



**Focused Management and
Operations Audit of
Big Rivers Electric Corporation**

Prepared for

The Kentucky Public Service Commission

December 8, 2015

MANAGEMENT AUDIT ACTION PLAN

RECOMMENDATION NO. 1

I. Report Reference (Filled Out By Consultant)

- A. Finding Referenced: Finding 3
- B. Section VI.D.
- C. Recommendation No. 1
- D. Priority: Medium

II. Recommendation Statement (Filled Out By Consultant)

Big Rivers should consider adding a member to its Board of Directors with energy expertise.

III. Background (Filled Out By Consultant)

The Big Rivers Board of Directors is made up of six members, with each member cooperative having two seats on the Big Rivers Board. Interviews with these Board members confirmed that the existing Board of Directors is capable and diligent about educating themselves on industry issues and developments. However, none of the Board members have a background in the energy industry.

Due to the circumstances currently facing the organization with a large amount of excess generation, the increased reliance on wholesale markets, and the complexities of operating in a competitive market like MISO, Big Rivers could benefit from more industry experience on the Board to help understand the challenges ahead and bring additional insights on how Big Rivers might best position itself to mitigate the loss of the smelter load. This could include expertise in the areas of wholesale power market design and operation, energy marketing, risk management, transmission operations and/or energy finance.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

A Board member with energy industry experience could bring additional insights to the table on how Big Rivers can best position itself to mitigate the loss of the smelter load. Implementing this recommendation would require a change in Big Rivers' existing by-laws to allow for an additional Board member, or to allow for a Board member that does

MANAGEMENT AUDIT ACTION PLAN

not currently sit on the member cooperatives' Board of Directors. Big Rivers should consider adding an additional Board member in the next six to nine months.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

The cost to implement this recommendation will be (1) the one-time cost to implement a change to the by-laws and identify and interview Board candidates, and (2) once Big Rivers identifies an appropriate candidate, \$16,000/year compensation¹ for an additional Board member.

B. Benefit Analysis

Adding an additional Board member with specific energy industry expertise may help Big Rivers better understand the challenges ahead and inform decision making regarding options and actions related to the mitigation of the loss of the smelter load. In addition, this Board member may provide benefits related to the future operations of Big Rivers as the energy industry continues to evolve and change.

Category	One Time	Annual Recurring
Cost:	<ul style="list-style-type: none"> • Revision to by-laws • Search for experienced candidate for Board seat 	<ul style="list-style-type: none"> • \$16,000/year in compensation
Benefit:	<ul style="list-style-type: none"> • Board member with industry expertise to provide input and guidance on the continued implementation of the Mitigation Plan 	

¹ This represents the current compensation for Board Members.

MANAGEMENT AUDIT ACTION PLAN

C. Cost/Benefit Summary

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

- A. **Name:** Robert W. Berry
- B. **Title:** President and CEO
- C. **Recommendation Action:** Adopt
- D. **Explanation of Exception or Rejection:** N/A

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Big Rivers understands this recommendation to be that it should consider adding a member to its Board of Directors with energy expertise.

B. Improvement Proposed by Cooperative

Consideration of adding a member to Big Rivers' Board of Directors rests with the Board of Directors because only it has the legal authority to change Big Rivers' governance structure through amendments to Big Rivers' by-laws. Big Rivers will first evaluate, with its Board of Directors, the areas of energy industry expertise that could potentially be of the most incremental value to the Board in its policy-making and decision-making roles. The Board will then evaluate adding a member with energy expertise. The process will be designed to conclude prior to the second six-month progress report, but could take longer.

C. Discussion of Cost/Benefit Analysis

The one-time costs associated with this Recommendation have not been estimated, but should not be substantial. The process by which the Big Rivers Board of Directors will

MANAGEMENT AUDIT ACTION PLAN

consider adding a director will give Big Rivers a better idea of whether the compensation paid to its existing Directors is realistic compensation for a new director with the level of energy industry expertise contemplated in this Recommendation.

The benefit to be achieved from this Recommendation is to provide the Big Rivers Board of Directors the opportunity to consider the benefits a director with energy industry expertise could provide in connection with its planning and deliberations regarding the continued implementation of the Mitigation Plan.

VIII. Implementation Steps (Filled Out By Company)

Recommendation	Implementation Steps	Start Date	Completion Date
1	1.1 Assess with Board the areas of energy expertise that could be of most assistance to Board of Directors and consider pros and cons of adding new director with energy expertise.	11/20/15	1/21/16
	1.2 Board of Directors to consider adding a new director with energy expertise.	1/21/16	04/06/16
	1.3 If adding new Board member or undertaking any corresponding or alternative next steps, complete that action.	04/06/16	10/06/16

MANAGEMENT AUDIT ACTION PLAN

IX. Comments/Clarification of Intent (Filled Out By Consultant)

- A. Consultant Name: Danielle Powers
- B. Discussion: Big Rivers' response and proposed implementation steps meet the intention of Concentric's recommendation, which is to provide energy market expertise to the Big Rivers Board in addition to the in-house expertise that Big Rivers will continue to develop pursuant to Recommendation 2.

MANAGEMENT AUDIT ACTION PLAN

RECOMMENDATION NO. 2

I. Report Reference (Filled Out By Consultant)

- A. Finding Referenced: Finding 8
- B. Section VII.C.2.
- C. Recommendation No. 2
- D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Big Rivers should continue to develop in-house expertise in price forecasting and MISO market knowledge to help it develop more informed price forecasts, but only to the degree that it supports Big Rivers' mission and core business.

III. Background (Filled Out By Consultant)

A precipitous loss of load immediately placed Big Rivers in the challenging position of having a significant amount of generation in excess of customer demand, resulting in over 800 MW of uncontracted generation. Marketing excess generation requires robust market modeling, analysis and risk management tools, as well as deep expertise in the area of wholesale power market operations.

Big Rivers has successfully developed wholesale power market expertise in-house to augment the assistance it receives from third-party experts. The development of in-house expertise is important to developing more informed price forecasts in order to position Big Rivers to maximize its chances of success in selling its excess output now and in the future. The steps that Big Rivers has taken to bring modeling and market knowledge in-house have been prudent and should continue. However, further efforts to grow this in-house capability is inconsistent with Big Rivers' core mission of providing low-cost and reliable power supply to its member cooperatives. Planning to operate excess generating capacity intended to serve member load on a long-term basis without long-term contracts is inconsistent with this mission. Big Rivers should continue to pursue solutions to mitigate, and ultimately eliminate, its excess capacity.

MANAGEMENT AUDIT ACTION PLAN

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

By continuing to develop in-house knowledge of wholesale markets, Big Rivers can strengthen its analysis and execution of strategies to sell its excess generation due to the loss of the smelter load and any future situations in which it may have generation in excess of its load requirements. Big Rivers has taken steps to implement this recommendation and should continue to do so. However, the efforts necessary to support a long-term commitment to competing with merchant generators to sell uncontracted capacity has the potential to distract Big Rivers from its stated mission.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

The cost to implement this recommendation consists of an investment in the continuing education and development of market expertise in existing employees.

B. Benefit Analysis

Continuing to invest in existing personnel to strengthen market knowledge and expertise will benefit Big Rivers in ongoing efforts to sell its excess generation. It will also prove to be beneficial in the future as Big Rivers faces challenges in terms of potential future loss of load and broader industry challenges.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:		<ul style="list-style-type: none"> Continued investment in enhancing market knowledge for existing personnel
Benefit:	<ul style="list-style-type: none"> In-house expertise to augment market knowledge expertise from third parties 	

MANAGEMENT AUDIT ACTION PLAN

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

- A. Name:** Mark Eacret
- B. Title:** Vice President, Energy Services
- C. Recommendation Action:** Adopt
- D. Explanation of Exception or Rejection:** N/A

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Big Rivers understands this recommendation to emphasize the value of internal expertise in price forecasting and MISO market knowledge in the development of more informed wholesale price forecasts. But the level of in-house expertise should be consistent with Big Rivers' mission and core business.

B. Improvement Proposed by Cooperative

Big Rivers has already taken steps to implement this recommendation. Big Rivers will continue to develop in-house expertise in price forecasting and MISO market knowledge that will enable it to better utilize its third-party resources to produce more informed price forecasts and to improve the effectiveness of its MISO market participation, consistent with Big Rivers' mission and core business.

C. Discussion of Cost/Benefit Analysis

Big Rivers expects to incur incremental expenses implementing this Recommendation, including but not limited to expenses related to recruiting, labor, training and model development. The total costs for implementation cannot be determined until all the details of the implementation plan for this Recommendation have been developed. A cost/benefit analysis was not specifically performed, but the benefits associated with this recommendation are expected to be on-going.

MANAGEMENT AUDIT ACTION PLAN

VIII. Implementation Steps (Filled Out By Company)

Recommendation	Implementation Steps	Start Date	Completion Date
2	2.1 Design organization to implement Recommendation.	2014 Q3	12/31/15
	2.2 Recruit and retain qualified individuals to fill organizational requirements.	2014 Q3	2016 Q2
	2.3 Begin development of models necessary to utilize price forecasts and support wholesale market interactions.	2015 Q1	2016 Q2
	2.4 Develop and implement ongoing training programs to maintain and improve expertise of Big Rivers' personnel to achieve the goals of this Recommendation.	2016 Q1	2016 Q2
	2.5 Continue to leverage ACES' expertise in the development of price forecasts and MISO market knowledge.	Ongoing	Ongoing

IX. Comments/Clarification of Intent (Filled Out By Consultant)

- A. Consultant Name: Danielle Powers
- B. Discussion: Big Rivers' response and proposed implementation steps meet the intention of Concentric's recommendation which is to ensure that any future actions taken are consistent with Big Rivers' core mission.

MANAGEMENT AUDIT ACTION PLAN

RECOMMENDATION NO. 3

I. Report Reference (Filled Out By Consultant)

- A. Finding Referenced: Finding 20 and Finding 21
- B. Section VIII.D. and VIII.E.
- C. Recommendation No. 3
- D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Big Rivers should commence a study on the sale, retirement or redevelopment of the Coleman facility, maintain the optionality around Wilson at this time, and revisit strategic options for the facility in the next two to three years.

III. Background (Filled Out By Consultant)

Coleman has been idled since May of 2014. If Big Rivers has not returned Coleman to service by September 2016, MISO will likely begin steps to terminate Coleman's interconnection rights. If these interconnection rights are terminated, it will require a year to reinstate the interconnection rights before Coleman is returned to service. The Wilson unit continues to be profitable in the marketplace. Big Rivers was able to sell a portion of the output from the Wilson facility under a bilateral contract through December 2015 and has sold the full capacity through May 2016, giving Big Rivers some latitude to address next steps with the Wilson facility.

There is optionality with the Wilson unit that supports its continued operation for the foreseeable future until compliance with environmental mandates is required. Big Rivers has received extensions to April 16, 2016 for MATS compliance from the Kentucky Division of Air Quality for the Green, Reid and Wilson stations. Furthermore, Big Rivers has determined that Wilson can operate for an additional four to six years while maintaining a positive balance of SO₂ CSAPR allowances. Big Rivers would have the options of purchasing additional allowances, reducing sulfur levels in the fuel, or reducing generation levels before installing environmental compliance equipment on Wilson.

Given that Coleman is not needed to serve member load, is idled, and is less competitive in the market, the options available for this plant are continued mothballing, decommissioning/retirement or sale. Big Rivers has had discussions regarding the sale of

MANAGEMENT AUDIT ACTION PLAN

the Coleman facility and has included offers to sell the facility in its response to RFPs with no success to date. Discussions have also occurred between Big Rivers and a counterparty in which the counterparty has indicated an interest in purchasing one of the Coleman units, or entering into a tolling arrangement if Big Rivers first converts the unit to natural gas. In addition, while Century had indicated some interest in purchasing the Coleman facility, there have been no recent discussions between Century and Big Rivers regarding the purchase of the Coleman facility.

The current market for coal-fired generating plants has yielded prices significantly below the net book value of either Coleman or Wilson. Consequently, it is unlikely that a sale of either Coleman or Wilson could be executed at or above the net book value of either of these plants. Accordingly, any sale would require revisions to Big Rivers' mortgage indenture to prevent a sale from negatively impacting Bondable Property. The recovery of the difference between the net book value and sale price from Big Rivers' members would likewise need to be addressed as would other financing, earnings, equity, service and regulatory requirements.

A detailed study of the strategic options for Coleman in particular is warranted at this time. The options include, but are not limited to, a sale or repowering of the facility, retirement of the facility, or redevelopment of the facility for alternate use. The access of the facility to infrastructure and water will allow for flexibility in considering future uses of the site. This would include discussion with lenders and regulators regarding modifications to the mortgage indenture allowing for a sale without adversely impacting Big Rivers' ability to issue secured debt in the future and addressing other financing, earnings, equity, service and regulatory requirements. This should also include a valuation of the facility and an assessment of that value in comparison to the value/cost of the plant pursuant to their other viable options such as decommissioning/retirement, leasing, and continued idling. The results of this study would greatly inform decision making regarding commencing a formal sales process.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

Big Rivers should immediately commence a study of the strategic options for Coleman. While Big Rivers has done some limited analysis of options, a more rigorous analysis should be undertaken.

MANAGEMENT AUDIT ACTION PLAN

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

The cost to implement this recommendation consists of the one-time cost of a study to be completed by a third-party working with Big Rivers to assess the options available for the Coleman facility.

B. Benefit Analysis

A strategic options study will provide Big Rivers with an objective assessment of the options available to address the excess capacity at Coleman, and the implications associated with each option. This will provide a roadmap to ultimately determine the best course of action for the member cooperatives as it relates to Coleman.

Category	One Time	Annual Recurring
Cost:	<ul style="list-style-type: none"> Cost of Strategic Options Study for Coleman 	
Benefit:	<ul style="list-style-type: none"> Objective analysis of the options available to Big Rivers regarding the Coleman facility to ultimately determine the best course of action to address the excess capacity on behalf of the member cooperatives 	

C. Cost/Benefit Summary

D. Other Costs or Benefit

MANAGEMENT AUDIT ACTION PLAN

VI. Utility Responsibility (Filled Out By Company)

- A. **Name:** Robert W. Berry
- B. **Title:** President and CEO
- C. **Recommendation Action:** Adopt.
- D. **Explanation of Exception or Rejection:** N/A

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Big Rivers understands this Recommendation to be that it (i) formally study the sale, retirement or redevelopment of the Coleman facility, and (ii) maintain its options with respect to Wilson, revisiting strategic options for Wilson in two to three years. This study should take into account a range of prices as well as relevant cost estimates associated with retirement or redevelopment alternatives. The study must include an assessment of the impact of each alternative on Member rates.

B. Improvement Proposed by Cooperative

Big Rivers is well into a study that will assess the strategic options for Coleman and will specifically consider the sale, retirement or redevelopment of the Coleman facility and the impacts of those options on Member rates. The assessment will include consideration of a range of prices, estimates for retirement costs and redevelopment costs, consideration of credit obligations, and an analysis of the impact of each alternative on Member rates.

C. Discussion of Cost/Benefit Analysis

A strategic options study will provide Big Rivers with an evaluation of the opportunities available for the Coleman facility, and the related effects. This will assist Big Rivers in its determination of the best course of action for Big Rivers and its Members as it relates to Coleman.

The costs associated with this Recommendation have not been estimated at this time. A cost/benefit analysis was not specifically performed, but the benefits associated with this

MANAGEMENT AUDIT ACTION PLAN

recommendation are expected to be on-going.

VIII. Implementation Steps (Filled Out By Company)

Recommendation	Implementation Steps	Start Date	Completion Date
3	3.1 Develop scope and timeline for strategic study to analyze decommissioning and redevelopment of Coleman Station.	2016 Q1	2016 Q2
	3.2 Commence and/or continue financial analysis regarding sale and decommissioning of Coleman Station.	2015 Q2	2016 Q4
	3.3 Complete strategic options analysis study.	NA	2016 Q4

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name: Danielle Powers

B. Discussion: Big Rivers' response and proposed implementation steps meet the intention of Concentric's recommendation. As it performs its studies, Big Rivers should keep in mind that the intent of the recommendation is for Big Rivers to consider all appropriate alternatives for its generating facilities.

MANAGEMENT AUDIT ACTION PLAN

RECOMMENDATION NO. 4

I. Report Reference (Filled Out By Consultant)

- A. Finding Referenced: Finding 22
- B. Section VIII.F.
- C. Recommendation No. 4
- D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Big Rivers should continue to pursue increased sales to existing and new load, including new members.

III. Background (Filled Out By Consultant)

Big Rivers has made progress in attempting to mitigate the loss of the smelter load through activities involved in the growth of native load as well as growth in replacement load. Over the two to three years since the Mitigation Plan was implemented, Big Rivers has achieved an expansion in load served, as well as some organic commercial load growth. The Kentucky economy is expected to steadily recover over the next few years, and a 2.3% projected growth in organic load appears to be realistic. There is some limited opportunity to further expand load served with existing and new customers.

The Mitigation Plan identified a number of other options to grow load, including attracting new members, merging with another electric cooperative, or selling Big Rivers to another cooperative or IOU. Big Rivers has given these options some limited consideration. The viability of any of these “corporate” transactions is dependent upon the value proposition for Big Rivers and the potential new member, merger candidate, or acquirer. This would involve the identification and examination of a host of issues and the potential benefits, risks, and value for Big Rivers and the other counterparty. It would also involve consideration of Big Rivers’ mortgage indentures, loan agreements, and credit agreements.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

Big Rivers should takes steps to vigorously pursue opportunities to continue to decrease its level of excess generation through expansion of existing load and the attraction of new

MANAGEMENT AUDIT ACTION PLAN

members.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

Big Rivers is currently implementing this recommendation. The cost to implement this recommendation consists of the continued investment in executive and business development personnel time to conduct outreach, hold meetings, and evaluate potential transactions to effectively expand load served.

B. Benefit Analysis

The continued pursuit of new load through load expansion and new members will contribute to lowering the amount of Big Rivers' excess capacity.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:		<ul style="list-style-type: none"> Continued investment in marketing activities
Benefit:	<ul style="list-style-type: none"> Potential for increased member load and new membership to close the existing gap between Big Rivers' generation and member load. An increase of 10 MW of load at current rates would increase top line revenues for Big Rivers by over \$3 million.² 	

² Assumes Big Rivers' current retail rate of 6.33 cents/kWh and a 60% load factor.

MANAGEMENT AUDIT ACTION PLAN

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

- A. **Name:** Robert W. Berry and Mark Eacret
- B. **Title:** President and CEO and Vice President, Energy Services, respectively
- C. **Recommendation Action:** Adopt
- D. **Explanation of Exception or Rejection:** N/A

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Big Rivers understands this recommendation to emphasize the continuation of the fundamental activities in the Mitigation Plan aimed at increasing sales to new or existing load, including new members.

B. Improvement Proposed by Cooperative

Big Rivers will continue to implement the fundamental steps of the Mitigation Plan and report on those activities in the first and second six-month reports.

C. Discussion of Cost/Benefit Analysis

The costs associated with any incremental costs associated with the Action Plan for this Recommendation have not been estimated at this time. A cost/benefit analysis was not specifically performed, but the benefits associated with this recommendation are expected to be on-going. In the normal course of business, Big Rivers will perform a cost/benefit analysis for any substantial project proposed to be undertaken in connection with activities to increase sales to new or existing load, or add new members.

MANAGEMENT AUDIT ACTION PLAN

VIII. Implementation Steps (Filled Out By Company)

Recommendation	Implementation Steps	Start Date	Completion Date
4	4.1. Continue to pursue fundamental activities under the Mitigation Plan.	Ongoing	Ongoing
	4.2. Proactively evaluate strategies to improve the effectiveness of Mitigation Plan efforts.	Ongoing	Ongoing
	4.3. Report on activities in first and second six-month reports.	April 6, 2016	October 6, 2016

IX. Comments/Clarification of Intent (Filled Out By Consultant)

- A. Consultant Name: Danielle Powers
- B. Discussion: Big Rivers' response and proposed implementation steps meet the intention of Concentric's recommendation. Given the amount of energy Big Rivers has available for sale, it should consider all reasonable opportunities for additional sales revenue.

MANAGEMENT AUDIT ACTION PLAN

RECOMMENDATION NO. 5

I. Report Reference (Filled Out By Consultant)

- A. Finding Referenced: Finding 23
- B. Section VIII.G.
- C. Recommendation No. 5
- D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Big Rivers should pursue discussions with Lenders and the Commission to address restrictions around the sale of Coleman and commence a study to address strategic options for the facility.

III. Background (Filled Out By Consultant)

As part of the "Unwind" Transaction on July 16, 2009, all of Big Rivers' previously existing mortgages were permanently extinguished and replaced with Big Rivers' Mortgage Indenture (the "Indenture"). The purpose of the Indenture is to secure all of the indebtedness of Big Rivers on equal footing owed by Big Rivers to its existing senior secured creditors as well as future senior secured creditors. The Indenture creates a lien and security interest on Big Rivers' real and personal property. Additional debt cannot be issued under the Indenture with Big Rivers' existing senior creditors without obtaining the existing senior creditors' approvals, subject to specified conditions.

As of April 2015, Big Rivers reported approximately \$816 million of debt. Debt consists of Rural Utilities Service loans in the amount of \$228 million, Ohio County bonds in the amount of \$83 million, a \$214 million loan with CoBank ACB, a CFC loan of \$272 million, and a borrowing of \$18.5 million for certain environmental upgrades.

The Indenture has several covenants that impact Big Rivers' ability to exercise options when dispersing or borrowing capital. For example, the Indenture prevents Big Rivers from paying back patronage capital to member cooperatives based on a margin to debt and equity ratio. In addition, the Indenture requires Big Rivers to establish and collect rates that are reasonably expected to yield an MFIR equal to at least 1.10 in each fiscal year. As noted above, failure to achieve the MFIR will result in the loss of the ability to borrow money on a secured basis. In addition, under one of Big Rivers' credit agreements,

MANAGEMENT AUDIT ACTION PLAN

this interest rate will increase by an additional 2%, Big Rivers will lose the right to make further draws, and it will lose the ability to obtain letters of credit.

Big Rivers should continue to take steps to understand the restrictions under the existing Indenture and to investigate what changes may be available in order to comprehensively explore its options. This includes an investigation of how stranded costs that would result from a sale at less than book value would affect Big Rivers' ability to meet MFIR requirements, and how a sale of an asset or assets would affect current Bondable Property under the Indenture and the need for bondable substitutions based on the value of such assets. Big Rivers should begin discussions with its other lenders to understand specific loan requirements and what modifications may be available to accommodate a sale of a generating asset or assets.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

Discussions with Lenders and Regulators regarding modifications to the Mortgage Indenture would inform the options and implications around the sale of Coleman at less than book value and address stranded costs and other financing, earnings, MFIR, service and regulatory requirements. This would also inform options and restrictions around a potential sale of Wilson in the future.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

The cost to implement this recommendation involves an investment in the time required to pursue financing and regulatory options and understand the implications of a sale of generating facilities.

B. Benefit Analysis

Modifications to the Mortgage Indenture may allow for a sale of Coleman at less than book value and address stranded costs and other financing and regulatory requirements. This would inform options and restrictions around a potential sale of Wilson in the future.

MANAGEMENT AUDIT ACTION PLAN

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:		<ul style="list-style-type: none"> Continued investment in time required to pursue financing modifications
Benefit:	<ul style="list-style-type: none"> Allow for the sale of Coleman, and possibly Wilson, at less than book value. 	

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

- A. **Name:** Robert W. Berry and Lindsay N. Barron
- B. **Title:** President and CEO and CFO, respectively
- C. **Recommendation Action:** Adopt
- D. **Explanation of Exception or Rejection:** N/A

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Big Rivers should develop a thorough understanding of the implications of its credit document terms on the strategic options available for Coleman, and meet with its Lenders to discuss ways to overcome any credit document obstacles to preferred strategic options. The Commission will be involved in this effort to the extent that regulatory approvals are required, but discussions with the Commission are limited by the rules regarding ex parte communications.

MANAGEMENT AUDIT ACTION PLAN

B. Improvement Proposed by Cooperative

Big Rivers began examining its credit documents during the focused audit process after discussions with Concentric. It plans to complete a comprehensive analysis of the credit documents by February 29, 2016. The strategic options for Coleman resulting from the action plan on Recommendation No. 3 will be tested against the results of that analysis to identify credit document obstacles to, or restrictions on, those strategic options. Big Rivers will then meet with the appropriate Lenders to discuss ways to reduce or eliminate those restrictions.

C. Discussion of Cost/Benefit Analysis

The cost of analyzing the credit documents is indeterminable, but will involve commitment of internal resources and use of third party advisors. Costs will vary depending upon the extent of discussions with Lenders, and whether and to what extent credit documents are modified.

Understanding the implications of the credit document terms for the strategic options studied for Coleman helps identify limitations on those options that can be addressed timely and cause the study of the strategic options to proceed more efficiently. The information developed with respect to Coleman will be useful to inform future consideration of options for Wilson.

VIII. Implementation Steps (Filled Out By Company)

Recommendation	Implementation Steps	Start Date	Completion Date
5	5.1. Review and analyze credit documents.	2015 Q1	2016 Q1
	5.2. Meet with Lenders as necessary to discuss ways to reduce or eliminate applicable restrictions.	2016 Q2	2016 Q4
	5.3. If applicable, seek necessary approvals for modified credit agreements or documents.	TBD	TBD

MANAGEMENT AUDIT ACTION PLAN

IX. Comments/Clarification of Intent (Filled Out By Consultant)

- A. Consultant Name: Danielle Powers
- B. Discussion: Big Rivers' response and proposed implementation steps meet the intention of Concentric's recommendation, which is to ensure that Big Rivers has a thorough understanding of any obstacles to or restrictions on the strategic options for Coleman to be investigated pursuant to Recommendation No. 3.