28, 2013
County: USA
Comments:

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310. Name: Glenn Griffin on May 28, 2013
County: Daviess
Comments: This is unethical and should be against the Law. They are doing this because in our area Big Rivers has a monopoly on electricity production and sales, so they figure that they have the customer over a barrel with no other options and maybe in the short term this is true. Keep in mind that necessity is the mother of invention.

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311. Name: Janie Kellems on May 28, 2013
County: Hancock
Comments:

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312. Name: Robert F. McGee on May 28, 2013
County: Ohio
Comments:

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313. Name: Harold Griffin on May 28, 2013
County: McLean
Comments: Unjust, why should the customer pick up the bill because Big Rivers could not deal with the smelters of the aluminum company and then the remaining customers are going to be punished for the lack of production, somehow this does not add up. Is this legal? If it is, then this is why there shouldn't be monopolies as such and give the customer an opportunity to shop around, if I can't afford Levi's then I buy something else. We do not have this option. Why?
For years South Central Bell had this same monopoly on the phone systems in this area and they had the same mentality, how are they doing now? They are a small subsidiary of AT&T. I don't own a land line anymore. When the lock hold was broken I shopped around and found a new supplier.
This is nothing more than legal robbery because we don't have a choice.

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314. Name: Luis Lavalle on May 28, 2013
County: Daviess
Comments:

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315. Name: Pamela Dickens on May 28, 2013
County: Daviess
Comments:

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316. Name: Michael D Staser on May 28, 2013
County: Daviees
Comments: This rate increase could cost more jobs than the smelters kept. It will not look good for a company wishing to build new manufacturing facilities in this area to have a 90% rate increase over a short period of time.

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317. Name: Dustin Roberts on May 28, 2013
County: Daviess
Comments:

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318. Name: Michael Hurt on May 28, 2013
County: Daviess
Comments:

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319. Name: James on May 28, 2013
County: McCracken
Comments:

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320. Name: Cynthia Hillman on May 28, 2013
County: McCracken
Comments:

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321. Name: Caitlin Gannon on May 28, 2013
County: Fulton
Comments:

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322. Name: Dale Strader on May 28, 2013
County: Marshall
Comments:

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323. Name: Gary Boyarski on May 28, 2013
County: McCracken
Comments: There's ways of cutting cost without raising rates.what kind of bonus did they give out that would save money.

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324. Name: Jerry Don Miller on May 28, 2013
County: lyon
Comments:

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325. Name: Jennifer R. Bishop on May 28, 2013
County: McCracken
Comments:

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326. Name: Keith Erick Mackie on May 28, 2013
County: Marshall
Comments:

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327. Name: Stephanie Kendall on May 28, 2013
County: Ballard
Comments:

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328. Name: Lee Ann Goodson on May 28, 2013
County: lyon
Comments:

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329. Name: Kay Chilton on May 28, 2013
County: Ballard
Comments: No way should they get away with a rate increase. My electric bill is $300 now without the air on !!!!!!

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330. Name: Lynn Bielefeld on May 28, 2013
County: Calloway
Comments: My light bill is high enough and I can barely pay it now. Please don't make us pay for something we aren't responsible for.

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331. Name: Chrystal Myers on May 28, 2013
County: mccracken
Comments:

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332. Name: Brad Copeland on May 28, 2013
County: McCRACKEN
Comments:

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333. Name: Patti Bell on May 28, 2013
County: Kentucky
Comments:

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334. Name: Tim Melton on May 28, 2013
County: Lyon
Comments: were already paying more than KU customers for the same kilowatt usage!

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335. Name: Tim Glover on May 28, 2013
County: McCracken

Comments: Work is slow there's no way I could afford to pay any more than I already do !

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336. Name: Shanda Melton on May 28, 2013
County: Lyon
Comments: When will it ever be enough KU is a lot cheaper!

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337. Name: Carol Crabtree on May 28, 2013
County: McCracken
Comments: Big Rivers is trying to make their mistake our problem, and I for one, won't have it!! Take some responsibility for creating this problem, and fix it yourselves, and stop try to pass the buck!!

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338. Name: Lynn Wurth on May 28, 2013
County: McCracken
Comments:

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339. Name: Carolyn Shelton on May 28, 2013
County: Ballard
Comments: Adjust your power production to the market and work to find a market somewhere else.

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340. Name: David Raper on May 28, 2013
County: graves
Comments: seems like the more you try to get ahead the rates go up!!!

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341. Name: Martha Chambliss on May 28, 2013
County: Livingston
Comments:

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342. Name: Charles W Fountain on May 28, 2013
County: McCracken
Comments: One question...why should we pay more for energy that I will not use because they are losing business? The company should cut back on production or find new consumers instead of trying to keep the same profit margin and raising the rate on average consumers.

---

343. Name: Bruce Penix on May 28, 2013
County: McCracken
Comments: Unfair increase

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344. Name: Carla J Paris on May 28, 2013
County: McCracken
Comments: I am disabled. I can barely afford food & only buy my medicine when I can. Please don't do this to me

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345. Name: Linda Boone on May 28, 2013
County: Crittenden
Comments:

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346. Name: Charles Fountain on May 28, 2013
County: McCracken
Comments: One question...why should we pay more for energy that I will not use because they are losing business? The company should cut back on production or find new consumers instead of trying to keep the same profit margin and raising the rate on average consumers.

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347. Name: Anonymous on May 28, 2013
County: mccracken
Comments:

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348. Name: Robert N. Turner on May 28, 2013
County: Marshall
Comments: Why can't they sell their excess power on the open market? Not in favor of rate increase. As a state worker, have not had an increase in salary in 6 years. Costs of food and gas have been increasing over the past few years. We have x amount of dollars to spend.

349. Name: Jack Morehead on May 28, 2013
County: McCracken
Comments: Our electric rates are too high as it is. We don't need anymore added on.

350. Name: Larry E. Shelton on May 28, 2013
County: Ballard
Comments: Why will it cost more to produce less power?

351. Name: David Crouse on May 28, 2013
County: Livingston
Comments:

352. Name: William A. Cramer on May 28, 2013
County: Marshall
Comments:

353. Name: Beth Lax on May 28, 2013
County: Marshall
Comments: It's absurd what is being proposed; why do we have to pick up the slack? The problem for me is that I do not have a choice as to which electric company I want to choose.

354. Name: Stephen Harmon on May 28, 2013
County: graves
Comments: Our energy rates are already extremely high and for you to introduce a rate increase in this type of economy is ridiculous. It just shows how you feel about your customers and I feel the same about jackson purchase elec and they call theirselves a Co-Op get real! I urge everyone to get off the grid make them eat their electricity!

355. Name: Bridgette Harmon on May 28, 2013
County: Graves
Comments:

356. Name: William D Hardin on May 28, 2013
County: mccracken
Comments:

357. Name: Danny Starrick on May 28, 2013
County: Crittenden
Comments:

358. Name: Perry Lofton on May 28, 2013
County: Marshall
Comments:

359. Name: Annet Lofton on May 28, 2013
County: Marshall
Comments:

360. Name: Larry Dean English on May 28, 2013
County: Mccracken
Comments: people on fixed income don't need the increase

361. Name: Anonymous on May 29, 2013
County: Graves
Comments:

362. Name: Anonymous on May 29, 2013
County: Graves
Comments:

363. Name: Anonymous on May 29, 2013
County: Graves
Comments:

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364. Name: Helen E. Ambrose on May 29, 2013
County: Calloway
Comments: Being on disability,I can hardly afford the bill as it is! No INCREASE!

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365. Name: Anonymous on May 29, 2013
County: Graves
Comments:

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366. Name: Anonymous on May 29, 2013
County: Graves
Comments:

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367. Name: Anonymous on May 29, 2013
County: Graves
Comments:

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368. Name: Anonymous on May 29, 2013
County: Graves
Comments:

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369. Name: Anonymous on May 29, 2013
County: Graves
Comments:

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370. Name: Anonymous on May 29, 2013
County: Graves
Comments:

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371. Name: Anonymous on May 29, 2013
County: USA
Comments: do not raise the rates, if the rates are raised their will soon be more people in ky needing more assistance.

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372. Name: Elizabeth Durham on May 29, 2013
County: mcCracken
Comments: stop rate hike...western Kentucky is suffering job losses and we need help!

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373. Name: Albert Burton on May 29, 2013
County: Marshall
Comments: It's not like Big Rivers is going bankrupt if they don't get their rate increase. They can sell all the power they generate on the open market.

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374. Name: Stephanie Cooper on May 29, 2013
County: usa
Comments:

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375. Name: Wayne Yandell on May 29, 2013
County: Caldwell
Comments: Very unfair way to solve their problem. Too many young families and people on fixed incomes that simply cannot afford a 23% increase,and an even larger one later? If they can't sell it, then why generate it!

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376. Name: Lynn Rogers on May 29, 2013
County: Calloway
Comments:

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377. Name: Breanna Dant on May 29, 2013
County: Daviess
Comments:

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378. Name: Anonymous on May 29, 2013
County: McCracken
Comments:

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379. Name: Anonymous on May 29, 2013
County: daviess
Comments:

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380. Name: Tim Jackson on May 29, 2013
County: daviss
Comments:

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381. Name: Matt Cavins on May 29, 2013
County: Henderson
Comments: let Big river go bankrupt. they made the deals that put them in this situation. We shouldn't pay for thief mistakes.

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382. Name: Ericah Nichols on May 29, 2013
County: McCracken
Comments:

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383. Name: Jeanne Sullivan on May 29, 2013
County: Marshall
Comments:

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384. Name: Fred Sullivan on May 29, 2013
County: Marshall
Comments:

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385. Name: Michelle Hartz on May 29, 2013
County: daviess
Comments: I already pay almost $300 a month!!

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386. Name: Margaret Y Yandell on May 29, 2013
County: Caldwell
Comments: Want a fair rate for the power we use and not be responsible for anyone else.

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387. Name: John Lyles on May 29, 2013
County: Livingsto
Comments:

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388. Name: Kluressa Long on May 29, 2013
County: Graves
Comments:

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389. Name: Wanda And Willard Long on May 29, 2013
County: Graves
Comments:

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390. Name: Cindy Gunn on May 29, 2013
County: McCracken
Comments:

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391. Name: Chris Augustus on May 29, 2013
County: mccracken
Comments: I shouldn't have to pay because the electric company is bad at business

392. Name: Robert Masse on May 29, 2013
County: McCracken
Comments:

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393. Name: Pam Hazelip on May 29, 2013
County: McLean
Comments: Take it out of your pockets-not ours! Your greed is not becoming

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394. Name: Tommy Mcdanel on May 29, 2013
County: ballard
Comments:

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395. Name: Anonymous on May 29, 2013
County: KY
Comments:

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396. Name: Nancy Tucker on May 29, 2013
County: Mccracken
Comments: We are already being charged unfairly on everything from food to gas to utilities. Enough is enough!!

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397. Name: Anonymous on May 29, 2013
County: Select
Comments: We don't have anyone to pass our increases on, and with the price of everything today... people are going without food and medicine. This will be devastating to so many.

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398. Name: Terry L. Tucker on May 29, 2013
County: MCcracken
Comments: Prices have been raised to much for people to survive now. Enough!!

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399. Name: Dari McGehee on May 29, 2013
County: Daviess
Comments: Don't raise my rates!!!!!!

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400. Name: Dave on May 29, 2013
County: mccraken
Comments: Y use theres when we have a hydropower so close

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401. Name: Dave on May 29, 2013
County: mccraken
Comments: Y use theres when we have a hydropower so close

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402. Name: Cheryl Markham on May 29, 2013
County: Lyon
Comments: I live on SSDI and money is tight, I'm opposed to the rate hike!

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403. Name: Anonymous on May 29, 2013
County: Lyon
Comments:

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404. Name: Anonymous on May 29, 2013
County: Mccracken
Comments: This should not be aloud to happen!

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405. Name: Don Rudd on May 29, 2013
County: livingston
Comments:

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406. Name: Chris Cook on May 29, 2013
County: Hancock
Comments:

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407. Name: John Thornton on May 29, 2013
County: mccracken
Comments:

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408. Name: Melissa Sauer on May 29, 2013
County: henderson
Comments:

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409. Name: Harry Hinzman on May 29, 2013
County: USA
Comments: Retired and cannot afford higher costsl

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410. Name: Tim Sheldon on May 29, 2013
County: Daviess
Comments:

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411. Name: Chris Conley on May 29, 2013
County: Daviess
Comments:

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412. Name: Melissa Pressley on May 29, 2013
County: Caldwell
Comments:

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413. Name: Donna Thurston on May 29, 2013
County: McCracken
Comments: Rate increase is unfair.

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414. Name: Keith Jenkins on May 29, 2013
County: Caldwell
Comments: This is unfair to citizens to pick up increase billing rates. We are on fixed income so it will surely be difficult to pay. Kenergy needs to understand this is unfair to all of us. Keith 7 Norma Jenkins

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415. Name: KAREN SMITH on May 29, 2013
County: Hancock County
Comments:

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416. Name: KRAFTCOR FEDERAL CREDIT UNION on May 29, 2013
County: HANCOCK COUNTY
Comments:

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417. Name: WARREN S. SMITH on May 29, 2013
County: HANCOCK COUNTY
Comments:

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418. Name: Shanna Nugent on May 29, 2013
County: Hancock
Comments:

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419. Name: Justin Nugent on May 29, 2013
County: Hancock
Comments:

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420. Name: Merranda Smith on May 29, 2013
County: Hancock

Comments:

421. Name: Eddie Bittel on May 29, 2013
County: Hancock
Comments:

422. Name: Donald G Brown on May 29, 2013
County: McCracken
Comments:

423. Name: Anonymous on May 29, 2013
County: McCracken
Comments:

424. Name: Anonymous on May 29, 2013
County: McCracken
Comments:

425. Name: Anonymous on May 29, 2013
County: McCracken
Comments:

426. Name: Katrina Brown on May 29, 2013
County: mccracken
Comments:

427. Name: Kenneth Powell on May 29, 2013
County: Daviess
Comments:

428. Name: Kara Higdon on May 29, 2013
County: Daviess
Comments:

429. Name: Dwayne Stout on May 29, 2013
County: Daviess
Comments:

430. Name: Phil Raye on May 29, 2013
County: McCracken
Comments: This is just not the right time with the economy the way it is. We are struggling to keep the lights on as it is.

431. Name: Anonymous on May 29, 2013
County: lyon
Comments:

432. Name: Carmela Ballard on May 29, 2013
County: mccracken
Comments:

433. Name: Tim Hess on May 29, 2013
County: Daviess
Comments:

434. Name: Connie Hess on May 29, 2013
County: Daviess
Comments:

Comments:

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436. Name: Susan R Cox on May 29, 2013
County: lyon
Comments:

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437. Name: George Cox on May 29, 2013
County: lyon
Comments:

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438. Name: James on May 29, 2013
County: McCracken
Comments:

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439. Name: Julie Schmelser on May 30, 2013
County: Kentucky
Comments:

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440. Name: Cathey Seaton on May 30, 2013
County: Graves
Comments:

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441. Name: Ronald Seaton on May 30, 2013
County: Graves
Comments:

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442. Name: Lisa Sleg on May 30, 2013
County: Calloway
Comments:

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443. Name: Kathy Brewer on May 30, 2013
County: McCracken
Comments:

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444. Name: Kathy Dunlap Brewer on May 30, 2013
County: McCracken
Comments:

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445. Name: Phil Reeder on May 30, 2013
County: McCracken
Comments:

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446. Name: Jason Crockett on May 30, 2013
County: McCracken
Comments:

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447. Name: Jason Harris on May 30, 2013
County: McCracken
Comments:

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448. Name: Darren Sweet on May 30, 2013
County: Henderson
Comments: Please do not raise my electricity rates.

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449. Name: William Bird on May 30, 2013
County: Lyon
Comments:

450. Name: David James on May 30, 2013
County: Daviess
Comments:

451. Name: Andrea Troester on May 30, 2013
County: Henderson
Comments:

452. Name: Joe Wilson on May 30, 2013
County: Hancock
Comments:

453. Name: Roger Daniel on May 30, 2013
County: Ohio
Comments:

454. Name: Anthony R Lasley on May 30, 2013
County: Hancock County, Kentucky
Comments: Big Rivers is asking for a totally unrealistic increase.
It needs to be stopped.

455. Name: Anonymous on May 30, 2013
County: Mc Cracken
Comments:

456. Name: Robert M. Vaughn on May 30, 2013
County: McCracken
Comments: Bills are too high now.If this goes through I'm going to look at solar and wind power.

457. Name: Tammy Wheatley on May 30, 2013
County: Hancock (employed)
Comments:

458. Name: Anonymous on May 31, 2013
County: Daviess
Comments:

459. Name: Glenn D. Whitten on May 31, 2013
County: Hancock
Comments:

460. Name: Brandon Edge on May 31, 2013
County: Daviess
Comments:

461. Name: Sabrina Ison on May 31, 2013
County: Daviess
Comments:

462. Name: Scott Wahl on May 31, 2013
County: Daviess
Comments: As Owensboro tries to grow now Big Rivers is going to hold us back.

463. Name: Donald Ashby on May 31, 2013
County: Daviess
Comments: Customers should pay for the electricity that they use not make other customers pay for it. When a residential customer can't pay their bill will you pass that on to other customers to help them out or cut their electricity off? What impact do you think that this will have on other business affected by this increase?

464. Name: Scott A Thomas on May 31, 2013
County: Henderson
Comments:

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465. Name: Kim on May 31, 2013
County: Daviess
Comments:

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466. Name: Geary Jennings on May 31, 2013
County: Daviess
Comments:

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467. Name: Anonymous on May 31, 2013
County: Graves
Comments:

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468. Name: Anonymous on May 31, 2013
County: Graves
Comments:

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469. Name: Cindy Benton on May 31, 2013
County: Webster
Comments:

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470. Name: Anthony Qualiana on May 31, 2013
County: Daviess
Comments:

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471. Name: Mike Arblaster on May 31, 2013
County: Daviess
Comments: We will pay our fair share without question but should not be forced to endure increases for power that is not needed on the grid.

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472. Name: George Ralph on Jun 01, 2013
County: Daviess
Comments:

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473. Name: Anonymous on Jun 01, 2013
County: Livingston
Comments: I wish if I owned a business and lost a customer I could just raise my price and affect everyone else. Rates are high enough already!

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474. Name: Shane Durbin on Jun 01, 2013
County: mccracken
Comments: Already paying to much for power now2 sure don't need anymore rate increases!!!

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475. Name: Rachael Durbin on Jun 01, 2013
County: McCracken
Comments:

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476. Name: Robert Gibson on Jun 01, 2013
County: Hancock
Comments:

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477. Name: Nicholas J. Bumm, Jr. on Jun 01, 2013
County: Daviess
Comments: There are many other good jobs in the area, that will be affected by the decision to raise rates, as well as residential consumers.

478. Name: D Watson on Jun 01, 2013
County: McCracken
Comments: Only poor management would cause a company to raise rates 40% over a 6- month period. This needs to be investigated.

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479. Name: Jayme Gibson on Jun 01, 2013
County: Hancock
Comments:

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480. Name: Timothy Porter on Jun 01, 2013
County: Hancock
Comments:

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481. Name: Chris Floyd on Jun 02, 2013
County: Henderson
Comments:

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482. Name: Michael Iullucci on Jun 02, 2013
County: daviess
Comments:

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483. Name: Steven Edmonds on Jun 03, 2013
County: usa
Comments:

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484. Name: Anonymous on Jun 03, 2013
County: Hopkins
Comments:

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485. Name: Debbie Cottrell on Jun 03, 2013
County: Breckinridge
Comments:

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486. Name: Angela Miller on Jun 03, 2013
County: Hopkins
Comments:

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487. Name: Phillip Hooper on Jun 03, 2013
County: Hopkins
Comments:

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488. Name: Alfred Williams on Jun 03, 2013
County: Hopkins
Comments:

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489. Name: Cyndi Wood on Jun 03, 2013
County: Hopkins
Comments:

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490. Name: Jamie Fair on Jun 03, 2013
County: Hopkins
Comments:

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491. Name: Dorothy Dickens On May 3,2013 on Jun 03, 2013
County: hancock
Comments: We, live on a fix income,and any increase in, Electricity rates. will make it more dificut for us to pay the electric bill.

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492. Name: Charles S. Bean on Jun 03, 2013
County: Crittenden
Comments: I do not feel we should be charged for their mismanagement and possible misconduct.

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493. Name: Julie Bean on Jun 03, 2013
County: Crittenden
Comments:

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494. Name: Luana Haring on Jun 03, 2013
County: daviess
Comments:

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495. Name: Scott Rifanburg on Jun 03, 2013
County: Hancock
Comments:

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496. Name: James Logsdon on Jun 03, 2013
County: marshall
Comments: try cutting own personal expense like we will have to do also !!!!!

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497. Name: Julie Logsdon on Jun 03, 2013
County: marshall
Comments: take it small over a few years, maybe it will work out someone else moves into their place

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498. Name: Chris Boling on Jun 04, 2013
County: usa
Comments:

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499. Name: Ruby English on Jun 04, 2013
County: McCracken
Comments: I am on a fixed income and cannot afford higher rates on my electricity bill.

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500. Name: Mary Hall on Jun 04, 2013
County: McCracken
Comments: I strongly urge Big Rivers not to raise the rates like they want. People as myself cannot afford a higher rate increase due to being on a fixed income. If they continue to do this then I will have to go back to the way I was raised by heating and cooking on a wood stove. My medicine is so high now it is all I can do to pay for it.

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501. Name: Joe Ballard on Jun 04, 2013
County: hancock
Comments:

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502. Name: John Adelman on Jun 04, 2013
County: Ohio
Comments:

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503. Name: Richard Goetz on Jun 04, 2013
County: Daviess
Comments: I have been on a three year wage freeze. How can anybody ask anyone for an increase in anything now. Just plain greed.

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504. Name: Scott Hayden on Jun 05, 2013
County: Daviess
Comments:

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505. Name: Robert Burk on Jun 05, 2013
County: hancock
Comments:

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506. Name: Anonymous on Jun 05, 2013
County: USA
Comments:

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507. Name: Pam May on Jun 06, 2013
County: Reside in Perry Co IN; work in Hancock Co KY
Comments: This rate hike will not only affect Western Kentucky residents and businesses but also those in Indiana and beyond. If businesses and individuals currently spending money in Kentucky take their business elsewhere due to rising rates then you further hurt the economy of the Commonwealth. Such a significant power rate increase will have long-term, wide-spread effects.

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508. Name: Audrey Vanhooser on Jun 06, 2013
County: Hancock
Comments:

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509. Name: Sherri Embry on Jun 06, 2013
County: Hancock
Comments:

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510. Name: Skip Merritt on Jun 06, 2013
County: Hancock
Comments:

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511. Name: Jake Schwindel on Jun 06, 2013
County: Hancock
Comments:

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512. Name: Karla Brown on Jun 06, 2013
County: Daviess County
Comments:

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513. Name: Mary Ann Higdon on Jun 06, 2013
County: Daviess County
Comments:

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514. Name: James R. Higdon on Jun 06, 2013
County: Daviess County
Comments:

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515. Name: Ethan J. Brown on Jun 06, 2013
County: Daviess County
Comments:

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516. Name: Seth M. Brown on Jun 06, 2013
County: Daviess County
Comments:

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517. Name: Amber Ballard on Jun 06, 2013
County: McCracken
Comments:

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518. Name: Grace Owen on Jun 06, 2013
County: McCracken
Comments:

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519. Name: Beth Russelburg on Jun 06, 2013
County: Ohio
Comments:

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520. Name: Kelly McBride on Jun 06, 2013

County: Union
Comments:

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521. Name: Mary Lee Anderson on Jun 06, 2013
County: McCracken
Comments:

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522. Name: Belinda Moffitt on Jun 06, 2013
County: Hancock
Comments:

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523. Name: Anonymous on Jun 06, 2013
County: KY
Comments:

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524. Name: Jd Kramer on Jun 06, 2013
County: union
Comments: it's not our fault don't make us pay for your mistakes

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525. Name: Connie Blan on Jun 06, 2013
County: Hancock
Comments:

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526. Name: DANA GROSS on Jun 06, 2013
County: Hancock
Comments:

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527. Name: Ginger Fleming on Jun 06, 2013
County: hancock
Comments: Its not fair to raise rates it will affect the plants were people work then law offs. Residents wont be able to pays rest of there bills, buy food, gas send there children to college. Just because someone else is trying to make alot of money.

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528. Name: RODNEY GROSS on Jun 06, 2013
County: Hancock
Comments:

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529. Name: Debra Gay on Jun 06, 2013
County: Hancock
Comments:

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530. Name: Edward R Keys on Jun 06, 2013
County: leitchfield Ky
Comments: i am in Breckcounty

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531. Name: Mark Hendry on Jun 07, 2013
County: Hancock
Comments:

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532. Name: Samantha Veal on Jun 07, 2013
County: McCracken
Comments:

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533. Name: Otis Poyner on Jun 07, 2013
County: Hancock
Comments:

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534. Name: Debra Taylor on Jun 07, 2013
County: Hancock
Comments:

535. Name: Adam Glasgow on Jun 07, 2013
County: Hancock
Comments:

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536. Name: Don Coleman on Jun 08, 2013
County: Caldwell
Comments: former power distribution employee

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537. Name: Michael Vessels on Jun 08, 2013
County: McCracken
Comments:

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538. Name: Scott Dame on Jun 10, 2013
County: Daviess
Comments: If they are producing to much electricity for the amount of demand they have due to the aluminum plants leaving then shut down one of the power plants they have 3 instead of raising my rates. I can't afford a $23 dollar a month increase now and another later I am only making minimum wage right ow and can barely live now.

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539. Name: Alicia Payne on Jun 10, 2013
County: Daviess
Comments:

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540. Name: Viola R. Keys on Jun 10, 2013
County: Breckinridge
Comments: THANK YOU

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541. Name: Cynthia & James Fulkerson on Jun 10, 2013
County: Daviess
Comments: This is so unfair to the working people and elderly.

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542. Name: William Phillips on Jun 11, 2013
County: Henderson
Comments:

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543. Name: Connie Reedy on Jun 11, 2013
County: Daviess
Comments: Keep rates affordable

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544. Name: Tim on Jun 11, 2013
County: Webster
Comments:

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545. Name: Tara Cummins on Jun 11, 2013
County: Daviess
Comments: If I wanted to pay unfair rates, I would have stayed in Evansville!

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546. Name: William Vickery on Jun 11, 2013
County: Daviess
Comments: Please oppose this increase

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547. Name: Anonymous on Jun 11, 2013
County: Daviess
Comments:

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548. Name: Mark Montague on Jun 11, 2013
County: daviess
Comments:

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549. Name: Tony Thomas on Jun 11, 2013
County: Daviess
Comments: You need to do like every other resident or business and cut your spending and waste and not just up your customer's rates.

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550. Name: Eugene Hillard on Jun 11, 2013
County: Daviess
Comments:

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551. Name: Mark Phelps on Jun 11, 2013
County: ohio
Comments:

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552. Name: Kelly Hillard on Jun 11, 2013
County: Daviess
Comments:

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553. Name: Larry Stollings on Jun 11, 2013
County: Henderson
Comments: Asking consumers to pay for cheap rates for big business doesn't cut it.

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554. Name: Ben Wenberg on Jun 11, 2013
County: Daviess
Comments:

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555. Name: Randall L Shanks on Jun 11, 2013
County: McLean
Comments: We should not increase our cost to protect a corporation's bottom line. There are many large corporate utility users in this area, and it's not fair to increase their cost to protect TWO corporations profit margin's.

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556. Name: LYNN POWERS on Jun 11, 2013
County: HANCOCK
Comments:

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557. Name: Trecia Westlie on Jun 11, 2013
County: Lyon
Comments: Stop the threat of higher rates

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558. Name: Sharon Shelton Peach on Jun 11, 2013
County: Daviess
Comments:

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559. Name: Bob Kelly Jr. on Jun 11, 2013
County: Hancock
Comments:

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560. Name: Roddy Brown on Jun 11, 2013
County: webster
Comments:

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561. Name: Allen Brown on Jun 11, 2013
County: webster
Comments:

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562. Name: Denise Brown on Jun 11, 2013
County: Webster
Comments: I only want to pay a fair price for the utilities that I use.

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563. Name: Charles Shadwick on Jun 12, 2013

County: hancock
Comments: we should not be required to have a rate increase forced down our throats to pay for power and power plants that is not needed.

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564. Name: JAMES GOLLNER on Jun 12, 2013
County: DAVIESS
Comments: DO NOT INCREASE RATES!!!!!!!!!!!!!!!!!!!

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565. Name: Cathy Fitzhugh on Jun 12, 2013
County: Hancock
Comments:

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566. Name: David A. Carter on Jun 12, 2013
County: Daviess
Comments:

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567. Name: Lance Duckworth on Jun 12, 2013
County: Henderson
Comments: FAIR RATES. WHEN BUSINESS IS BAD ADJUST YOUR PRACTICES ACCORDINGLY

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568. Name: Anonymous on Jun 12, 2013
County: Daviess
Comments:

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569. Name: Joseph R. Cox on Jun 12, 2013
County: Henderson
Comments:

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570. Name: Tom Conrey on Jun 12, 2013
County: Daviess
Comments:

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571. Name: Janice Conrey on Jun 12, 2013
County: Daviess
Comments:

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572. Name: Jarrod Harper on Jun 12, 2013
County: Daviess
Comments:

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573. Name: Kelly Heisdorffer on Jun 12, 2013
County: Daviess
Comments:

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574. Name: Mr & Mrs Ervin Bishop on Jun 12, 2013
County: Daviess
Comments:

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575. Name: Jason Horton on Jun 12, 2013
County: usa
Comments:

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576. Name: Joy Wenberg on Jun 12, 2013
County: Daviess
Comments:

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577. Name: BRUCE DANIEL on Jun 12, 2013
County: OHIO
Comments:

578. Name: Jeff Lanham on Jun 12, 2013
County: Daviess
Comments: Western Ky Energy said they could not make any money with the contracts they had with the smelters . And now Big Rivers can not make it without them?

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579. Name: Brian Hayden on Jun 12, 2013
County: McLean
Comments:

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580. Name: Anonymous on Jun 12, 2013
County: McLean
Comments:

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581. Name: Pat McKinney on Jun 12, 2013
County: Henderson
Comments:

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582. Name: Edward Carman on Jun 12, 2013
County: McLean
Comments: We already pay enough !

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583. Name: Jason Evans on Jun 12, 2013
County: Daviess
Comments:

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584. Name: Betty J Adkisson on Jun 12, 2013
County: Daviess
Comments: I am a struggling widow who has battled 2 rounds of breast cancer, who lives on a very limited budget. I have eliminated everything I can live without just to make ends meet. Raising my electric bill will cause me to have to give up a necessity, possibly medication. This is just wrong.

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585. Name: Cindy Havener on Jun 12, 2013
County: Ohio co.
Comments:

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586. Name: Brent Wilson on Jun 12, 2013
County: daviess
Comments:

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587. Name: Charlene Sikes on Jun 12, 2013
County: Daviess
Comments: We don't need added costs for energy usage. When is all these sorts of increases going to stop. Wouldn't mind so much if our wages increased as well!

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588. Name: Wilma Edwards on Jun 12, 2013
County: Daviess
Comments:

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589. Name: Buddy Adcock on Jun 12, 2013
County: Daviess
Comments: Don't make us pay more, it is hard enough to make a living as it is.

---

590. Name: Brian Brown on Jun 12, 2013
County: daviess
Comments: NO!!!!!!

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591. Name: Janet Feldpausch on Jun 12, 2013
County: daviess

Comments:

592. Name: Constance Mullins on Jun 12, 2013
County: meade
Comments: Electric rates are high enough. Good grief, why are all companies so greedy these days? We do NOT need this rate increase. If it has to happen, how about 2-3 percent a year until it reaches the mark you are aiming for?????

593. Name: Betty Mcllmore on Jun 12, 2013
County: daviess
Comments:

594. Name: Elizabeth Belcher on Jun 12, 2013
County: Daviess
Comments:

595. Name: Sondra Jewell on Jun 12, 2013
County: henderson
Comments: Please stop this rate increase.These are hard economic times,we already pay more for our everyday needs like food and gas.This will put an unnecessary burden on families and businesses who struggle and live from paycheck to paycheck.

596. Name: Randall Belcher on Jun 12, 2013
County: Daviess
Comments:

597. Name: Devin Wigginton on Jun 12, 2013
County: daviess
Comments: stop this increase

598. Name: Sheryl M Thorpe on Jun 12, 2013
County: Daviess
Comments:

599. Name: Paula Swihart on Jun 12, 2013
County: McLean
Comments:

600. Name: Stephen Wuest on Jun 12, 2013
County: Daviess
Comments:

601. Name: Candace Kelley on Jun 12, 2013
County: Kentucky
Comments:

602. Name: Anonymous on Jun 12, 2013
County: Daviess
Comments:

603. Name: Viola K. Shocklee on Jun 12, 2013
County: Daviess
Comments:

604. Name: Sean Lane on Jun 13, 2013
County: Daviess
Comments:

605. Name: Tabatha M. Clark on Jun 13, 2013
County: Daviess
Comments: Higher electric rates would be a hardship for my household. Higher rates will also be very difficult for seniors (like my

mother-in-law) on fixed incomes that are already difficult to live on.

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606. Name: Marietha Kruse on Jun 13, 2013
County: Hancock County
Comments:

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607. Name: Brandon Kruse on Jun 13, 2013
County: Hancock County
Comments:

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608. Name: David Ivey on Jun 13, 2013
County: Marshall
Comments: rates are high enough already

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609. Name: Susan Smith on Jun 13, 2013
County: Daviess
Comments:

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610. Name: Nicole Smith on Jun 13, 2013
County: Daviess
Comments:

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611. Name: Margie Ward on Jun 13, 2013
County: USA
Comments:

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612. Name: Fred Farber on Jun 13, 2013
County: Henderson
Comments: I still don't understand how they can get away with this. I do everything I can to conserve energy and now ...BAM...$25 more a month. Later this year even more. We were going to get the shaft wether the smelters stayed or closed. I am glad that they are staying open because of the good jobs, but crap. Me and all of the other customers are getting rate raises because the smelters left. This just isn't right.

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613. Name: Phil Emery on Jun 13, 2013
County: mclean
Comments: No rate increase!

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614. Name: Daniel Markwell on Jun 13, 2013
County: McLean
Comments:

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615. Name: JANE DANIEL on Jun 13, 2013
County: OHIO
Comments: ITS HARD ENOUGH NOW TO MAKE ENDS MEET

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616. Name: Danny Markham on Jun 13, 2013
County: henderson
Comments: This is nothing but pure greed. Every single board member and director should be fired arrested and fined. If a company can not keep itself in business then it goes bankrupt so let them go bankrupt someone else will be along shortly to do a much better job then this bumbling idiots.

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617. Name: Claudia D Behnke on Jun 13, 2013
County: Henderson
Comments:

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618. Name: Fredrick W Behnke III on Jun 13, 2013
County: Henderson
Comments:

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619. Name: Monte Hloucha on Jun 13, 2013
County: Henderson
Comments: What a JOKE. I guess it's on us, like gas prices, the big oil companies just pass it on.

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620. Name: Audrey Lindsey on Jun 13, 2013
County: ohio
Comments: No increase

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621. Name: Kim Nevitt on Jun 13, 2013
County: Daviess
Comments: We can't take anymore increases. I work for the local health department and will never receive another raise again because of Managed Care. Please do not make our lives more of a struggle for working families.

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622. Name: Tina Thompson on Jun 13, 2013
County: daviess
Comments:

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623. Name: Jimmy Nevitt on Jun 13, 2013
County: Daviess
Comments:

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624. Name: Lamanda Wells on Jun 13, 2013
County: ohio
Comments:

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625. Name: Joseph Langston on Jun 13, 2013
County: mccracken
Comments: that's alot your trying to take away from my family

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626. Name: Helen C P Posey on Jun 13, 2013
County: Henderson
Comments: If I could get a hugh pay increase I could afford this!

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627. Name: Candice Rich on Jun 13, 2013
County: Henderson
Comments:

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628. Name: Jennifer Lasley on Jun 13, 2013
County: Breckinridge
Comments:

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629. Name: Shannon Lasley on Jun 13, 2013
County: Breckinridge
Comments:

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630. Name: James H. Hackney III on Jun 13, 2013
County: webster
Comments: stop any new rate we are paying more than we should

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631. Name: Amanda on Jun 13, 2013
County: henderson
Comments:

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632. Name: Karen Morrison on Jun 13, 2013
County: McCracken
Comments:

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633. Name: Suzanne Bonnette Walters on Jun 13, 2013
County: Meade

Comments: People cannot afford this. Seniors, people with disabilities and the working poor will have to choose between food, medicines or electric. Non-profits will be overburdened with request from clients to help pay their electric bills

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634. Name: Sharon Frazier on Jun 13, 2013
County: Daviess
Comments:

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635. Name: Jon W. Thompson on Jun 13, 2013
County: Daviess
Comments:

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636. Name: Anonymous on Jun 13, 2013
County: KY
Comments:

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637. Name: Shirley Nicholson on Jun 13, 2013
County: McCracken
Comments: why do they think they can raise everyone bills we have enough problems in the world now this go figure

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638. Name: Terry Rodgers on Jun 13, 2013
County: mccracken
Comments: u people trying to b like Illinois and end up screwing people who cant afford it but do u care,,nope as long as your living high off the hog ur happy..quit with the union pay hikes and cut some overpaid salarys for watching a bubble rise then u could lower it.some are not worth 20 to 40 hr. period

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639. Name: Anonymous on Jun 13, 2013
County: Henderson
Comments:

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640. Name: Trevor S Lambert on Jun 13, 2013
County: Kentucky
Comments:

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641. Name: Melissa Humphrey on Jun 13, 2013
County: Daviess
Comments:

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642. Name: Janet Estes on Jun 13, 2013
County: Hancock
Comments: Utilities are high enought especially for people on fixed income.

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643. Name: Brenda Hagan on Jun 13, 2013
County: Daviess
Comments:

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644. Name: Randy Estes on Jun 13, 2013
County: Hancock
Comments:

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645. Name: Stan Williams on Jun 13, 2013
County: Henderson
Comments: Our rates should not increase!!!

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646. Name: Amberly Craig on Jun 13, 2013
County: McCraken
Comments:

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647. Name: Terry Stinnett on Jun 13, 2013
County: daviess

Comments: Keep rates as r or lower

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648. Name: Debbie Luttrell on Jun 13, 2013
County: Daviess
Comments: Really - I can't imagine our rates going higher than they are eveyrone is struggling now some may not even be able to heat their home.

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649. Name: Tammy Robinson on Jun 13, 2013
County: McCrackin
Comments: This is not fair to all the people on a fixed income that live in this area, really all of the people that have to pay a electric bill its not our fault that you lost contracts you need to make changes maybe that would of helped you keep those you lost!!!

---

650. Name: Anonymous on Jun 13, 2013
County: henderson
Comments: I feel it is totally unfair for the amount of increase thay purpose.

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651. Name: Anonymous on Jun 13, 2013
County: Henderson
Comments:

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652. Name: Thomas Mc Donald on Jun 13, 2013
County: Henderson
Comments: I thank the rates are to high .

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653. Name: Jamie Castilio on Jun 13, 2013
County: Marshall
Comments:

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654. Name: Deanna Honeycutt on Jun 13, 2013
County: Daviess
Comments:

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655. Name: Brian Honeycutt on Jun 13, 2013
County: Daviess
Comments:

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656. Name: Gloria Carter on Jun 13, 2013
County: Union
Comments: I can't afford to pay an increase. My hours at work have been cut.

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657. Name: Carol Cox on Jun 13, 2013
County: daviess
Comments:

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658. Name: Anonymous on Jun 13, 2013
County: Meade
Comments:

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659. Name: Michael Coomes on Jun 13, 2013
County: HENDERSON
Comments: I STRONGLY APPOSE RATE INCREASE. I CAN'T AFFORD MY BILLS NOW!

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660. Name: Rick Fountain on Jun 13, 2013
County: KY
Comments:

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661. Name: NANCY COOMES on Jun 13, 2013
County: HENDERSON
Comments: I HAVEN'T GOTTEN A RAISE IN PAY FOR THE LAST 5 YEARS. I WORK FOR THE STATE GOVERMENT. GAS HAS

GONE UP, PRICE OF FOOD HAS GONE UP. SO I CAN'T AFFORD A BIG UTILITY BILL ALSO!!! I'M TIRED OF EVERYTHING INCREASING. IF PUSH COMES TO SHOVE I CAN GO OFF THE GRID, USE CANDLES FOR LIGHT, WOOD FOR HEAT AND A HORSE FOR TRANSPORTATION!

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662. Name: Lucy R. Armstrong on Jun 13, 2013
County: Daviess
Comments:

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663. Name: William R. Walters on Jun 13, 2013
County: Daviess
Comments: No company that is not "the only game in town" could get by with passing the cost of poor business choices on to their customers. Why should Big Rivers be allowed to do so ?"?

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664. Name: Donna S. Walters on Jun 13, 2013
County: Daviess
Comments:

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665. Name: Mike Braner on Jun 13, 2013
County: Mclean
Comments: Its going to kill the poultry industry. It's our single biggest recurring ex already.

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666. Name: Heath Byrne on Jun 13, 2013
County: Daviess
Comments: Big Rivers is a typical big business. Instead of trying to do the right thing for the area the pass the buck on to the hard working Americans. I hear they are losing money on two plants but instead of selling them to potential buyers they take a loss and pass it on to us.

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667. Name: Angie Carter on Jun 13, 2013
County: union
Comments: request that big rivers find alternatives other than significant rate increases on existing customers

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668. Name: Jane S Howard on Jun 13, 2013
County: McLean
Comments:

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669. Name: G. Thomas Howard on Jun 14, 2013
County: Mclean
Comments:

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670. Name: Deborah L. Howard on Jun 14, 2013
County: McLean
Comments:

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671. Name: David Brown on Jun 14, 2013
County: Hancock
Comments:

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672. Name: Joseph Bickett on Jun 14, 2013
County: Daviess
Comments: I'm signing but it will not do any good. Big Rivers will do what it wants and the PSC does not have the guts to stop it.

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673. Name: Steven Medley on Jun 14, 2013
County: Livingston
Comments: Our governor should stop this utility from this rate hike.

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674. Name: Anonymous on Jun 14, 2013
County: Webster
Comments: stop the rate increase

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675. Name: Ben Boswell on Jun 14, 2013
County: daviess
Comments: Close a plant. if you could sell power on the grid you would not have lost century in the first place. Wilson wasn't, needed when you built it.

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676. Name: Anonymous on Jun 14, 2013
County: Meade
Comments:

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677. Name: Christopher P Burke on Jun 14, 2013
County: Daviess
Comments:

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678. Name: Michael J. Crowe on Jun 14, 2013
County: Daviess
Comments:

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679. Name: Willard S. Jones on Jun 14, 2013
County: Marshall
Comments:

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680. Name: Cammie Marcum on Jun 14, 2013
County: Daviess
Comments:

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681. Name: Anonymous on Jun 14, 2013
County: Daviess
Comments: Please keep Big Rivers from raising their rates.

---

682. Name: Terry Morris on Jun 14, 2013
County: Hancock
Comments:

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683. Name: Anonymous on Jun 14, 2013
County: Daviess
Comments:

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684. Name: Ann Howard on Jun 14, 2013
County: McLean
Comments:

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685. Name: Dale Howard on Jun 14, 2013
County: McLean
Comments:

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686. Name: Christopher Winfield on Jun 15, 2013
County: Daviess
Comments:

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687. Name: Tony Hamilton on Jun 15, 2013
County: Daviess
Comments:

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688. Name: BONNIE CLOTHIER on Jun 15, 2013
County: OHIO
Comments:

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689. Name: Tom Snell on Jun 15, 2013
County: Daviess

Comments:

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690. Name: Paul R Hayden on Jun 15, 2013
County: Daviess
Comments: I'm against such a massive increase. Compromise smaller increase & more cuts.

---

691. Name: Kevin Garrard on Jun 15, 2013
County: Henderson
Comments:

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692. Name: Brad McRoy on Jun 15, 2013
County: Daviess
Comments:

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693. Name: Anonymous on Jun 15, 2013
County: daviess
Comments:

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694. Name: Rachel Brown on Jun 16, 2013
County: Calloway
Comments:

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695. Name: CHARLES FRED AND ALICE HOWARD on Jun 16, 2013
County: Daviess
Comments:

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696. Name: Paula Floyd on Jun 17, 2013
County: Union
Comments:

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697. Name: Brian Payne on Jun 18, 2013
County: Daviess
Comments: No to rate increases

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698. Name: Dana Ellinger on Jun 18, 2013
County: Graves
Comments:

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699. Name: James Edelen on Jun 18, 2013
County: Daviess
Comments: This will lead to deregulation of the electric rates in Ky.

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700. Name: Joyce Edelen on Jun 18, 2013
County: Daviess
Comments:

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701. Name: Anonymous on Jun 22, 2013
County: Daviess
Comments:

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702. Name: Anonymous on Jun 22, 2013
County: Daviess
Comments:

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703. Name: Robert Hayden on Jun 25, 2013
County: hancock
Comments:

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704. Name: Audrey Vanhooser on Jun 27, 2013
County: Hancock
Comments:

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705. Name: Shannon Sheppard on Jun 27, 2013
County: Perry
Comments:

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706. Name: Joe Sheppard on Jun 27, 2013
County: Perry
Comments:

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707. Name: Shane Taylor on Jun 27, 2013
County: Breck
Comments:

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708. Name: Mabel on Jun 27, 2013
County: Hancock
Comments:

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709. Name: Vernell on Jun 27, 2013
County: Hancock
Comments:

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710. Name: Sadie Majors on Jun 27, 2013
County: McLean
Comments: Kentucky needs this plant and those employee's need their jobs!!!! Stop making the economy worse!!!!! Geeeez!!

---

711. Name: Sadie Majors on Jun 27, 2013
County: McLean
Comments: Kentucky needs this plant and those employee's need their jobs!!!! Stop making the economy worse!!!!! Geeeez!!

---

712. Name: Jessie Riley on Jun 27, 2013
County: Hancock
Comments:

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713. Name: Thomas Arterberry on Jun 27, 2013
County: Hancock
Comments:

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714. Name: John Kramer on Jun 27, 2013
County: Union
Comments: This is not right dont make us pay for someone elses mistake.

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715. Name: Harry Hinzman on Jun 27, 2013
County: Graves
Comments: I am retired and cannot afford to pay higher bills. I retired from Michigan and don't get yearly raises like the State Of Kentucky Employees do!

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716. Name: Dolores Hinzman on Jun 27, 2013
County: Graves
Comments: Can't afford it!

---

717. Name: Burke Etienne on Jun 27, 2013
County: Hancock
Comments: I work at Domtar Paper Hawesville, KY. The type of electric rate increase that Big Rivers is proposing would put us in a competitive disadvantage. Being in the paper industry and losing the ability to compete would be the beginning of the end of our Mill. I feel increasing these rates because you have lost major customers is unfair to the remaining customers. Big Rivers needs to do what the rest of the industries in the US has had to do to exist, downsize, cut costs and lower their prices.

718. Name: Jim Siler on Jun 27, 2013
County: Breckinridge
Comments:

719. Name: Nikki Siler on Jun 27, 2013
County: Breckinridge
Comments:

720. Name: Donna Baker on Jun 27, 2013
County: Breckinridge
Comments:

721. Name: Cindy L. Malone on Jun 27, 2013
County: Hancock
Comments:

722. Name: Patti Bell on Jun 27, 2013
County: Kentucky
Comments:

723. Name: Robert McCann on Jun 27, 2013
County: Hancock
Comments: aren't you making enough money off us as it is!!!

724. Name: Randall Belcher on Jun 28, 2013
County: DAVIESS
Comments:

725. Name: Rebecca Wuest on Jun 28, 2013
County: daviess
Comments:

726. Name: Phillip Morris on Jun 28, 2013
County: Hancock
Comments:

727. Name: Michael Crowe on Jun 28, 2013
County: Daviess
Comments: Rates are high enough. This is KY not California!

728. Name: Mike Hagan on Jun 28, 2013
County: Union/Henderson
Comments: We are paying on seven meters now a increase will raise rates even more.

729. Name: Viola K. Shocklee on Jun 28, 2013
County: Daviess
Comments:

730. Name: Kevin N. Shocklee on Jun 28, 2013
County: Daviess
Comments:

731. Name: Ray Peach on Jun 28, 2013
County: Ohio
Comments: that's going to hurt a lot of people

732. Name: Stanley E Hylton on Jun 28, 2013

County: Hancock
Comments: This is not right for people that are not doing a good job in they job. To have me pay for it.

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733. Name: Bruce Chain on Jun 28, 2013
County: Breckinridge
Comments:

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734. Name: Ted Brown on Jun 28, 2013
County: Breckinridge
Comments:

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735. Name: Paula Swihart on Jun 30, 2013
County: McLean
Comments: I am an ordinary citizen and shouldn't have to pay for the electricity that Big Rivers is going tosell to Kenergy. To mske profit largwr.roffit

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736. Jack B. McGelin
Hancock County, Ky

SC EXHIBIT 1

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

And/Or

In the Confidential File Materials at the PSC

SC EXHIBIT 2

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

And/Or

In the Confidential File Materials at the PSC

SC EXHIBIT 3

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

And/Or

In the Confidential File Materials at the PSC

SC EXHIBIT 4

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

And/Or

In the Confidential File Materials at the PSC

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535

Revised Response to Kentucky Industrial Utility Customers' Initial Request for Information dated February 14, 2013

February 28, 2013
Revised June 26, 2013

Item 35) *Has Big Rivers conducted a study or given consideration to the price elasticity of demand of the rate increase proposed in this case? If no, explain why Big Rivers has not undertaken such a study. If yes:*

a. Provide the study/analysis (with formulas intact) and all supporting documentation.

b. Does the rate increase requested by Big Rivers take the results of the price elasticity of demand into account? Explain in detail.

Response) Big Rivers' 2011 Load Forecast included price elasticity in the residential SAE models used; however, the rate increase proposed in this case was not specifically projected at the time the models were completed. Thus, the 2011 Load Forecast included price elasticity for residential customers on normal projected increases anticipated at the time, using a derived price elasticity coefficient of -.14, -.25, and -.26 for Jackson Purchase, Meade County and Kenergy, respectively, but did not give consideration to customer consumption changes that may result from the specific rate increase proposed in this case. Please see all documentation from the 2011 Load Forecast provided in response to AG1-233.

Witness) Lindsay N. Barron

SC EXHIBIT 5

U.S. Energy Information Administration - Average Retail Price of Electricity in 2011

RESIDENTIAL

#	Entity	State	Class of Ownership	Avg. ¢/kWh
1	Henderson City Utility Comm	KY	Public	6.13
2	**Jackson Purchase Energy Corporation**	KY	**Cooperative**	**7.07**
3	City of Benham	KY	Public	7.28
4	City of Falmouth	KY	Public	7.35
5	**Kenergy Corp**	KY	**Cooperative**	**7.46**
6	City of Nicholasville	KY	Public	7.50
7	**Meade County Rural E C C**	KY	**Cooperative**	**7.53**
8	City of Frankfort - (KY)	KY	Public	7.62
9	City of Berea Municipal Utility	KY	Public	7.73
10	City of Bardstown	KY	Public	7.75
11	City of Bardwell	KY	Public	7.89
12	Kentucky Utilities Co	KY	Investor Owned	8.02
13	Duke Energy Kentucky	KY	Investor Owned	8.39
14	Barbourville Utility Comm	KY	Public	8.58
15	Louisville Gas & Electric Co	KY	Investor Owned	8.60
16	Corbin City Utilities Comm	KY	Public	8.75
17	Madisonville Municipal Utils	KY	Public	8.83
18	City of Paris - (KY)	KY	Public	8.89
19	City of Olive Hill - (KY)	KY	Public	9.32
20	Salt River Electric Coop Corp	KY	Cooperative	9.39
21	Taylor County Rural E C C	KY	Cooperative	9.50
22	City of Providence - (KY)	KY	Public	9.51
23	City of Franklin - (KY)	KY	Public	9.53
	Big Rivers Total: Rural ~ NET of MRSM	KY	**Cooperative**	**9.56**
24	City of Paducah - (KY)	KY	Public	9.66
25	Kentucky Power Co	KY	Investor Owned	9.66
26	City of Russellville - (KY)	KY	Public	9.81
27	City of Owensboro - (KY)	KY	Public	9.84
28	City of Hopkinsville	KY	Public	9.85
29	Cumberland Valley Electric, Inc.	KY	Cooperative	9.92
30	Williamstown Utility Comm	KY	Public	10.01
31	City of Jellico	KY	Public	10.03
32	Nolin Rural Electric Coop Corp	KY	Cooperative	10.16
33	City of Glasgow	KY	Public	10.17
34	South Kentucky Rural E C C	KY	Cooperative	10.24
35	City of Murray - (KY)	KY	Public	10.31
36	Warren Rural Elec Coop Corp	KY	Cooperative	10.32
37	Tri-County Elec Member Corp	KY	Cooperative	10.33
38	Farmers Rural Electric Coop Corp	KY	Cooperative	10.35
39	Shelby Energy Co-op, Inc	KY	Cooperative	10.42
40	Owen Electric Coop Inc	KY	Cooperative	10.52
41	Blue Grass Energy Coop Corp	KY	Cooperative	10.62
42	Pennyrile Rural Electric Coop	KY	Cooperative	10.69
43	City of Fulton - (KY)	KY	Public	10.71
44	Big Sandy Rural Elec Coop Corp	KY	Cooperative	10.72
45	Fleming-Mason Energy Coop Inc	KY	Cooperative	10.75
46	City of Bowling Green - (KY)	KY	Public	10.84
47	City of Benton - (KY)	KY	Public	10.95
48	Clark Energy Coop Inc - (KY)	KY	Cooperative	11.00
49	Inter County Energy Coop Corp	KY	Cooperative	11.00
50	Licking Valley Rural E C C	KY	Cooperative	11.21
51	City of Mayfield Plant Board	KY	Public	11.29
52	City of Vanceburg	KY	Public	11.58
53	West Kentucky Rural E C C	KY	Cooperative	11.62
54	City of Princeton - (KY)	KY	Public	11.66
55	Jackson Energy Coop Corp - (KY)	KY	Cooperative	11.66
56	City of Hickman	KY	Public	11.67
57	Grayson Rural Electric Coop Corp	KY	Cooperative	12.37
58	Hickman-Fulton Counties RECC	KY	Cooperative	13.01
	Big Rivers Total: Rural ~ GROSS of MRSM	KY	**Cooperative**	**13.46**

Source: http://www.eia.gov/electricity/data.cfm#sales

Case No. 2013-00199
Exhibit Wolfram-8

SC EXHIBIT 6

U.S. Energy Information Administration: Average Retail Price of Electricity in 2011

INDUSTRIAL

#	Entity	State	Class of Ownership	Avg. ¢/kWh
1	**Kenergy Corp**	KY	**Cooperative**	**4.14**
2	Electric Energy Inc	KY	Investor Owned	4.27
3	Corbin City Utilities Comm	KY	Public	4.62
4	Tennessee Valley Authority	KY	Federal	4.76
	Big Rivers Total: Large Industrial ~NET of MRSM	KY	**Cooperative**	**4.96**
5	City of Bardstown	KY	Public	5.07
6	Henderson City Utility Comm	KY	Public	5.08
7	Owen Electric Coop Inc	KY	Cooperative	5.28
8	Williamstown Utility Comm	KY	Public	5.52
9	Kentucky Utilities Co	KY	Investor Owned	5.66
10	**Jackson Purchase Energy Corporation**	**KY**	**Cooperative**	**5.89**
11	Louisville Gas & Electric Co	KY	Investor Owned	5.98
12	City of Hopkinsville	KY	Public	5.99
13	Kentucky Power Co	KY	Investor Owned	6.03
14	Fleming-Mason Energy Coop Inc	KY	Cooperative	6.16
15	Nolin Rural Electric Coop Corp	KY	Cooperative	6.18
16	City of Nicholasville	KY	Public	6.41
17	Grayson Rural Electric Coop Corp	KY	Cooperative	6.47
18	City of Frankfort - (KY)	KY	Public	6.64
19	Blue Grass Energy Coop Corp	KY	Cooperative	6.68
20	Duke Energy Kentucky	KY	Investor Owned	6.70
21	Shelby Energy Co-op, Inc	KY	Cooperative	6.71
22	Salt River Electric Coop Corp	KY	Cooperative	6.77
23	City of Berea Municipal Utility	KY	Public	6.78
24	Big Sandy Rural Elec Coop Corp	KY	Cooperative	6.84
25	Barbourville Utility Comm	KY	Public	6.91
26	City of Franklin - (KY)	KY	Public	7.13
27	Inter County Energy Coop Corp	KY	Cooperative	7.13
28	City of Owensboro - (KY)	KY	Public	7.19
29	Jackson Energy Coop Corp - (KY)	KY	Cooperative	7.30
30	Farmers Rural Electric Coop Corp	KY	Cooperative	7.43
31	City of Murray - (KY)	KY	Public	7.61
32	West Kentucky Rural E C C	KY	Cooperative	7.81
33	Licking Valley Rural E C C	KY	Cooperative	7.90
	Big Rivers Total: Large Industrial ~GROSS of MRSM	KY	**Cooperative**	**7.91**
34	Tri-County Elec Member Corp	KY	Cooperative	7.98
35	City of Glasgow	KY	Public	8.01
36	Cumberland Valley Electric, Inc.	KY	Cooperative	8.02
37	Pennyrile Rural Electric Coop	KY	Cooperative	8.15
38	Warren Rural Elec Coop Corp	KY	Cooperative	8.19
39	City of Bowling Green - (KY)	KY	Public	8.23
40	South Kentucky Rural E C C	KY	Cooperative	8.35
41	Clark Energy Coop Inc - (KY)	KY	Cooperative	8.57
42	City of Paris - (KY)	KY	Public	8.61
43	City of Russellville - (KY)	KY	Public	9.01
44	City of Fulton - (KY)	KY	Public	9.16
45	City of Vanceburg	KY	Public	9.27
46	Taylor County Rural E C C	KY	Cooperative	9.42
47	City of Benton - (KY)	KY	Public	9.45
48	City of Mayfield Plant Board	KY	Public	9.57
49	City of Paducah - (KY)	KY	Public	9.63
50	City of Princeton - (KY)	KY	Public	10.75
51	Hickman-Fulton Counties RECC	KY	Cooperative	12.67

:ia.gov/electricity/data.cfm#sales

U.S. Energy Information Administration - Average Retail Price of Electricity in 2011

RESIDENTIAL

#	State	Avg. ¢/kWh
1	Idaho	7.87
2	Washington	8.28
3	North Dakota	8.58
4	Louisiana	8.96
5	Utah	8.96
6	Arkansas	9.02
7	Wyoming	9.11
8	**Kentucky**	**9.20**
9	Nebraska	9.32
	Kentucky with Big Rivers NET Increase	**9.33**
10	South Dakota	9.35
11	West Virginia	9.39
12	Oklahoma	9.47
13	Oregon	9.54
	Kentucky with Big Rivers GROSS Increase	**9.55**
14	Missouri	9.75
15	Montana	9.75
16	Tennessee	9.98
17	Indiana	10.06
18	Mississippi	10.17
19	North Carolina	10.26
20	Iowa	10.46
21	Virginia	10.64
22	Kansas	10.65
23	Minnesota	10.96
24	New Mexico	11.00
25	Georgia	11.05
26	South Carolina	11.05
27	Texas	11.08
28	Arizona	11.08
29	Alabama	11.09
30	Colorado	11.27
31	Ohio	11.42
32	Florida	11.51
33	Nevada	11.61
34	Illinois	11.78
35	Wisconsin	13.02
36	Pennsylvania	13.26
37	Michigan	13.27
38	Maryland	13.31
39	District of Columbia	13.40
40	Delaware	13.70
41	Rhode Island	14.33
42	Massachusetts	14.67
43	California	14.78
44	Maine	15.38
45	New Jersey	16.23
46	Vermont	16.26
47	New Hampshire	16.52
48	Alaska	17.62
49	Connecticut	18.11
50	New York	18.26
51	Hawaii	34.68

Source: http://www.eia.gov/electricity/data.cfm#sales

U.S. Energy Information Administration - Average Retail Price of Electricity in 2011

INDUSTRIAL

#	State	Avg. ¢/kWh
1	Washington	4.09
2	Idaho	5.10
3	Utah	5.10
4	Iowa	5.21
5	Montana	5.27
6	**Kentucky**	**5.33**
7	Wyoming	5.41
8	Oklahoma	5.46
9	Oregon	5.47
	Kentucky with Big Rivers NET Increase	**5.49**
10	Arkansas	5.63
11	Louisiana	5.69
12	Missouri	5.85
13	South Carolina	5.94
14	North Carolina	6.01
	Kentucky with Big Rivers GROSS Increase	**6.05**
15	New Mexico	6.06
16	Ohio	6.12
17	Indiana	6.17
18	West Virginia	6.18
19	South Dakota	6.20
20	North Dakota	6.24
21	Texas	6.24
22	Alabama	6.25
23	Illinois	6.42
24	Nebraska	6.43
25	Minnesota	6.47
26	Virginia	6.49
27	Mississippi	6.53
28	Arizona	6.55
29	Georgia	6.60
30	Nevada	6.65
31	Kansas	6.71
32	District of Columbia	6.89
33	Colorado	7.06
34	Tennessee	7.23
35	Michigan	7.32
36	Wisconsin	7.33
37	Pennsylvania	7.73
38	New York	7.83
39	Florida	8.55
40	Maryland	8.76
41	Maine	8.88
42	Delaware	8.91
43	Vermont	9.83
44	California	10.11
45	Rhode Island	11.27
46	New Jersey	11.43
47	New Hampshire	12.27
48	Connecticut	13.24
49	Massachusetts	13.38
50	Alaska	15.71
51	Hawaii	28.40

Source: http://www.eia.gov/electricity/data.cfm#sales