(1) Organization and Summary of Significant Accounting Policies

(a) General Information

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

Management evaluated subsequent events up to and including April 4, 2014, the date the financial statements were available to be issued.

(b) Estimates

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

(c) System of Accounts

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

(d) Revenue Recognition

Revenues generated from the Company's wholesale power contracts are based on month-end meter readings and are recognized as earned when electricity is delivered.

(e) Utility Plant and Depreciation

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

(Continued)

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

Depreciation of utility plant in service is recorded using the straight-line method over the estimated remaining service lives, as approved by the RUS and KPSC. During 2010, the Company commissioned a depreciation study to evaluate the remaining economic lives of its assets. In 2011, the study was completed and approved by the RUS and KPSC. The annual composite depreciation rates used to compute depreciation expense were as follows:

Electric plant	0.50%–20.22%
Transmission plant	1.42%–2.23%
General plant	2.84%–17.12%

For 2013, 2012, and 2011, the average composite depreciation rates were 2.23%, 2.23%, and 1.91%, respectively. At the time plant is disposed of, the original cost plus cost of removal less salvage value of such plant is charged to accumulated depreciation, as required by the RUS.

(f) Impairment Review of Long-Lived Assets

Long-lived assets are reviewed as facts and circumstances indicate that the carrying amount may be impaired. FASB ASC 360, *Property, Plant, and Equipment*, requires the evaluation of impairment by comparing an asset's carrying value to the estimated future cash flows the asset is expected to generate over its remaining life. If this evaluation were to conclude that the future cash flows were not sufficient to recover the carrying value of the asset, an impairment charge would be recorded based on the difference between the asset's carrying amount and its fair value (less costs to sell for assets to be disposed of by sale) as a charge to net margin.

(g) Inventory

Inventories are carried at average cost and include coal, petroleum coke, lime, limestone, oil and gas used for electric generation, and materials and supplies used for utility operations. Emission allowances are carried in inventory at a weighted average cost by each vintage year. Issuances of allowances are accounted for on a vintage basis using a monthly weighted average cost.

(h) Restricted Investments

Investments are restricted under KPSC order to establish certain reserve funds for Member rate mitigation and a Transition reserve. These investments have been classified as held-to-maturity and are carried at amortized cost. In addition, Big Rivers was required to purchase investments in National Rural Utilities Cooperative Finance Corporation's (CFC) Capital Term Certificates (CTCs) in connection with a secured term loan agreement with CFC (note 8), which are also classified as held-to-maturity.

(i) ***Cash and Cash Equivalents***

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

(j) ***Restricted Cash***

Certain cash amounts are restricted under KPSC order for capital expenditures in the ordinary course of business (note 8).

(k) ***Income Taxes***

Big Rivers was formed as a tax-exempt cooperative organization as described in Internal Revenue Code Section 501(c)(12). To retain tax-exempt status under this section, at least 85% of the Big Rivers' receipts must be generated from transactions with the Company's members. In 1983, sales to nonmembers resulted in Big Rivers failing to meet the 85% requirement. Until Big Rivers can meet the 85% member income requirement, the Company will not be eligible for tax-exempt status and will be treated as a taxable cooperative.

As a taxable cooperative, Big Rivers is entitled to exclude the amount of patronage allocations to members from taxable income. Income and expenses related to nonpatronage-sourced operations are taxable to Big Rivers. Big Rivers files a federal income tax return and certain state income tax returns.

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

(l) ***Patronage Capital***

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

(m) ***Derivatives***

Management has reviewed the requirements of FASB ASC 815, *Derivatives and Hedging*, and has determined that certain contracts the Company is party to may meet the definition of a derivative under FASB ASC 815. The Company has elected the Normal Purchase and Normal Sale exception for these contracts, and therefore, the contracts are not required to be recognized at fair value in the financial statements.

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(n) Fair Value Measurements

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

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

(2) Utility Plant

At December 31, 2013 and 2012, utility plant is summarized as follows:

		2013	2012
Classified plant in service:			
Production plant	$	1,727,602	1,715,486
Transmission plant		248,466	248,276
General plant		44,441	35,103
Other		543	543
		2,021,052	1,999,408
Less accumulated depreciation		989,604	962,994
		1,031,448	1,036,414
Construction in progress		39,464	50,813
Utility plant – net	$	1,070,912	1,087,227

Interest capitalized for the years ended December 31, 2013, 2012, and 2011 was $226, $767, and $548, respectively.

The Company has not identified any material legal asset retirement obligations, as defined in FASB ASC 410, *Asset Retirement and Environmental Obligations*. In accordance with regulatory treatment, the Company records an estimated net cost of removal of its utility plant through normal depreciation. As of

(Continued)

December 31, 2013 and 2012, the Company had approximately $45,934 and $43,559, respectively, related to nonlegal removal costs included in accumulated depreciation.

(3) Debt and Other Long-Term Obligations

A detail of long-term debt at December 31, 2013 and 2012 is as follows:

		2013	2012
CFC Refinance Promissory Note, Series 2012 B, serial note pricing, all-in effective interest rate of 4.30%, final maturity date of May 2032	$	286,077	298,513
CFC Equity Note, Series 2012B, stated interest rate of 5.35%, final maturity date of May 2032		41,559	42,845
CoBank Promissory Note, Series 2012A, stated interest rate of 4.30%, final maturity date of June 2032		224,023	231,426
RUS Series A Promissory Note, stated amount of $80,456, stated interest rate of 5.75%, with an imputed interest rate of 5.84% maturing July 2021		80,063	80,019
RUS Series B Promissory Note, stated amount of $245,530, no stated interest rate, with interest imputed at 5.80%, maturing December 2023		138,064	130,340
County of Ohio, Kentucky, promissory note, fixed interest rate of 6.00%, maturing in July 2031		83,300	83,300
County of Ohio, Kentucky, promissory note, variable interest rate (average interest rate of 3.25% in 2013 and 2012) matured in June 2013		—	58,800
Total long-term debt		853,086	925,243
Current maturities		20,128	79,926
Total long-term debt – net of current maturities	$	832,958	845,317

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

		Amount
Year:		
2014	$	20,128
2015		20,903
2016		21,717
2017		22,576
2018		23,488
Thereafter		744,274
Total	$	853,086

(a) ***National Rural Utilities Cooperative Finance Corporation (CFC) Refinance and Equity Promissory Notes, 2012B***

In July 2012, Big Rivers issued new debt with CFC in the form of a secured term loan in the amount of $302,000 (the Refinance Note) and a CFC Equity Note in the amount of $43,156. The Refinance Note consists of 20 individual notes with different fixed interest rates ranging from 3.05% to 5.35%. The Refinance Note has an effective interest rate of 4.30% and a final maturity date of May 2032. The Equity Note has a fixed interest rate of 5.35% and a final maturity date of May 2032. The proceeds of the Refinance Note were used to prepay $302,000 of the RUS Series A Note. The proceeds of the CFC Equity Note were used to purchase interest-bearing Capital Term Certificates (CTCs), as required in connection with the Refinance Note (note 8).

(b) ***CoBank, ACB (CoBank) Promissory Note, Series 2012A***

In July 2012, Big Rivers issued new debt with CoBank in the form of a secured term loan in the amount of $235,000. The loan has a fixed interest rate of 4.30% per annum and a final maturity date of June 2032. Proceeds from the CoBank term loan were used to prepay $140,000 of the RUS Series A Note in July 2012, replenish the $35,000 Transition Reserve fund (depleted on April 1, 2011 to prepay the RUS Series A Note and realize a net interest expense reduction) and pay off the $58,800 County of Ohio, Kentucky Pollution Control Floating Rate Demand Bonds, Series 1983 in May 2013. The remaining funds were used to fund capital expenditures in the ordinary course of business (note 5).

(c) ***RUS Notes***

On July 15, 2009, Big Rivers' previous RUS debt was replaced with the RUS 2009 Promissory Note Series A (the RUS Series A Note) and the RUS 2009 Promissory Note Series B (the RUS Series B Note). The RUS Series A Note has a stated interest rate of 5.75% and is recorded at an imputed interest rate of 5.84%. The RUS Series B Note has no stated interest rate and is recorded at an imputed interest rate of 5.80%. The RUS Notes are secured under the Indenture dated July 1, 2009 between the Company and U.S. Bank National Association.

In July 2012, Big Rivers prepaid $442,000 of the RUS Series A Note from proceeds of the CFC and CoBank term loans as described above.

(d) ***Pollution Control Bonds***

In June 2010, the County of Ohio, Kentucky, issued $83,300 of Pollution Control Refunding Revenue Bonds, Series 2010A (Series 2010A Bonds), the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate. These bonds bear interest at a fixed rate of 6.00% and mature in July 2031.

The County of Ohio, Kentucky, issued $58,800 of Pollution Control Variable Rate Demand Bonds, Series 1983 (Series 1983 Bonds), the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate as the bonds. These bonds incurred interest at a variable rate, subject to a maximum interest rate of 13.00%, and matured in June 2013. During 2013, the interest rate on the Series 1983 Bonds was 3.25%. Big Rivers refunded these bonds by purchase on May 31, 2013 using funds from the CoBank Promissory Note, Series 2012A (note 5).

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(e) Line of Credit – CFC

In August 2013, Big Rivers amended and restated its $50,000 revolving line of credit agreement with CFC, dated as of July 16, 2009, (the 2009 Agreement) with the 2013 Amended & Restated Revolving Line of Credit Agreement (the 2013 Agreement). Under the 2009 Agreement, which had an expiration date of July 16, 2014, Big Rivers would have lost access to the line of credit on August 20, 2013 (the date which the Century contract termination became effective). The 2013 Agreement amended the 2009 Agreement by, among other things, extending the term of the line of credit to July 16, 2017, and amending sections that would have otherwise caused the 2009 Agreement to become unavailable to Big Rivers on August 20, 2013. Based on the terms of the 2013 Agreement, Big Rivers may draw on the line of credit when its unrestricted cash balance at the time of an advance is less than $35,000. Additionally, the amount of any advance may not exceed the difference between the $35,000 and Big Rivers' unrestricted cash at the time of the advance.

In connection with the 2013 Agreement, Big Rivers issued a secured promissory note (the Series 2013A Note) with a stated principal amount equal to the CFC commitment. The Series 2013A Note is payable to the order of CFC and secured under Big Rivers' Indenture.

Big Rivers had no outstanding borrowings on the 2013 Agreement and 2009 Agreement, at December 31, 2013 and 2012, respectively. Letters of credit issued under an associated Letter of Credit Facility with CFC reduced the borrowing capacity on the Revolvers by $8,425 and $5,375 for the years ended December 31, 2013 and 2012, respectively.

Advances on the 2013 Agreement bear interest at a variable rate and outstanding balances are payable in full by the maturity date of July 16, 2017. The CFC variable rate is equal to the CFC Line-of-Credit Rate, which is defined as "the rate published by CFC from time to time, by electronic or other means, for similarly classified lines of credit, but if not published, then the rate determined for such lines of credit by CFC from time to time."

(f) Line of Credit – CoBank

Based on the terms of Big Rivers' $50,000 Senior Unsecured Revolving Credit Facility with CoBank, dated as of July 27, 2012 (the 2012 CoBank Revolver), Big Rivers did not have access to borrow under the facility as a result of the Century contract termination notice received in August 2012. As attempts to negotiate an amended line of credit agreement with CoBank were unsuccessful, Big Rivers terminated the 2012 CoBank Revolver in May 2013.

(g) Covenants

Big Rivers is in compliance with all debt covenants associated with both long-term and short-term debt. The Company's Indenture and other debt agreements require that a Margins for Interest Ratio (MFIR) of at least 1.10 be maintained for each fiscal year. The 2013 CFC line of credit agreement requires that Big Rivers, throughout the duration of the agreement, maintain a minimum members' equities balance at each fiscal quarter-end and year-end of $325,000 plus 75% of the Company's cumulative positive net margins for each of the preceding fiscal years, beginning with the fiscal year ended December 31, 2012. Big Rivers' MFIR for the fiscal year ended December 31, 2013 was 1.20 and its members' equities balance was $422,488.

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A MFIR less than 1.10, per the Indenture and other debt agreements, may result in the following actions, restrictions or consequences: Big Rivers cannot secure additional debt under the Indenture; the Company must seek rates that are reasonably expected to yield a 1.10 MFIR; the Company must provide a written plan satisfactory to the RUS setting forth actions to be taken to achieve the specified MFIR on a timely basis; an event of default may occur; interest rates may increase; and its line of credit may be terminated with an acceleration of any outstanding amounts under the line of credit.

In accordance with the Amended and Consolidated Loan Contract between Big Rivers and the United States of America (acting by and through the RUS Administrator), Big Rivers provided notification to the RUS Administrator via letter dated February 7, 2013 of a failure to maintain two Credit Ratings of Investment Grade. As required, in March 2013, the Company, prepared and presented to the RUS, its Corrective Action Plan setting forth the actions that are being taken by management that are reasonably expected to achieve two Credit Ratings of Investment Grade. In March 2014, the Company provided the RUS with an update on actions taken to date related to its' Corrective Action Plan. The Company will continue to provide ongoing updates to the RUS.

(4) Rate Matters

The rates charged to Big Rivers' members consist of a demand charge per kilowatt (kW) and an energy charge per kilowatt-hour (kWh) consumed as approved by the KPSC. The rates include specific demand and energy charges for its members' two classes of customers, the large industrial customers, and the rural customers under its jurisdiction. For the large industrial customers, the demand charge is generally based on each customer's maximum demand during the current month. Effective September 1, 2011, the Company received approval from the KPSC to base the member rural demand charge on its Maximum Adjusted Net Local Load (as defined in Big Rivers' tariff).

Effective July 17, 2009, the KPSC approved the implementation of certain tariff riders; including a fuel adjustment clause and an environmental surcharge, offset by an unwind surcredit (a refund to tariff members of certain charges collected from the Aluminum Smelters in accordance with the contract terms). The net effect of these tariffs is recognized as revenue on a monthly basis with a partial offset to the regulatory liability – member rate mitigation described below.

The net impact of the tariff riders to members' rates is currently mitigated by a Member Rate Stability Mechanism (MRSM) that is funded by certain cash reserves (the Economic and Rural Economic Reserves) established and held by Big Rivers as restricted investments. An offsetting regulatory liability – member rate mitigation reflects the obligation associated with the funding of these reserve accounts.

Under the Aluminum Smelters' agreements, the wholesale rates established for the members' nonsmelter large direct-served industrial customers (the Large Industrial Rate) provide the basis for pricing the energy consumed by the Aluminum Smelters (Century Aluminum Company and Alcan Primary Products Corporation). The primary component of the pricing used for the Aluminum Smelters is an energy charge in dollars per megawatt hour (MWh) determined by applying the Large Industrial Rate to a load with a 98% load factor, and adding an additional charge of $0.25 per MWh. The other components reflected in the pricing of the Aluminum Smelters' energy usage are certain charges and credits as provided for under the terms of the Aluminum Smelters' wholesale electric service agreements between Big Rivers and Kenergy Corp. (Kenergy Corp. is the retail provider for the Aluminum Smelters load).

Century and Alcan smelter agreements were terminated effective August 20, 2013 and January 31, 2014, respectively as described in note 5.

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 $26,745. Big Rivers petitioned for and was granted a rehearing by the KPSC to address certain issues. The KPSC later expanded the scope of the rehearing to include other issues raised by one of the intervenors in the case. An evidentiary hearing was held by the KPSC in September 2012 and an order was issued January 29, 2013. The KPSC order granted the Company an additional increase in annual revenues of approximately $1,043 effective retroactive to September 1, 2011 (the effective date of the rates granted on November 17, 2011 order).

As a result of Century's notification of termination, received on August 20, 2012, the Company filed an application with KPSC, on January 15, 2013, requesting authority to adjust its rates for wholesale electric service. The KPSC entered an order on October 29, 2013, granting Big Rivers an annual revenue increase of $54,227, effective August 20, 2013. In its order, the KPSC excluded the Coleman plant depreciation from rate recovery at this time. The KPSC directed the Company to defer this depreciation expense and to record the amount in a regulatory asset account. The KPSC's order indicated this action was being taken due to the planned temporary idling of Coleman, the length of time the plant will be idled, and the impact of the rate increase on customers. As of December 31, 2013, depreciation expense of $1,857 was deferred.

On November 20, 2013, the intervenors in this case filed a petition for rehearing on three issues. The KPSC granted rehearing on one issue on December 10, 2013. Both Big Rivers and the intervenors have filed multiple written comments. The Company filed its final comments on Rehearing and Request for Rehearing on March 14, 2014, requesting the KPSC to reject the intervenors' claims and to make no adjustments to the rates approved in the order. Management believes the intervenors' claims requesting the KSPC to reduce by $2,630 the annual revenue increase granted in the KPSC's order have no statutory basis. The KPSC has not set a date for rehearing.

The wholesale rate increase granted by the KPSC resulted in a base wholesale rate increase of approximately: 21.9% for rural customers; 11.8% for large industrial customers; and 11.2% for the remaining aluminum smelter (Century Aluminum Sebree LLC, formerly Alcan Primary Products Corporation).

As a result of Alcan's notification of termination, received on January 31, 2013, the Company filed an application with KPSC, on June 28, 2013, requesting authority to adjust its rates for wholesale electric service in the amount of $70,397. This requested amount was later revised to $71,223 in the Company's rebuttal testimony filed December 17, 2013. The Company proposed to temporarily offset this rate increase by utilization of the MRSM. An evidentiary hearing was held by the KPSC in January 2014. The Company placed the requested increase, per the application of $70,397 (subject to refund) and the MRSM offset, in effect on February 1, 2014. The MRSM offset will defer the increase for the rural customers until approximately April 2015 and for the large industrial customers until approximately July 2014. The KPSC has until April 27, 2014 to issue an order in this case.

The revised requested increase of $71, 223 in the base wholesale rate is approximately: 37.0% for rural customers and 33.0% for large industrial customers. Including the tariff riders, the revised requested increase for the all-in wholesale rate is approximately 31.9% for rural customers and 27.6% for large industrial customers; and an estimated base retail rate increase of approximately 22.2% for rural customers and 26.7% for large industrial customers.

(5) Aluminum Smelters Termination Notices

On August 20, 2012, Big Rivers as wholesale power supplier, and Kenergy Corp. (Kenergy) as retail power supplier, received a letter from Century Aluminum Company (Century) serving Notice of Termination of its Retail Service Agreement with Kenergy. Big Rivers provided notification to the three credit rating agencies and certain creditors, in accordance with its debt covenant requirements, of the Century termination notice. As a result of Century's notice, two credit rating agencies revised their Outlook for Big Rivers to negative from stable and the other revised Outlook from stable to under review. Standard & Poor's Rating Services (Standard & Poor's) and Fitch Ratings (Fitch) maintained their credit ratings at BBB-, while Moody's Investors Service, Inc. (Moody's) downgraded its rating of Big Rivers' Series 2010A Bonds (in the amount of $83,300) to Baa2 from Baa1 and placed the rating under review.

On January 31, 2013, Alcan Primary Products Corporation (Alcan) provided a Notice of Termination of its Kenergy Retail Service Agreement to Big Rivers and Kenergy. Alcan stated in its notice that with the proposed rate increase of 15.6% its smelter would be "unprofitable and therefore unsustainable." Big Rivers provided notification to the three credit rating agencies and its creditors of the Alcan termination notice. As a result of Alcan's notice, the three credit rating agencies downgraded Big Rivers' credit ratings in early February 2013 as follows: Standard & Poor's to BB- from BBB-; Fitch to BB from BBB-; and Moody's to Ba1 from Baa2. In addition, all three credit rating agencies maintained their Outlooks.

Moody's released an Issuer Comment of Credit Positive dated November 1, 2013, resulting from the KPSC order to increase wholesale rates on October 29, 2013. Fitch maintained its credit rating and outlook in its updated report issued February 6, 2014.

Big Rivers has developed and continues to implement its Load Concentration Mitigation Plan (LCMP) to preserve its financial position notwithstanding the termination of the smelter agreements. This includes the filing of two applications requesting approval of rate increases (note 4) and actively pursuing replacement load for the 850 MW of available capacity resulting from the smelter contracts.

On June 12, 2013, Big Rivers and Kenergy filed a joint application with the KPSC requesting, among other things, approval of agreements with Century, which would allow Kenergy to purchase power at market prices for Century's Hawesville Smelter beginning August 20, 2013. The KPSC issued its order approving these agreements on August 14, 2013. The Kentucky Industrial Utility Customers (KIUC), one of the intervenors in this proceeding, filed a complaint on September 11, 2013, appealing the KPSC's order in Franklin Circuit Court. Subsequently, the KIUC withdrew its complaint, with prejudice, on December 6, 2013.

In June 2013, Century acquired substantially all of the assets of the Alcan smelter (Sebree Smelter) from Rio Tinto Alcan.

On November 20, 2013, Big Rivers and Kenergy filed a joint application with the KPSC requesting, among other things, approval of agreements with Century, which would allow Kenergy to purchase power at market prices for Century's Sebree Smelter after January 31, 2014. The KPSC issued its order approving these agreements on January 30, 2014. The KIUC, one of the intervenors in this proceeding, filed a petition for rehearing on February 24, 2014, with the KPSC. The Company filed a response to KIUC's petition for rehearing on February 28, 2014. The KPSC denied the KIUC's petition for rehearing on March 14, 2014.

Additionally, the Midcontinent Independent System Operator (MISO) requested the Big Rivers' Coleman plant remain in operation under a System Support Resources (SSR) arrangement until the Century Hawesville Smelter can install equipment for transmission reliability issues. The SSR agreement between MISO and Big Rivers requires approval by the Federal Energy Regulatory Commission (FERC). The FERC approved tariff requires all operating costs of Coleman Station to be netted with revenues resulting from Coleman's generation. Under the direct agreement between Century and Big Rivers, Century is responsible for paying all actual operating costs associated with running Coleman, offset by revenues generated by Coleman. At the end of the SSR period, any revenues in excess of the actual operating expenses of the Coleman plant will be distributed to all Load Serving Entities (LSE) impacted by the SSR arrangement. Therefore, effective August 20, 2013, all such revenues and operating costs resulting from this direct agreement are netted in the Company's financial statement. At MISO's direction the SSR arrangement will terminate April 30, 2014, at which time, temporary idling of the Coleman plant will begin.

As a result of the termination of the second smelter contract, a temporary idling of the Wilson plant had been scheduled for early 2014. Due to recent forward sales from Wilson generation, Big Rivers has postponed the idling of the Wilson plant until early 2015. These plant idlings will continue until replacement load is acquired or until the price of the wholesale power market improves, which may take a number of years. At this time, the Company cannot project when the temporary plant idlings will end.

As a result of these anticipated plant idlings, management distributed Work Adjustment and Retraining Notification Act of 1998 (WARN) notices to the employees of the Coleman, Wilson and Sebree generating facilities on December 5, 2013. The notices stated that the workforce would be reduced by approximately 188 positions due to the smelter terminations. The workforce reduction process will start immediately after each plant is idled and will be completed by the end of a 90 day period.

In connection with the workforce reduction and in accordance with the terms and conditions of the Company's severance plan, the Company has recorded severance expense of $9,272 for the year ended December 31, 2013. The entire $9,272 is reflected within "Accrued expenses" on the balance sheet; all payouts are expected to occur in 2014 after the plant idlings are completed.

On November 14, 2012, Big Rivers filed an application with the KPSC seeking approval to issue new debt to be used to refund the $58,800 Series 1983 Bonds (note 3) that mature in June 2013. However, with the uncertainty created by the Aluminum Smelters' termination notices, and potential cumulative impact on prospective bond purchasers, the Company decided to seek KPSC approval to repay the bonds from repurposed funds currently restricted by previously issued orders of the KPSC. The restricted funds consisted of $60,000 CoBank borrowings to be used for capital expenditures in the ordinary course of business and the $35,000 Transition reserve established for use upon the loss of one or both of the Aluminum Smelter loads. On March 26, 2013, the KPSC issued an Order granting the approval sought by the Company in this matter. Per the order, the Company refunded the Series 1983 Bonds, closed the Transition reserve account, and transferred the $35,000 balance to a CAPEX Reserve account (CAPEX) used to fund capital expenditures in the ordinary course of business. The balance of the CAPEX was \$11,829 at December 31, 2013 and is included in "Restricted cash – CAPEX" on the Balance Sheet.

While the ultimate outcome of the filings with the KPSC are uncertain, management of Big Rivers believes that the Company's results of operations and cash flows will provide sufficient liquidity for the Company to operate its business and meet its obligations as they come due for the foreseeable future. However, a negative outcome in the KPSC's order due by April 27, 2014, could potentially have a material impact on the Company's results of operations, cash flows, and liquidity. Furthermore, the Company's ability to ultimately recover the carrying value of its assets, including those related to the Coleman and Wilson plants will ultimately be dependent upon the Company's ability to sell power from these plants in the future, and/or recovery through future rates subject to future KPSC orders. If the Company is unable to recover the carrying values of its assets, the value could become impaired, which would also potentially have a material impact on the Company's results of operations, cash flows, and liquidity.

(6) Income Taxes

At December 31, 2013, Big Rivers had a Nonpatron Net Operating Loss Carryforward of approximately \$6,659 expiring at various times between 2014 and 2031, and an Alternative Minimum Tax Credit Carryforward of approximately \$7,241, which carries forward indefinitely.

The Company has not recorded any regular income tax expense for the years ended December 31, 2013, 2012, and 2011, as the Company has utilized federal net operating losses to offset any regular taxable income during those years. Had the Company not had the benefit of a net operating loss carryforward, the Company would have recorded \$0, \$0, and \$3,613 in current regular tax expense for the years ended December 31, 2013, 2012, and 2011, respectively.

The components of the net deferred tax assets as of December 31, 2013 and 2012 were as follows:

		2013	2012
Deferred tax assets:			
Net operating loss carryforward	$	2,630	12,614
Alternative minimum tax credit carryforwards		7,241	7,028
Member rate mitigation		10,327	10,326
Fixed asset basis difference		1,874	3,352
RUS Series B Note		19,689	19,689
Total deferred tax assets		41,761	53,009
Deferred tax liabilities:			
Bond refunding costs		(10)	(9)
Total deferred tax liabilities		(10)	(9)
Net deferred tax asset (prevaluation allowance)		41,751	53,000
Valuation allowance		(41,751)	(53,000)
Net deferred tax asset	$	—	—

A reconciliation of the Company's effective tax rate for 2013, 2012, and 2011 is as follows:

	2013	2012	2011
Federal rate	35.0%	35.0%	35.0%
State rate – net of federal benefit	4.5	4.5	4.5
Permanent differences	0.2	0.9	0.9
Patronage allocation to members	(39.8)	(40.4)	(40.8)
Tax benefit of operating loss carryforwards and other	0.1	—	0.4
Alternative minimum tax	—	—	3.5
Effective tax rate	—%	—%	3.5%

The Company files a federal income tax return, as well as certain state income tax returns. The years currently open for federal tax examination are 2010 through 2013. The major state tax jurisdiction currently open for tax examination is Kentucky for years 2001 through 2013, also due to unused net operating loss carryforwards. The Company has not recorded any unrecognized tax benefits or liabilities related to federal or state income taxes.

The Company classifies interest and penalties as an operating expense on the statement of operations and accrued expenses in the balance sheet. No material interest or penalties have been recorded during 2013, 2012, or 2011.

(7) Pension Plans

(a) *Defined-Benefit Plans*

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

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

The Company has adopted FASB ASC 715, *Compensation — Retirement Benefits*, including the requirement to recognize the funded status of its pension plans and other postretirement plans (note 10 – Postretirement Benefits Other Than Pensions). FASB ASC 715 defines the funded status of a defined-benefit pension plan as the fair value of its assets less its projected benefit obligation,

(Continued)

which includes projected salary increases, and defines the funded status of any other postretirement plan as the fair value of its assets less its accumulated postretirement benefit obligation.

FASB ASC 715 also requires an employer to measure the funded status of a plan as of the date of its year-end balance sheet and requires disclosure in the notes to the financial statements certain additional information related to net periodic benefit costs for the next fiscal year. The Company's pension and other postretirement benefit plans are measured as of December 31, 2013 and 2012.

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

A reconciliation of the Company's benefit obligations of its noncontributory defined-benefit pension plans at December 31, 2013 and 2012 is as follows:

		2013	2012
Benefit obligation – beginning of period	$	30,907	31,743
Service cost – benefits earned during the period		1,282	1,428
Interest cost on projected benefit obligation		986	1,304
Benefits paid		(13,599)	(6,499)
Actuarial loss (gain)		(803)	2,931
Benefit obligation – end of period	$	18,773	30,907

Big Rivers' defined-benefit pension plans provide retirees and terminated employees with a lump-sum payment option. Benefits paid in 2013 include lump-sum payments in the amounts of $13,538 – the result of twenty retirees or terminated employees electing the lump-sum payment option. Benefits paid in 2012 include lump-sum payments in the amounts of $6,462 – the result of ten retirees electing the lump-sum payment option.

The accumulated benefit obligation for all defined-benefit pension plans was $14,017 and $24,211 at December 31, 2013 and 2012, respectively.

A reconciliation of the Company's pension plan assets at December 31, 2013 and 2012 is as follows:

		2013	2012
Fair value of plan assets – beginning of period	$	29,331	28,000
Actual return on plan assets		4,532	3,020
Employer contributions		—	4,810
Benefits paid		(13,599)	(6,499)
Fair value of plan assets – end of period	$	20,264	29,331

(Continued)

The funded status of the Company's pension plans at December 31, 2013 and 2012 is as follows:

		2013	2012
Benefit obligation – end of period	$	(18,773)	(30,907)
Fair value of plan assets – end of period		20,264	29,331
Funded status	$	1,491	(1,576)

Components of net periodic pension costs for the years ended December 31, 2013, 2012, and 2011 were as follows:

		2013	2012	2011
Service cost	$	1,282	1,428	1,279
Interest cost		986	1,304	1,296
Expected return on plan assets		(1,926)	(1,897)	(1,737)
Amortization of prior service cost		11	14	14
Amortization of actuarial loss		604	779	461
Settlement loss		2,566	2,064	—
Net periodic benefit cost	$	3,523	3,692	1,313

As a result of the 2013 lump-sum payments there was a settlement required to the defined-benefit pension plans as provided in FASB ASC 715. The 2013 settlement loss of $2,566 reflects an accelerated amortization of unrecognized losses existing at the settlement date of December 31, 2013. The settlement loss is determined by multiplying the total unrecognized losses as of the settlement date by the projected benefit obligation that was settled or eliminated due to the lump-sum payments.

A reconciliation of the pension plan amounts in accumulated other comprehensive income at December 31, 2013 and 2012 is as follows:

		2013	2012
Prior service cost	$	(2)	(12)
Unamortized actuarial loss		(3,536)	(10,116)
Accumulated other comprehensive income	$	(3,538)	(10,128)

In 2014, $1 of prior service cost and $139 of actuarial loss is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive income at December 31, 2013 and 2012 are as follows:

		2013	2012
Prior service cost	$	11	14
Unamortized actuarial gain		6,580	1,035
Other comprehensive income	$	6,591	1,049

At December 31, 2013 and 2012, amounts recognized in the balance sheets were as follows:

		2013	2012
Deferred credits and other – surplus (deficit)	$	1,491	(1,576)

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

	2013	2012	2011
Discount rate – projected benefit obligation	4.61%	3.57%	4.26%
Discount rate – net periodic benefit cost	3.57	4.26	4.95
Rates of increase in compensation levels	4.00	4.00	4.00
Expected long-term rate of return on assets	7.25	7.25	7.25

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

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

Big Rivers utilizes a third-party investment manager for the plan assets, and has communicated thereto the Company's Retirement Plan Investment Policy, including a target asset allocation mix of 50% U.S. equities (an acceptable range of 45%–55%), 15% international equities (an acceptable range of 10%–20%), and 35% fixed income (an acceptable range of 30%–40%). As of December 31, 2013 and 2012, the investment allocation was 59% and 49%, respectively, in U.S. equities, 7% and 6%, respectively, in international equities, and 34% and 45%, respectively, in fixed income. The objective of the investment program seeks to (a) maximize return on investment, (b) minimize volatility, (c) minimize company contributions, and (d) provide the employee benefit in accordance with the plans. The portfolio is well diversified and of high quality. The average quality of the fixed income investments must be "A" or better. The equity portfolio must also be of investment grade quality. The performance of the investment manager is reviewed semiannually.

At December 31, 2013 and 2012, the fair value of Big Rivers' defined-benefit pension plan assets by asset category are as follows:

	Level 1	Level 2	December 31, 2013
Cash and money market	$ 741	—	741
Equity securities:			
U.S. Large-Cap Stocks	8,525	—	8,525
U.S. Mid-Cap Stock Mutual Funds	2,137	—	2,137
U.S. Small-Cap Stock Mutual Funds	1,281	—	1,281
International Stock Mutual Funds	1,510	—	1,510
Preferred stock	208	—	208
Fixed:			
Short-Term Bond Fund	—	300	300
U.S. Government Agency Bonds	—	179	179
Taxable U.S. Municipal Bonds	—	2,954	2,954
U.S. Corporate Bonds	—	2,545	2,545
Global Bond Fund	—	184	184
	$ 14,402	6,162	20,564

		Level 1	Level 2	December 31, 2012
Cash and money market	$	5,820	—	5,820
Equity securities:				
U.S. Large-Cap Stocks		9,839	—	9,839
U.S. Mid-Cap Stock Mutual Funds		2,796	—	2,796
U.S. Small-Cap Stock Mutual Funds		1,513	—	1,513
International Stock Mutual Funds		1,888	—	1,888
Preferred stock		228	—	228
Fixed:				
Short-Term Bond Fund		—	300	300
U.S. Government Agency Bonds		—	921	921
Taxable U.S. Municipal Bonds		—	3,109	3,109
U.S. Corporate Bonds		—	2,617	2,617
Global Bond Fund		—	300	300
	$	22,084	7,247	29,331

Expected retiree pension benefit payments projected to be required during the years following 2013 are as follows:

		Amount
Year ending December 31:		
2014	$	1,364
2015		3,041
2016		2,301
2017		1,541
2018		2,165
Thereafter		12,541
Total	$	22,953

(b) Defined-Contribution Plans

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

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

The Company's expense under these plans was $4,417 and $4,808 for the years ended December 31, 2013 and 2012, respectively.

(c) ***Deferred Compensation Plan***

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

The nonqualified deferred compensation plan is unfunded, but the Company has chosen to finance its obligations under the plan, including any employee deferrals, through a rabbi trust. The trust assets remain a part of the Company's general assets, subject to the claims of its creditors. The 2013 employer contribution was $83 and deferred compensation expense was $83. As of December 31, 2013, the trust asset was $529 and the deferred liability was $529.

(8) Restricted Investments

The amortized costs and fair values of Big Rivers restricted investments held for Member rate mitigation and the Transition Reserve at December 31, 2013 and 2012 are as follows:

		2013		2012	
		Amortized costs	**Fair values**	**Amortized costs**	**Fair values**
Cash and money market	$	16,739	16,739	1,292	1,292
Debt securities:					
U.S. Treasuries		65,314	65,531	63,208	64,097
U.S. Government agency		43,021	43,017	115,023	115,040
Total	$	125,074	125,287	179,523	180,429

Gross unrealized gains and losses on restricted investments at December 31, 2013 and 2012 were as follows:

		2013		2012	
		Gains	**Losses**	**Gains**	**Losses**
Debt securities:					
U.S. Treasuries	$	2	20	889	—
U.S. Government agency		4	7	20	3
Total	$	6	27	909	3

Debt securities at December 31, 2013 and 2012 mature, according to their contractual terms, are as follows (actual maturities may differ due to call or prepayment rights):

	2013		2012	
	Amortized costs	Fair values	Amortized costs	Fair values
In one year or less	$ 80,736	80,764	56,315	56,330
After one year through five years	44,338	44,523	123,208	124,099
Total	$ 125,074	125,287	179,523	180,429

Gross unrealized losses on investments and the fair values of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2013 and 2012 were as follows:

	2013		2012	
	Less than 12 months		Less than 12 months	
	Losses	Fair values	Losses	Fair values
Debt securities:				
U.S. Treasuries	$ 20	57,524	—	—
U.S. Government agency	7	29,013	3	34,997
Total	$ 27	86,537	3	34,997

The unrealized loss positions were primarily caused by interest rate fluctuations. The number of investments in an unrealized loss position as of December 31, 2013 and 2012 was 11 and 2, respectively. Since the Company does not intend to sell and will more likely than not maintain each debt security until its anticipated recovery, and no significant credit risk is deemed to exist, these investments are not considered other-than-temporarily impaired.

In conjunction with the CFC $302,000 secured term loan (note 3), Big Rivers was required to invest in Capital Term Certificates (CTCs) equal to 14.29% of the Refinance Note. Proceeds of the Equity Note were used to purchase the investments in CTCs as required under the loan agreement. The interest rate on the CTCs is fixed at 4.28% and is equal to 80% of the Equity Note rate of 5.35%. The CTCs cannot be traded in the market, and therefore, a value other than their outstanding principal amount cannot be determined. The Company's investment in these CTC's at December 31, 2013 and 2012 was $41,650 and $43,156, respectively.

(9) Fair Value of Other Financial Instruments

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measures. It applies under other accounting standards that require or permit fair value measurements and does not require any new fair value measurements.

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

		2013	2012
Institutional money market government portfolio	$	107,551	110,165

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

Big Rivers' long-term debt at December 31, 2013 consists of CFC loans totaling $327,636, a CoBank loan in the amount of $224,023, RUS notes totaling $218,127, and fixed-rate pollution control bonds in the amount of $83,300 (note 3). The RUS, CFC, and CoBank debt cannot be traded in the market, and therefore, a value other than their outstanding principal amount cannot be determined. The fair value of the Company's variable rate pollution control debt is par value, as each variable rate reset effectively prices such debt to the current market. At December 31, 2013, the fair value of Big Rivers' fixed-rate pollution control debt was determined based on quoted prices in active markets of similar instruments (Level 1 measure) and totaled $72,263.

(10) Postretirement Benefits Other than Pensions

Big Rivers provides certain postretirement medical benefits for retired employees and their spouses. Generally, except for generation bargaining retirees, Big Rivers pays 85% of the premium cost for all retirees age 62 to 65. The Company pays 25% of the premium cost for spouses under age 62. For salaried retirees age 55 to age 62, Big Rivers pays 25% of the premium cost. Beginning at age 65, the Company pays 25% of the premium cost if the retiree is enrolled in Medicare Part B. For each generation bargaining retiree, Big Rivers establishes a retiree medical account at retirement equal to $1,200 per year of service up to 30 years ($1,250 per year for those retiring on or after 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 the premium cost for the retiree and spouse.

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

	2013	2012	2011
Discount rate – projected benefit obligation	4.48%	3.72%	4.29%
Discount rate – net periodic benefit cost	3.72	4.29	4.96

The healthcare cost trend rate assumptions as of December 31, 2013 and 2012 were as follows:

	2013	2012
Initial trend rate	7.30%	7.30%
Ultimate trend rate	4.50	4.50
Year ultimate trend is reached	2028	2028

An one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

		2013	2012
One-percentage-point decrease:			
Effect on total service and interest cost components	$	(104)	(209)
Effect on year-end benefit obligation		(976)	(1,454)
One-percentage-point increase:			
Effect on total service and interest cost components	$	126	253
Effect on year-end benefit obligation		1,138	1,723

A reconciliation of the Company's benefit obligations of its postretirement plan at December 31, 2013 and 2012 is as follows:

		2013	2012
Benefit obligation – beginning of period	$	18,669	18,040
Service cost – benefits earned during the period		616	1,169
Interest cost on projected benefit obligation		555	766
Participant contributions		240	177
Amendments		—	(1,957)
Benefits paid		(976)	(796)
Actuarial loss (gain)		(4,523)	1,270
Benefit obligation – end of period	$	14,581	18,669

Big Rivers revised the eligibility requirements for postretirement medical with regard to age and service. Beginning January 1, 2014, eligibility for retirement is age 62 with 10 years of service. The service requirement is waived for active employees on December 31, 2013 who will not have 10 years of service at age 62. A reconciliation of the Company's postretirement plan assets at December 31, 2013 and 2012 is as follows:

		2013	2012
Fair value of plan assets – beginning of period	$	—	—
Employer contributions		736	619
Participant contributions		240	177
Benefits paid		(976)	(796)
Fair value of plan assets – end of period	$	—	—

The funded status of the Company's postretirement plan at December 31, 2013 and 2012 is as follows:

		2013	2012
Benefit obligation – end of period	$	(14,581)	(18,669)
Fair value of plan assets – end of period		—	—
Funded status	$	(14,581)	(18,669)

The components of net periodic postretirement benefit costs for the years ended December 31, 2013, 2012, and 2011 were as follows:

		2013	2012	2011
Service cost	$	616	1,169	1,253
Interest cost		555	766	754
Amortization of prior service cost		(138)	17	17
Amortization of transition obligation		—	31	31
Amortization of gain		(9)	—	—
Net periodic benefit cost	$	1,024	1,983	2,055

A reconciliation of the postretirement plan amounts in accumulated other comprehensive income at December 31, 2013 and 2012 is as follows:

		2013	2012
Prior service cost	$	1,707	1,844
Unamortized actuarial loss		2,858	(1,655)
Transition obligation		—	—
Accumulated other comprehensive income	$	4,565	189

(Continued)

In 2014, $138 of prior service cost and $109 of actuarial gain is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive loss at December 31, 2013 and 2012 are as follows:

		2013	2012
Prior service cost	$	(138)	1,974
Unamortized actuarial gain (loss)		4,523	(1,269)
Transition obligation		—	31
Amortization of net gain		(9)	—
Other comprehensive income	$	4,376	736

At December 31, 2013 and 2012, amounts recognized in the balance sheets were as follows:

		2013	2012
Accounts payable	$	(990)	(992)
Deferred credits and other		(13,591)	(17,677)
Net amount recognized	$	(14,581)	(18,669)

Expected retiree benefit payments projected to be required during the years following 2013 are as follows:

		Amount
Year:		
2014	$	990
2015		1,024
2016		1,132
2017		1,261
2018		1,355
Thereafter		6,859
Total	$	12,621

In addition to the postretirement plan discussed above, Big Rivers has another postretirement benefit plan, which vests a portion of accrued sick leave benefits to salaried employees upon retirement or death. To the extent, an employee's sick leave hour balance exceeds 480 hours such excess hours are paid at 20% of the employee's base hourly rate at the time of retirement or death. The accumulated obligation recorded for the postretirement sick leave benefit is $379 and $589 at December 31, 2013 and 2012, respectively. The postretirement expense recorded was $46, $57, and $191, for 2013, 2012, and 2011, respectively, and the benefits paid were $256, $47, and $3 for 2013, 2012, and 2011, respectively.

(Continued)

(11) Related Parties

For the years ended December 31, 2013, 2012, and 2011, Big Rivers had tariff sales to its members' of \$183,957, \$158,893, and \$151,472, respectively. In addition, for the years ended December 31, 2013, 2012, and 2011, Big Rivers had certain sales to Kenergy for the Aluminum Smelters and Domtar Paper loads of \$295,878, \$366,758, and \$306,420, respectively.

At December 31, 2013 and 2012, Big Rivers had accounts receivable from its members of \$33,004 and \$42,759, respectively.

(12) Commitments and Contingencies

The Company is a defendant in a lawsuit that alleges, among other things, a breach of a fuel supply contract with a former supplier. The plaintiff filed suit against the Company in Ohio County, Kentucky on April 26, 2012 and is seeking unspecified damages. Discovery has begun in the case and a trial date has been set for November 12, 2014. Management and legal counsel for the Company are of the opinion that the Company has strong defenses to the claim. While substantial discovery now has taken place, extensive discovery remains to be completed and the Company is unable to estimate the possible exposure of damages should the plaintiff be successful in the case. Accordingly, the Company has not accrued a liability for the matter as of December 31, 2013.

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

On April 2, 2012, Big Rivers filed an application with the KPSC seeking approval of its 2012 environmental compliance plan (ECP). As filed, the ECP requested KPSC approval to install certain equipment allowing Big Rivers to comply, in the most cost-effective manner, with the U.S. Environmental Protection Agency Cross-State Air Pollution Rule (CSAPR), and Mercury and Air Toxics Standards (MATS). In addition, the ECP filing requested approval to recover the costs of the ECP through an amendment to Big Rivers' existing environmental surcharge tariff rider, an automatic cost-recovery mechanism that is similar in function to the fuel adjustment clause. Prior to the evidentiary hearing conducted on August 22 and 23, 2012 at the KPSC's offices, a ruling by the United States Court of Appeals for the District of Columbia Circuit resulted in CSAPR being vacated. On August 22, 2012, with CSAPR vacated and only MATS compliance remaining (at an estimated cost of \$58,440), the parties to the KPSC hearing were able to reach a full and unanimous settlement of all issues related to the ECP case. On October 1, 2012, the KPSC issued an order approving Big Rivers' ECP. Due to the idlings of the Coleman and Wilson plants, \$1,388 of MATS compliance testing and \$725 of CSAPR stack testing performed at the plants and, previously deferred, was expensed in 2013.