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NEWS RELEASE

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PSC OKs Big Rivers Exit As Henderson Power Plant Operator *Station Two deemed uneconomical; transition period set through May 2019*

FRANKFORT, Ky. (Aug. 29, 2018) – The Kentucky Public Service Commission (PSC) has relieved Big Rivers Electric Corp. (BREC) of any continuing obligation to operate an electric power plant for the city of Henderson.

In an order issued today, the PSC determined that Henderson's Station Two power plant "is no longer economically viable." That finding echoes a provision in the contract under which BREC operates the plant and confirms the termination of the contract.

Station Two is a coal-fired power plant. It has two units with a combined capacity of 312 megawatts. BREC has operated the plant under a series of contracts going back to 1970.

The contracts allow BREC to terminate them upon a determination that Station Two is no longer able to reliably produce electricity at an economically competitive price. The output from the plant is sold into the wholesale market of the Midcontinent Independent System Operator (MISO), the transmission grid operator of which BREC is a member.

Two analyses, one conducted by BREC and the other by an independent consultant working for BREC, found that the cost of producing power at Station Two in the future is likely to exceed the revenue it would generate in the MISO market. Based on those studies, BREC notified Henderson on May 1, 2018, that the contracts have terminated.

The PSC noted that a study done for the city of Henderson earlier this year reached essentially the same conclusion as the BREC analyses. It found that virtually any other combination of available sources of electricity would be less expensive than continuing to operate Station Two.

In today's order, the PSC also granted BREC's request for authorization to continue operating Station Two through May 31, 2019, in order to allow Henderson to either make other operating arrangements or to find alternative sources of power. BREC will cease operations earlier if it and Henderson reach an agreement to do so.

The PSC deferred a decision on how to deal with the financial consequences of ending the Station Two contracts. BREC said it would have to write off nearly \$90 million, representing the remaining value of the contracts, and asked to set aside that amount for potential future recovery through rates.

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The PSC said it would address that issue at a later date, after additional evidence has been submitted.

Other parties to the case include the Kentucky Office of Attorney General and Kentucky Industrial Utility Customers, Inc.

Today's order and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2018-00146.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

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