



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

ELECTRONIC APPLICATION OF)	
BIG RIVERS ELECTRIC CORPORATION)	Case No.
FOR ANNUAL REVIEW OF ITS MRSM)	2026-00021
CHARGE FOR CALENDAR YEAR 2025)	

**Big Rivers Electric Corporation's Response to
the Staff's First Request for Information
dated March 24, 2026**

FILED: April 10, 2026

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION FOR ANNUAL REVIEW
OF ITS MRSM CHARGE FOR CALENDAR YEAR 2024
CASE NO. 2026-00021**

**BIG RIVERS ELECTRIC CORPORATION'S RESPONSES TO COMMISSION
STAFF'S FIRST REQUEST FOR INFORMATION**

VERIFICATION


I, Talina R. Mathews, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge and belief formed after a reasonable inquiry.



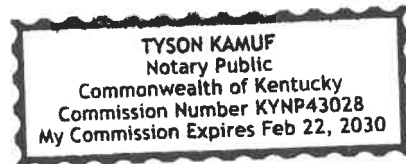
Talina R. Mathews

COMMONWEALTH OF KENTUCKY)
COUNTY OF DAVIESS)

7th SUBSCRIBED AND SWORN TO before me by Talina R. Mathews on this the
day of April 2026.



Notary Public, Kentucky State at Large
Kentucky ID Number _____
My Commission Expires _____



BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION FOR ANNUAL REVIEW
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CASE NO. 2026-00021**

**BIG RIVERS ELECTRIC CORPORATION'S RESPONSES TO COMMISSION
STAFF'S FIRST REQUEST FOR INFORMATION**

VERIFICATION

I, Charles Zeringue, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge and belief formed after a reasonable inquiry.



Charles Zeringue

COMMONWEALTH OF KENTUCKY)
COUNTY OF DAVIESS)

9th SUBSCRIBED AND SWORN TO before me by Charles Zeringue on this the
day of April 2026.



Notary Public, Kentucky State at Large
Kentucky ID Number _____
My Commission Expires _____


TYSON KAMUF
Notary Public
Commonwealth of Kentucky
Commission Number KYNP43028
My Commission Expires Feb 22, 2030

BIG RIVERS ELECTRIC CORPORATION
ELECTRONIC APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION
FOR ANNUAL REVIEW OF ITS MRSM CHARGE
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CASE NO. 2026-00021

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April 10, 2026

1 **Item 1)** *Refer to the Application, the Direct Testimony of Talina R. Mathews*
2 *(Mathews Direct Testimony), Exhibit Mathews-2, Exhibit Mathews-3, Exhibit*
3 *Mathews-4, and Exhibit Mathews-5. Provide these exhibits in Excel*
4 *spreadsheet format with all formulas, columns, and rows unprotected and*
5 *fully accessible.*

6

7 **Response)** Please see Exhibits Mathews-3, Mathews-4, and Mathews-5 in Excel
8 spreadsheet format attached to this response; and the confidential Exhibit
9 Mathews-2 in Excel spreadsheet format filed with Big Rivers' Motion for Confidential
10 Treatment.

11

12

13 **Witness)** Talina R. Mathews

BIG RIVERS ELECTRIC CORPORATION
ELECTRONIC APPLICATION OF
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1 **Item 2) Provide the balance of the Time Interest Earned Ratio (TIER) Credit**
2 **Regulatory Liability at the beginning of 2025, the end of 2025, and the excess**
3 **balance for 2025.**

4

5 **Response)** The TIER Credit Regulatory Liability account balance was \$12,400,000
6 as of January 1, 2025 and December 31, 2025. The Excess TIER Credit Regulatory
7 Liability account balance as of December 31, 2025 was \$4,966,893.05

8

9

10 **Witness)** Talina R. Mathews

BIG RIVERS ELECTRIC CORPORATION
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1 **Item 3)** *Refer to Mathews Direct Testimony at 12. Provide the most recent*
2 *annual credit reports from S&P Global Ratings, Fitch Ratings, and Moody's*
3 *Investors Service.*

4

5 **Response)** Please see the attached copy of the most recent credit opinion from S&P
6 Global Ratings, Fitch Ratings and Moody's Investors Services.

7

8

9 **Witness)** Talina R. Mathews

RATING ACTION COMMENTARY

Fitch Affirms Big Rivers Electric Corporation, KY at 'BBB'; Outlook Stable

Mon 30 Jun, 2025 - 10:49 AM ET

Fitch Ratings - New York - 30 Jun 2025: Fitch Ratings has affirmed Big Rivers Electric Corporation, (Big Rivers), KY's Issuer Default Rating (IDR) at 'BBB'. The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕		PRIOR ↕
Big Rivers Electric Corporation (KY)	LT IDR	BBB Rating Outlook Stable	BBB Rating Outlook Stable
	Affirmed		
Big Rivers Electric Corporation (KY) /Issuer Default Rating/1 LT	LT	BBB Rating Outlook Stable	Affirmed
			BBB Rating Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)

The 'BBB' IDR reflects Big Rivers' midrange revenue defensibility, which is supported by very strong revenue source characteristics but limited by the midrange credit quality of the cooperative's members. It also has a strong operating risk profile and stable financial performance. Big Rivers' leverage ratio, measured as net adjusted debt to adjusted funds available for debt service (FADS), declined from over 9.0x in 2017 to approximately 7.0x in 2022 through 2024. This decline reflected improved operating income and an increase in

CREDIT OPINION

18 February 2026

Update



RATINGS

Big Rivers Electric Corporation, KY

Domicile	Kentucky, United States
Long Term Rating	Baa2
Type	Senior Secured Bank Credit Facility - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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EMEA	44-20-7772-5454

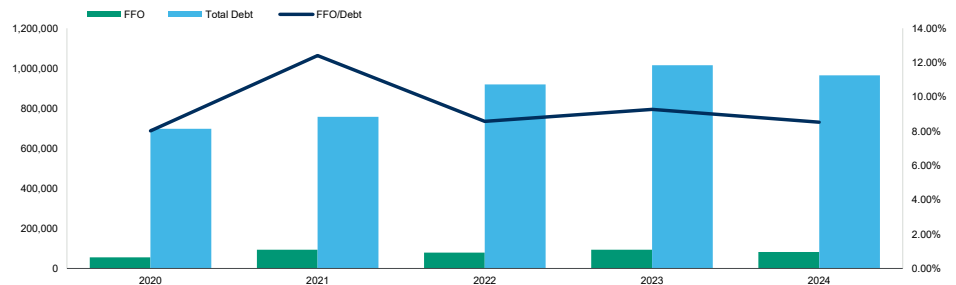
Big Rivers Electric Corporation, KY

Update to credit analysis

Summary

Big Rivers Electric Corporation's ("Big Rivers" or "BREC") (Baa2 stable) credit profile reflects the cooperative's continually strong financial profile and cash flow credit metrics, attributes which are offset by its higher business risk profile and exposure to carbon transition risks. During fiscal 2024, Big Rivers achieved a three-year average funds-from-operations (FFO) coverage of interest expense of 2.96x and an FFO-to-debt ratio of 8.8% based on Moody's standard adjustments. These credit metrics should continue to support credit quality despite the aforementioned challenges.

Exhibit 1
Historical FFO, Total Debt, and FFO to Total Debt (\$ in millions)



Source: Moody's Ratings

BREC's credit profile reflects the cooperative's rate regulation by the Kentucky Public Service Commission (KPSC), which is unusual in the electric cooperative sector; many other co-ops have autonomous rate-setting authority. However, KPSC's regulatory treatment has been and should continue to be credit supportive. BREC also receives funding from the US Department of Agriculture's Rural Utilities Service (RUS) and is subject to its oversight.

BREC's credit profile further reflects its member concentration and relatively high exposure to power sales and revenue from large load commodity-based industrial customers, whose financial performance can be affected by broad economic trends.

The credit profile further recognizes the measures taken by BREC to reduce carbon emissions with the retirement of its coal units and further acknowledges management's successful execution of strategies to better align its power supply portfolio with its changing load profile.

Credit strengths

- » Improved financial performance and key credit metrics that strongly positions Big Rivers within the rating category

- » Credit supportive regulatory treatment from the KPSC that allows for the timely rate recovery
- » Contracted sales to industrial loads that create a balance between available capacity and BREC's load profile
- » Reliable net margins and no patronage capital returns to members have created some buffer in the balance sheet to support capital spending

Credit challenges

- » Lack of autonomous rate-setting authority and dependence on KPSC for timely rate recovery of its costs
- » Effectively managing through elevated carbon transition risks as BREC executes plans to reduce its carbon footprint
- » Limited member diversity and relatively high economic dependence on industrial customers within member service territories

Rating outlook

The stable outlook reflects a prevailing credit supportive regulatory environment, including ongoing support for the recovery of BREC's sizable regulatory assets, improved power supply and demand balance and reduced reliance on coal generation.

Factors that could lead to an upgrade

- » Successfully execution of the recovery of and reduction in its sizable regulatory assets
- » Improvement in FFO coverage of interest and FFO-to-debt ratios to levels greater than 3.0x and 10%, respectively
- » Sustained improvement in debt service coverage ratios (DSCR) to levels at or above 1.5x

Factors that could lead to a downgrade

- » Shift to a less credit supportive regulatory environment by the KPSC; uncertainty regarding the timely recovery of its sizable regulatory assets
- » Loss of key high load industrial customers.
- » Sustained declines in FFO-to-debt or DSCRs to levels below 6% and 1.2x, respectively
- » Narrowing of liquidity

Profile

Big Rivers Electric Corporation (BREC) is an electric generation and transmission cooperative headquartered in Owensboro, Kentucky. BREC is owned by its three-member electric distribution system cooperatives: Jackson Purchase Energy Corporation, Kenergy Corporation and Meade County Rural Electric Cooperative Corporation. The three members' electric distribution systems provide retail electric power and energy to approximately 121,000 residential, commercial and industrial customers in 22 counties in western Kentucky.

BREC owns an aggregate 936 MW of net generating capacity through three power generating stations, including 519 MW of natural gas-fired generators and the 417 MW D.B. Wilson coal-fired generator. Additionally, BREC owns about 1,353 miles of transmission lines and 29 substations.

Detailed credit considerations

Credit-supportive regulatory decisions by KPSC

Big Rivers' credit profile reflects its core wholesale power contracts (WPCs) with the three-member electric distribution systems that expire on December 31, 2061. While Big Rivers' board is actively involved in rate setting, Big Rivers and its members are subject to rate

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

regulation by the KPSC. Rate oversight by the KPSC poses unique challenges to the cooperative's business model as the board is unable to set rates, unlike many of its peers within the electric generation and transmission (G&T) cooperative sector that have unilateral rate-setting autonomy. However, this regulatory risk for BREC and its members continues is mitigated by credit-supportive rate decisions from the KPSC.

The KPSC has approved several tariff riders for BREC including a fuel adjustment clause, an environmental surcharge and the Member Rate Stability Mechanism (MRSM). BREC's MRSM tariff includes allowances for the recovery in rates of stranded costs related to the early retirement of BREC's coal generation units. The KPSC rate order further established a times interest earned ratio (TIER) based credit mechanism that permits Big Rivers to use 60% of its net margin in excess of a 1.30 TIER to accelerate the amortization of its regulatory assets, with the remaining 40% of net margin in excess of the 1.30 TIER to be used as a member bill credit.

Prior KPSC rate rulings have also included approval of the retail power supply contract for electric service between Meade County and Nucor Steel, wholly-owned by Nucor Corporation (A3 stable). Nucor constructed a steel plate manufacturing mill that came into service in 2023 and is located within Meade County's service territory. These long-term arrangements add about 200 MW of load to be served by BREC, effectively establishing Nucor as one of Meade County's members.

Regulatory asset recovery supported by KPSC-authorized rates

BREC has established regulatory assets aggregating about \$353.4 million as of fiscal year end (FYE) 2024, which is comprised mainly of previously-deferred depreciation following the retirement of the Coleman coal plant (balance of \$136.5 million as of FYE 2024), the decommissioning of Reid Unit 1 and Station Two plants (balance of \$51.5 million as of FYE 2024), and costs attributed to the conversion to gas-fired generation of the former Robert Green coal plant. Under the terms of the KPSC order in 2021, BREC agreed to a one-time reduction in the balance of the regulatory assets as a charge amounting to \$125 million in depreciation and amortization expenses, which adversely impacted the cooperative's TIER ratio in 2021 and reduced its equity capitalization ratio. The KPSC order allows for BREC to recover the remaining regulatory assets by December 31, 2043, which coincides with the current expiration date of its WPCs with its three members. The recovery of this large regulatory asset balance should be manageable given rate authorizations by KPSC.

Power supply-side strategies help mitigate risks of changing load profile

During the past several years, Big Rivers pursued a strategy to better balance load demands and resources following a period of significant excess capacity. The credit profile recognizes the significant progress made by management to create a better balance between its available generation capacity and its load profile. This has been achieved by retiring certain legacy coal generating assets and entering into long-term power supply contracts with several industrial loads to shore up demand. These contracts assume expected economic growth in western Kentucky. The aforementioned arrangement with Nucor was part of this strategy.

Big Rivers' power supply now includes an aggregate 936 MW of owned generating capacity comprising of three power generating stations, including the 454 MW Robert D. Green natural gas-fired plant (previously a coal generator converted to a natural gas generator), the 65 MW Robert A. Reid combustion turbine (CT) unit with the ability to burn either fuel oil or natural gas, and the 417 MW D.B. Wilson coal-fired generator. Additionally, BREC has about 178 MW of contracted hydro capacity from the Southeastern Power Administration (SEPA) and 160 MW of solar generating capacity through a PPA. The current supply mix allows BREC's member native load to be served through owned generation sources and limits exposure to third party sales.

Significant progress toward decarbonization of supply stack

Big Rivers has significantly reduced its exposure to carbon emissions in its supply stack and reduced its carbon transition risks. These initiatives reflect the retirement of the 443 MW coal-fired Coleman generating plant and the 65 MW Reid Unit 1 coal-fired generator effective September 2020. BREC also terminated its operating agreement with Henderson Municipal Power and Light, Kentucky (HMPL, A3 stable) for power procured from HMPL's coal generating station and eliminating its rights to about 187 MW of coal-fired generating capacity from the plant. These supply-side strategies also offset about 435 MW of load lost when the aluminum smelters terminated their contracts with BREC between 2013 and 2024 (described below).

Big Rivers has access to hydro power generation through its 178 MW power purchase contract with SEPA. With the aim of increasing its low carbon supply stack and implementing renewable generation, Big Rivers received KPSC approval in June 2023 to enter into a 160 MW 20-year fixed price power purchase agreement (PPA) with National Grid Renewables in the Unbridled Solar Project in Henderson

and Webster Counties in Kentucky. The solar project was completed in late 2024, and Big Rivers will take 100% of the energy, capacity and renewable credits of the project.

Diversification of long-term industrial load

Big Rivers' demand-side strategies have included the replacement of higher risk legacy load exposure to two large aluminum smelters by phasing in long-term contracts for the sale of capacity and energy to more diversified industrial loads and load serving municipal electric distribution entities in Kentucky. BREC has an all-requirements power supply contract with Owensboro Municipal Utilities (OMU, A3 stable) for a peak load of about 180 MW (155 MW net) of capacity through 2026 and a contract for a 100 MW dispatchable capacity block through with the Kentucky Municipal Energy Agency (KYMEA, Baa1 stable) through May 2029. Once the PPA with OMU expires, BREC will provide some ancillary services to OMU until it shifts to the MISO market for procurement of its energy needs. The original contract with OMU was beneficial for BREC, serving as a bridge as it aligned its generation portfolio with its load. After the contract expiration, member-owners will have more access to owned generation, which will mitigate power market risk.

Among the strategies to replace legacy industrial load and concentration is a 20-year full-requirements power supply contract with Nucor Steel, which has completed constructing a \$1.7 billion steel plate manufacturing mill within its member's (Meade County Rural Electric Cooperative) service territory. The Nucor facility provided significant job growth and added material supplier and service industry related load.

Additional diversification of BREC's industrial load has been achieved with the construction of a \$500 million paper mill by Pratt Paper, whose load is served through BREC's distribution member, Kenergy. The Pratt paper mill began operations in late 2023.

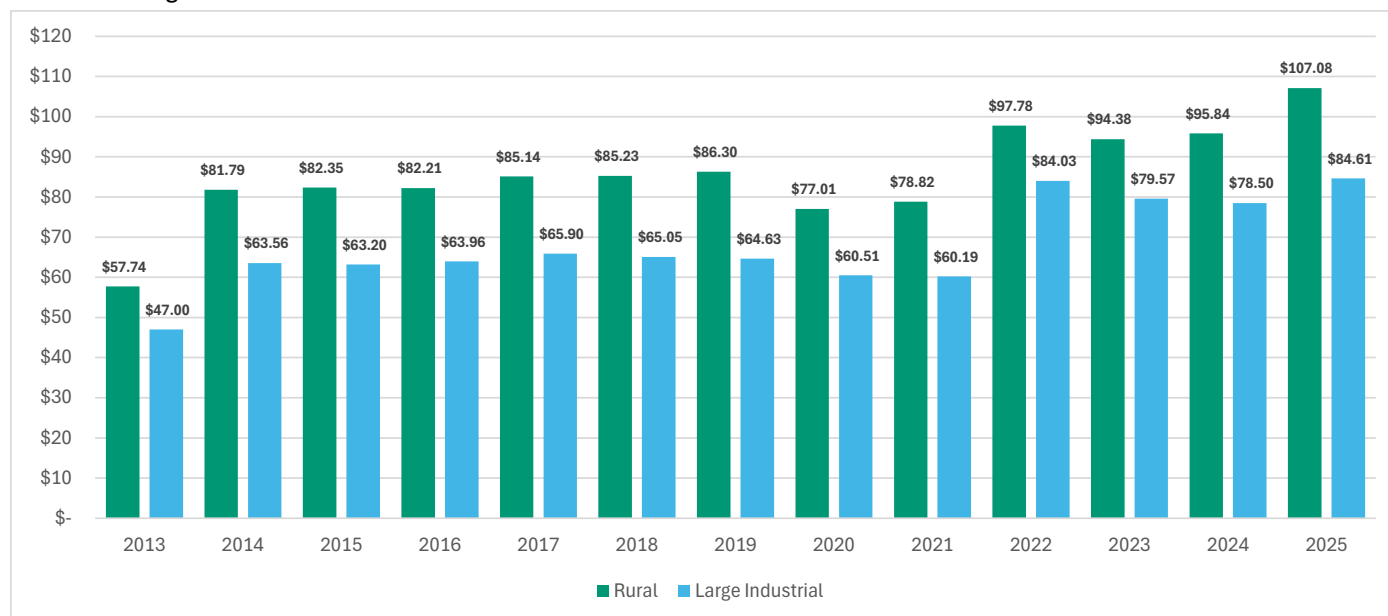
Another recent deal is a \$100 million dollar crypto mining operation by Block Mining owned by Riot Platforms. BREC structured this contract so that 25% of their contracted load is at its LIC tariff, which is backed by BREC generation assets, while 75% of the load is MISO-sourced, keeping much of the risk with the customer.

These developments have reduced Big Rivers' dependence on wholesale power market sales for incremental revenue and have helped diversify its industrial revenue stream from its historical dependence on the aluminum industry. Per BREC, the Nucor plant, paper mill and crypto mining operation have brought nearly 750 new jobs to Western Kentucky.

Reasonable rates and competitive position

As with other peer utilities, BREC increased its average rates in 2022 because of higher fuel and purchased power costs caused by higher natural gas and coal prices. Overall rates were slightly lower in 2023 because of softening of commodity prices during 2023. In 2024 and 2025 prices increased because of higher fuel and purchased power costs. We expect 2026 member rates to increase because of higher fuel and purchased power costs. These levels still represent a reasonably competitive position for BREC on a relative basis, although they are not the lowest rates in the region.

Exhibit 2

Historical average member rates

Source: Big Rivers Electric Corporation

Sound financial operations expected to continue

Big Rivers' solid financial metrics help offset some of its higher business risk factors. The credit supportive outcomes in Big Rivers' recent rate cases, the regulatory support for recovery of its legacy coal-fired power plants, and other cost reduction and risk mitigation strategies implemented by BREC have supported its financial results and credit profile.

For fiscal years ending 2022-24 (including Moody's standard adjustments), Big Rivers' FFO coverage of interest and FFO-to-debt ratios averaged 2.96x and 8.53%, respectively. Big Rivers' DSCR was somewhat narrow, averaging 1.1x for fiscals 2022-24. However, this figure included a substantial principal repayment in fiscal 2023. We expect similar financial results in the coming years.

Near-term capital spending and upcoming debt maturities remain manageable

BREC uses RUS loan funding and funding from the CFC to support its capital spending program and to refinance maturing debt. BREC's capital spending will remain manageable over the upcoming years, ranging from \$48 million to \$76 million annually between 2026 and 2029. A significant portion of this capital spend will be funded with internal cash flow generation.

BREC does not have any significant debt maturities in the upcoming years until 2031 other than annual principal amortization payments that range between \$51 million and \$69 million during 2025 to 2029. BREC's access to funding sources from the RUS and CFC through its bank line or a provider of long-term debt capital reduce potential refinancing risks for the cooperative.

Debt Structure

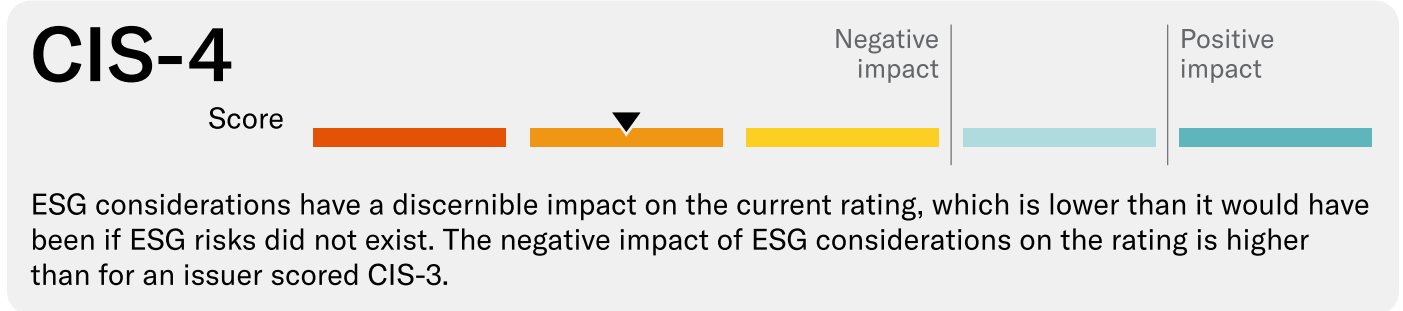
BREC's senior secured indenture with RUS and all senior secured debt holders, including the lenders under BREC's senior secured syndicated bank credit facility and term loans with CFC, are pari passu in terms of priority of claim and lien on assets.

The debt indenture with the RUS provides Big Rivers with the flexibility to access public debt markets without first obtaining a case specific RUS lien accommodation, while retaining the right to request approval from the RUS for additional direct borrowings under the RUS loan program. The added flexibility of the senior secured indenture is credit positive.

ESG considerations

Big Rivers Electric Corporation, KY's ESG credit impact score is CIS-4

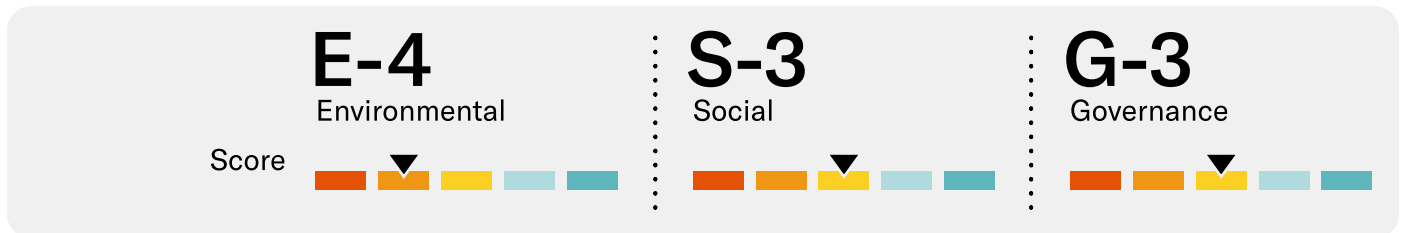
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

Big Rivers' **CIS-4** indicates that the rating is lower than it would have otherwise been if certain ESG risk exposures did not exist, including among other things, high carbon transition risk.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Big Rivers' **E-4** reflects the cooperative's high exposure to carbon transition risk, moderate exposure to physical climate risks and its exposure to waste and pollution risks given the operations of its coal generation facilities. However, Moody's recognizes the progress made to date by retiring its legacy coal generation plants and its overall decarbonization efforts to reduce carbon transition risks. While historically BREC had been depending on coal-fired generation plants to meet in excess of 90% of its members' energy supply needs, the reliance on coal fired generation has reduced substantially in recent years due to proactive steps taken by BREC's board and management to reduce exposure to coal and diversify its energy supply portfolio. These measures include the retirement of several coal generation units including the 443 MW Coleman plant and the 65 MW Reid Unit 1. BREC also successfully converted its 454 MW Robert Green coal plant to burn natural gas, while also adding some 160 MW of renewable (solar) resources to its supply mix through power purchase agreements including its PPA with SEPA that procures about 178 MW from hydro power. Overall, BREC's ownership in the only remaining 417 MW D.B. Wilson coal plant represents about 33% of its overall 1,274 MW supply resources (45% of owned generation). The recently executed measures have significantly reduced BREC's carbon footprint and reduced carbon transition risks. However, coal generation continues to represent 50 to 70% of its energy supply mix depending on market power purchase levels in its supply mix and which is reflected in the **E-4** issuer profile score. BREC's environmental risk profile also reflects its moderate exposure to physical climate risks due to the increasing frequency and severity of extreme weather events that pose potential threats to fuel supply infrastructure, transmission and distribution networks, thereby increasing costs to its members. Offsetting these risks are its neutral to low exposure for water management and natural capital risks.

Social

Big Rivers' **S-3** score reflects the cooperative's exposure to demographic and societal trends, as heightened public concern regarding carbon emissions could lead to more stringent environmental rules and increased costs to its members. However, this exposure is balanced in part by investments made by BREC and other steps taken to reduce its carbon emissions in a cost-effective way to minimize impact on members' rates, while also maintaining strong reliability of service. Our view of BREC's social risks also considers low exposure to health and safety, responsible production, customer relations and human capital related risks.

Governance

Big Rivers' **G-3** score primarily reflects its higher exposure to financial policy and risk management. Unlike most of its peers, BREC is subject to the regulatory jurisdiction of a state utility commission which could expose it to delays in or less than full recovery of its costs of providing service. Big Rivers actively manages this risk by maintaining a strong and transparent relationship with the KPSC and its staff and resulting in generally credit supportive outcomes. BREC is less exposed to other governance considerations including management credibility, organization and board structure, compliance and reporting risk factors, which are deemed to be broadly in line with other G&T cooperatives, and to the transparent relationship that it has with key stakeholders.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Big Rivers maintains sufficient levels of liquidity by supplementing its internally generated cash flow with lines of credit. BREC has a \$150 million syndicated senior secured credit facility with five financial institutions, led by National Rural Utilities Cooperative Finance Corporation (CFC, A2 stable), which matures in June 2027. The revolving credit facility has a one-year extension option of the expiration date subject to lender approval. As of December 31, 2025, Big Rivers had no outstanding balances under the \$150 million line of credit and had approximately \$137.8 million of cash and short-term investment balance.

Terms of the CFC credit agreement provide a good quality source of liquidity for BREC. The facility does not have any more onerous financial covenants than the financial covenants in existing RUS debt indenture. The indenture and debt agreements require a minimum 1.1x margin for interest (MFI) ratio to be maintained. The line of credit, however, separately requires Big Rivers to maintain a minimum equity balance at each fiscal quarter-end based on \$365 million plus 50% of the cooperative's cumulative positive net margins for each of the preceding fiscal years since December 31, 2022. Big Rivers is comfortably in compliance with those covenants, despite the adverse impact to the balance sheet from the write-down of its equity balance in 2021 related to the retirement of its coal plants.

Big Rivers also participates in a cushion of credit program administered by the RUS, which allows BREC to use balances to make scheduled principal and interest payments on certain RUS-guaranteed Federal Financing Bank (FFB) loans (W8 and X8 loans). As of December 31, 2025, BREC had a balance of \$4.4 million under this program.

Structural considerations

N/A

Rating methodology and scorecard factors

Moody's evaluates Big Rivers under the U.S. Electric G&T Cooperatives Methodology. The scorecard-indicated outcome for Big Rivers' senior most obligations under the Methodology is currently Baa1, which is one notch above Big Rivers' senior secured rating of Baa2.

Exhibit 5

Big Rivers Electric Corporation, KY		Current FY 12/31/2024		Moody's 3 Month Forward View As of Published Date [3]	
U.S. Electric Generation & Transmission Cooperatives Industry Scorecard [1][2]					
Factor 1: Long-Term Wholesale Power Supply Contracts and Regulatory Status (20.0%)	Measure	Score	Measure	Score	
a) % Member Load Served under Regulatory Status	Baa	Baa	Baa	Baa	
Factor 2: Rate Flexibility (20.0%)					
a) Board Involvement / Variable Cost Adjustment Mechanisms	Baa	Baa	Baa	Baa	
b) Purchased Power / Total MWh Sales (%)	47.9%	Ba	40-45%	Ba	
c) New Build Exposure (% Net PP&E)	A	A	A	A	
d) Potential for Rate Shock Exposure	B	B	B	B	
Factor 3: Member / Owner Profile (10.0%)					
a) Residential Sales / Total Sales (%)	36.1%	Ba	35-40%	Ba	
b) Members' Consolidated Equity / Capitalization (%)	29.6%	Baa	30-40%	Baa	
Factor 4: 3-Year Average G&T Financial Metrics (40.0%)					
a) TIER (3 Year Avg)	1.2x	A	1.3x	A	
b) DSC (3 Year Avg)	1.1x	Ba	1.2x	Baa	
c) FFO / Debt (3 Year Avg)	8.8%	A	9.0%	A	
d) (FFO + Interest) / Interest Expense (3 Year Avg)	3.0x	Aa	3.0x	Aa	
e) Equity / Total Capitalization (3 Year Avg)	33.3%	A	35%	A	
Factor 5: G&T Size (10.0%)					
a) Megawatt hour sales (Millions of MWhs)	6.0	Baa	6	Baa	
b) Net PP&E (USD Billions)	\$1.1	A	1.1	A	
Rating:					
a) Scorecard-Indicated Outcome		Baa1		Baa1	
b) Actual Rating Assigned (Issuer Rating)		Baa2		Baa2	

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Moody's forecasts are Moody's opinion and do not represent the views of the issuer.

Source: Moody's Ratings

Ratings

Exhibit 6

Category	Moody's Rating
BIG RIVERS ELECTRIC CORPORATION, KY	
Outlook	Stable
Sr Sec Bank Credit Facility	Baa2

Source: Moody's Ratings

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Long Term Rating	BBB/Stable	Affirmed

Credit Highlights

- S&P Global Ratings affirmed its 'BBB' issuer credit rating (ICR) on Big Rivers Electric Corp. (BREC), Ky.
- The outlook is stable.

Security

The ICR reflects our view of BREC's overall creditworthiness and its capacity and willingness to meet financial commitments in full as they come due. It does not apply to any specific financial obligations. Our assessment of BREC's creditworthiness considers existing and projected debt balances. Bondholders have a security interest in the utility's assets because BREC's long-term debt is secured by property pledged under its mortgage indenture. The indenture obligates the utility to establish rates that are expected to yield a margins-for-interest ratio of 1.1x in each fiscal year. However, we perform a financial analysis based on a fixed-charge coverage (FCC) calculation that includes principal amortization and other fixed costs. Although we do not rate the utility's privately placed debt, we factor these debt balances into our assessment of BREC's credit quality. As of Dec. 31, 2023, the utility reported \$1 billion of debt.

Credit overview

The rating reflects our view of primarily industrial load growth which will absorb historically high surplus generation and reduce its exposure to volatile market sales. We understand BREC will be considering its power supply options including coal fleet and carbon-intensity reductions as part of completing its integrated resource plan by 2026. Three large retail electric loads are each investing \$50 million-\$1.7 billion in new facilities for their businesses within the service territories of BREC's member cooperatives, and management reports large industrial sales have increased 20% in 2024 compared to 2023. However, large industrial sales in 2024 remain 20% below original projections and slower industrial load growth has increased market sales above projections. These new and expanded facilities should translate into electricity consumption that can support a more predictable revenue stream and help shield BREC from becoming dependent on revenue from energy sales in competitive wholesale markets if nonmember municipal customers do not renew existing intermediate-term contracts for purchases of BREC power.

The cooperative reduced its carbon intensity through the conversion of a portion of the utility's coal generation fleet to natural gas in 2022; however, the cooperative will likely remain heavily reliant on coal, which accounted for 99% of self-generation and 56% of total energy requirements in 2023. The cooperative's FCC was at least 1.7x in fiscal years 2021-2023 and reasonable projections indicate coverage will weaken to a still healthy 1.3x coverage for unaudited fiscal 2024 due to mild weather and rising operating expenses including fuel costs.

Constraining the rating are:

- BREC members' significant dependence on revenue from industrial customers, which we view as more vulnerable to economic cycles than residential customers;
- The service territory's weak income levels, coupled with above-average member retail rates, which could limit the utility's rate-making flexibility; and
- Coal's ongoing substantial contribution to generation, despite retirements of portions of the coal-fired generation fleet.

Environmental, social, and governance

We view the cooperative's power supply centered on coal to be a credit weakness. Although BREC projects reducing coal-fired megawatt hours because of the conversion of its Green station units to natural gas, coal-fired electricity from the larger Wilson station accounted for 56% of energy sales in 2023, which we view as placing negative pressure on the credit quality of the cooperative. BREC's economic Midcontinent Independent System Operator market purchases due to the low natural gas price environment accounted for the majority of its purchased power and represented 35% of energy sales in 2023.

Energy Information Administration data show that weighted average retail rates in 2022 are 8%-13% higher than state averages, which we view as creating social risks that could limit financial flexibility, especially in an inflationary environment that creates a need for rate increases to cover higher operating, capital, and borrowing costs. The state's high poverty rate, combined with weak county income levels, compound affordability issues and social risks, which we consider moderately negative for credit quality. County income levels in 2023 across the BREC's three distribution cooperatives in western Kentucky range between 71% and 100% of the national average. We continue to monitor the strength and stability of electric utilities' revenue streams for evidence of delinquent payments or other revenue erosion. Although the rate of inflation as measured by the Consumer Price Index (CPI) has softened, Bureau of Labor Statistics data shows that electricity price inflation continued to outpace the broader CPI by 100 basis points (bps) to more than 200 bps during March-September 2024. The amalgam of increases in delinquent credit card, consumer, and auto loans, along with financial pressures associated with the resumption of student loan payments and weaker than historical household savings rates, will likely compound the financial pressures electricity consumers face. Potentially exacerbating issues of energy affordability are weak economic indicators, such as S&P Global Economics' forecast of a 25% recession risk within the next 12 months, which is elevated relative to the historical baseline. A cooling labor market, geopolitical risks, and the uncertainty surrounding whether and when the president-elect will implement economic initiatives proposed as a candidate, might add to recessionary pressures. (See "Economic Outlook U.S. Q4 2024: Growth And Rates Start Shifting To Neutral," published Sept. 24, 2024, on RatingsDirect; and "After Trump's Win, What's Next For The U.S. Economy?" published Nov. 7, 2024, both on RatingsDirect).

We believe management demonstrated favorable actions that mitigate risk through its pursuit of contracts for sales of the output of surplus generation capacity to nonmember utilities to temper market exposure and to more efficiently allocate fixed costs previously borne by industrial customers that severed their ties with BREC in 2013. In addition, the utility benefits from a proactive regulator that, in addition to overseeing the utility's rates, has demonstrated a commitment to monitoring management and board actions and financial performance. BREC's new president and

CEO started in January 2024 and it is too early to assess the cooperative's execution of strategic initiatives.

Outlook

The stable outlook reflects reduced risk of exposure to competitive wholesale markets through 2026, lower carbon intensity, and projections of continued sound FCC, liquidity, and leverage in the near term.

Downside scenario

We could lower the rating if the utility cannot sustain sound financial performance because of carbon-reduction costs or if the industrial customers, despite their substantial investments in facilities within BREC's service territory, experience economic dislocations and their energy sales are materially lower than projections.

Upside scenario

Although we believe industrial load growth and management actions have enhanced the stability and predictability of the revenue stream, we do not expect to raise the rating further within our two-year outlook horizon. We believe the utility continues to face material exposures that include a substantial carbon dependence, a significant reliance on industrial customers, and rates that we consider high relative to low income levels.

Credit Opinion

BREC is a generation and transmission cooperative that derived 65% of its 2023 energy sales from three distribution cooperatives (serving 121,000 customers) and the balance principally from sales to nonmember utilities with whom it has contracts and from market sales. Member revenue, which includes large industrial loads, represented 77% of total revenue in fiscal 2023, followed by contracted nonmember municipal revenue (13%). Because large industrial member sales growth has been slower, management expects market sales will represent 11% of energy in 2024, but well below BREC's market exposure of 31% in fiscal 2021. BREC's all-requirements wholesale power supply contracts with its three distribution cooperatives extend until Dec. 31, 2043, in line with its final debt maturity.

BREC completed its conversion of its two Green station generation units to natural gas in May 2022, but coal accounted for 99% of self-generation in 2023. Based on the gas conversions and plans to add contract purchases of solar electricity (160 MW), management projects coal's contribution to total energy sources will decline to 52% by 2025, from 83% in 2021. In our view, coal will continue to represent a substantial portion of energy sales, despite meaningful carbon reductions since 2015, and the cooperative remains financially exposed to potentially more stringent federal emissions regulations.

Following the loss of two aluminum smelter loads that accounted for about two-thirds of energy sales almost a decade ago, the utility faced a long generation position. To mitigate the cooperative's exposure to volatile power markets, management contracted to sell much of the surplus power to municipal utilities under contracts expiring at the end of 2026 and 2029. However, if BREC does not extend Owensboro Municipal Utilities' (OMU) contract in 2027, BREC will retain 155 MW in capacity to manage member load growth. If the municipal customers extend their contracts, the cooperative might need to secure through contracts or construction of additional generation resources to simultaneously serve those customers and the industrial loads the system is adding. We understand BREC will

consider its power supply options, including a potential new combined cycle natural gas plant, once there is clarity on municipal customers extending their contracts. For example, BREC's contracts with OMU and Kentucky Municipal Energy Agency accounted for 25% of energy sales in 2023.

Nucor Corp. is developing a \$1.7 billion steel plate manufacturing plant in Brandenburg, Pratt Industries is constructing a \$500 million paper mill in Henderson, and Blockware Mining built a \$50 million cryptocurrency server facility in Paducah. These facilities will add 300 MW of load, or almost 90% of the load the municipalities contribute. The industrial load additions should temper exposure to merchant energy markets if the municipal utility systems do not renew their wholesale power purchase agreements with BREC when they expire in the latter part of the decade. Management's original load forecast for large industrial members sales suggest a potential 25% increase in energy sales from 2024 levels.

Based on our view of management's financial forecast, we expect BREC will produce healthy 1.3x FCC for fiscal 2024 when considering a portion of purchased power costs as debt-like obligations. After excluding a bullet debt maturity that was refinanced through Rural Utilities Service, BREC provided robust 1.7x FCC, which considers a portion of purchased power costs debt-like obligations. BREC's liquidity position improved to a healthy 345 days' cash on hand in fiscal 2023, including an undrawn \$150 million syndicated line of credit with CFC, and we expect liquidity will be maintained near 250 days by the end of fiscal 2024.

Unlike many other cooperative utilities, BREC does not have autonomous rate-setting authority. Rather, the Kentucky Public Service Commission establishes the cooperative's wholesale rates and its members' retail rates. Tempering the absence of rate-setting autonomy is a history of supportive regulatory decisions and utility projections of modest rate increases principally through the utility's formulaic monthly fuel clause and purchased power cost mechanisms. BREC implemented a surplus margin sharing mechanism meant to increase debt amortization of regulatory assets while also providing member bill credits when possible. Currently, there are no plans for a base-rate increase request.

We consider BREC's members key credit characteristics sufficient FCC near 1.1x and thin liquidity, although both Jackson Purchase Energy Corp. and Meade County RECC maintain lines of credit. We consider the members' low customers per mile attributable to their serving portions of 26 counties in western Kentucky.

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non-cash depreciation expenses. A consistently low operating cost burden, manageable capital needs and a supportive regulatory regime are also important rating considerations.

Fitch assesses Big Rivers' three members as having midrange credit quality. This constrains the cooperative's overall revenue defensibility when coupled with its lack of independent rate-setting authority, and likely limits the upside of the overall IDR.

Fitch expects Big River's strong cash flows and stable financial metrics to persist, which would support stable leverage despite the upcoming expiration of nonmember contracted sales. Under Fitch's rating case stress scenario leverage ratios could rise above 8.0x over the next few years. While additional generation is not included in the cooperative's near-term capital planning, management expects to complete an integrated resource plan in 2026 to outline long-term capital spending plans and future debt needs. New debt to fund generation projects could increase leverage. However, Fitch believes the 'BBB' rating would still be appropriate given Big River's revenue defensibility and operating risk assessments.

SECURITY

Big Rivers' IDR reflects Fitch's assessment of the utility's vulnerability to default on its financial obligations.

KEY RATING DRIVERS

Revenue Defensibility - 'bbb'

Strong Contractual Framework, Midrange Member Credit Quality

Big Rivers' revenue defensibility is midrange despite otherwise very strong revenue source characteristics provided by the long-term, all-requirements power supply contracts Big Rivers maintains with its members. All costs associated with the delivery of power and energy/services, including debt service, are billed monthly to the members, leading to a de facto unlimited step-up and cost reallocation in case of member nonpayment. However, there are only three members, so the rating is heavily influenced by their midrange credit quality. The member power supply agreements expire in 2043, which aligns with the final maturity of all outstanding debt.

Fitch is unlikely to upgrade Big Rivers' IDR from the 'BBB' category because of the midrange assessment, which primarily reflects member credit quality and the regulatory framework within which Big Rivers and its members operate. Fitch evaluates member credit quality using our purchaser credit index (PCI), which reflects the weighted average

credit quality of the relevant obligors. Fitch's PCI score of 3.0 is based on an evaluation of all three-member cooperatives: Meade County Rural Cooperative Corporation, KY (20% of Big Rivers' revenues); Kenergy Corporation, KY (60%); and Jackson Purchase Energy Corporation, KY (20%).

Fitch assesses Big Rivers' rate flexibility as strong. Rates include a demand charge and an energy charge per kWh consumed, as approved by the Kentucky Public Service Commission (KPSC). While the KPSC approves rates for Big Rivers and its members, the cooperative has certain approved riders, including a fuel adjustment clause and an environmental surcharge, which helps provide timely pass-through of variable charges. Overall, the regulatory regime has been constructive historically.

Fitch expects Big Rivers to remain a relatively active off-system seller of excess power and energy through 2029. This is an asymmetric consideration for revenue defensibility.

Operating Risk - 'a'

Diverse Resource Base, Low and Stable Cost Burden

The strong operating risk assessment reflects a low operating cost burden that has averaged 6.8 cents/kWh over the past five years. Operating cost flexibility is assessed as neutral due to the diversity of resource capacity by fuel type and number of units. Big Rivers has idled, retired or converted much of its coal-fired capacity over the past several years, which has led to a decline in carbon emissions.

Most of Big Rivers' capacity consists of owned generation, including over 400MW's of coal-fired capacity. In 2024, the cooperative owned a total of over 900MW's of capacity including its baseload coal plant, Wilson Station (417MW), but also including natural gas-fired Green Station units (454MW) and Reid CT (65MW) at Sebree Station. Big Rivers converted the Green station to burn natural gas in 2022, helping to lower emissions and diversifying the resource base away from a mostly coal-dominant supply.

Other available generation includes capacity and energy provided to members through Southeastern Power Administration (SEPA, 178MW hydro) and growing renewable capacity. An updated integrated resource plan, which management expects to complete and file with regulators sometime in 2026, is expected to include additional renewable capacity and a potential replacement resource for the 65MW Reid gas plant, which ran into operating issues in 2024 and is an older and less efficient unit. In addition, the pending

integrated resource plan may also include a replacement of Green Station, although the size and scope of this potential project is likely to vary substantially.

Capital planning and management is strong based on manageable lifecycle investment needs.

Financial Profile - 'bbb'

Stable Financial Profile, Midrange Leverage Expected in Rating Case Scenario

Big Rivers' financial profile is stable with improved operating margins and leverage ratios over the past few years. Stable margins and FADS have led to a leverage ratio that has averaged 6.7x since 2020. Key financial metrics have been stable, and results are in line with the current rating.

Fitch expects the cooperative's financial performance to remain stable over the next few years as it benefits from contracted energy and capacity sales to nonmember utilities and industrial customers. Recovery of regulatory assets will also continue to support cash flows, helping sustain FADS and provide stability to the financial profile assessment. While Fitch's base case scenario indicates that leverage should generally range between 6.0x and 7.0x over the next five years, lower energy sales in our rating case stress scenario could push ratios higher. Fitch expects Big Rivers would address such a scenario with a combination of operating expense cuts, capital spending delays, and a potential submission of a rate case to the KPSC.

Big Rivers' liquidity profile is neutral to the rating, as coverage of full obligations has remained strong and total liquidity (including unrestricted cash and available lines of credit) has averaged 244 days since 2020. Actual unrestricted cash and investments totaled 81 days on hand in 2024 and averaged 71 days over the past five years. Coverage fell below 1.0x in 2023 because of a sizable debt maturity, but cash on hand and proceeds from new debt issuance comfortably covered the scheduled payment.

Asymmetric Additional Risk Considerations

There are no additional asymmetric risks affecting the rating.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--A weakening in margins or higher debt levels that lead to leverage closer to 10.0x or higher on a sustained basis though Fitch's rating/stress case scenario;

--A downward shift in purchaser credit quality that results in a lower assessment of revenue defensibility.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Sustained leverage ratio closer to 6.0x through Fitch's rating case scenario;

--A long-term contractual framework to facilitate and support off-system sales;

--A positive shift in purchaser credit quality that results in a higher assessment of revenue defensibility.

PROFILE

Big Rivers is a non-profit generation and transmission cooperative formed in 1961. It provides wholesale electric and transmission service to three electric distribution cooperatives pursuant to all-requirements contracts through Dec. 31, 2043. The three members provide service to a total of approximately 125,000 retail customers in 22 western Kentucky counties. Demographic indicators and financial performance of the three distribution systems are satisfactory and provide sufficient support for the rating.

The Commonwealth of Kentucky does not have renewable portfolio standards. However, Big Rivers has been actively pursuing asset diversification and carbon reduction strategies over the past several years. In addition to converting the Green station to natural gas in 2022, Big Rivers added solar capacity through a long-term purchased power agreement and is considering additional solar capacity. Management predicts that by 2030 it will have reduced carbon emissions by almost 80% from 2005 levels with gas-fired generation comprising most of its total energy supply, followed by coal, solar and hydropower. Big Rivers does not plan to retire Wilson Station but expects to evaluate its long-term resource needs with an updated integrated resource plan in 2026.

In May 2024, the Environmental Protection Agency (EPA) released carbon emissions standards for existing coal and gas-fired power plants. The regulations require the closure or significant modification of existing coal-fired power plants by 2032. However, the EPA carbon standards are facing legal challenges that could delay, alter or prevent their implementation. Should the EPA standards withstand the legal challenges, the potential

mandate to close or repower Wilson could dictate higher costs for the cooperative and its members.

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

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PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[U.S. Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 10 Jan 2025\) \(including rating assumption sensitivity\)](#)

[U.S. Public Power Rating Criteria \(pub. 24 Feb 2025\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

[FAST Econometric API - Fitch Analytical Stress Test Model, v3.1.0 \(1\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

ENDORSEMENT STATUS

Big Rivers Electric Corporation (KY)

EU Endorsed, UK Endorsed

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BIG RIVERS ELECTRIC CORPORATION
ELECTRONIC APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION
FOR ANNUAL REVIEW OF ITS MRSM CHARGE
FOR CALENDAR YEAR 2025
CASE NO. 2026-00021

Response to the Commission Staff's
First Request for Information
dated March 24, 2026

April 10, 2026

1 Item 4) *Refer to Mathews Direct Testimony, pages 6 and 7, Exhibit Mathews-*
2 *2, Exhibit Mathews-3, and Exhibit Mathews-4.*

3 *a. Provide the detailed workpapers and supporting analysis for*
4 *fiscal years 2022, 2023, 2024, and 2025 in Excel spreadsheet format with all*
5 *formulas, columns, and unprotected rows, and fully accessible*

6 *b. Provide a breakdown of gross interest charges by specific debt*
7 *instrument.*

8 *c. Provide a detailed itemization of all interest expenses not*
9 *included in "Interest Charges on Secured Obligations."*

10 *d. Provide the calculation of net margins (including all applicable*
11 *revenues and expenses) before the application of any TIER credits.*

12 *e. Provide the month-end balances and a detailed breakdown of all*
13 *components/sub-accounts comprising the Regulatory Liability account*
14 *balance.*

15 *f. Provide the amortization schedules (both historical and*
16 *projected) for the SLM Regulatory Assets.*

BIG RIVERS ELECTRIC CORPORATION
ELECTRONIC APPLICATION OF
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Response to the Commission Staff's
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1 *g. Provide total revenue for each member utility, further*
2 *disaggregated by customer class.*

3 *h. Identify and provide the calculation for all sales that are not*
4 *applicable to the FAC.*

5

6 **Response)**

7 a. Please see the attachments to Big Rivers' response to Item No. 1 of this
8 request for Excel workbooks for fiscal year 2025, and the Excel workbooks attached
9 to this response for fiscal years 2022 through 2024, which were also previously filed
10 in response to Item No. 1 of the Commission Staff's First Request for Information in
11 Case No. 2023-00038, Case No. 2024-00031, and Case No. 2025-0021, respectively.

12 b. 2025 Gross Interest expense on long-term debt totaled \$39,115,920.50.

13 Below is a breakdown by lender:

CoBank	4,787,471.94
CFC	21,908,363.72
RUS	12,420,084.84

BIG RIVERS ELECTRIC CORPORATION
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Response to the Commission Staff's
First Request for Information
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April 10, 2026

- 1 c. There is none. All interest expense is included in “Interest Charges on
2 Secured Obligations” for 2025.
- 3 d. Please see the table attached to this response.
- 4 e. Please see the schedule attached to this response.
- 5 f. Please see the schedules attached to this response.
- 6 g. Please see the list attached to this response.
- 7 h. The total sales in 2025 to which the FAC did not apply by customer
8 are set forth in the below table. The calculations are shown in the
9 attachment to this response.
- 10

BIG RIVERS ELECTRIC CORPORATION
ELECTRONIC APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION
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April 10, 2026

1		\$	27,027,482.61
2		\$	8,951,372.96
3		\$	<u>4,203.52</u>
4		Total \$	35,983,059.09

5

6

7 Witness) Talina R. Mathews

Big Rivers Electric Corporation

Calculation of Net Margins
Before the Application of any TIER Credits

Title of Account	TOTAL 2025
UTILITY OPERATING INCOME	
Operating Revenues	497,867,301
Operating Expenses	
Operation Expenses	321,253,758
Maintenance Expenses	48,394,793
Depreciation Expense	43,390,943
Amort. & Depl. Of Utility Plant	321,308
Regulatory Debits	30,615,216
(Less) Regulatory Credits	2,782,295
Income Taxes - Other	(273)
(Less) Gains from Disposition of Allowances	15
TOTAL Utility Operating Expenses	441,193,435
Net Utility Operating Income	56,673,866
Other Income	
Interest and Dividend Income	3,130,405
Miscellaneous Nonoperating Income	1,957,969
TOTAL Other Income	5,088,374
Other Income Deductions	
Miscellaneous Income Deductions	4,057,142
TOTAL Other Income Deductions	4,057,142
Net Other Income and Deductions	1,031,232
Interest Charges	
Interest on Long-Term Debt	37,157,529
Amort. Of Debt Disc. and Expense	442,946
Amortization of Loss on Reacquired Debt	91,692
Net Interest Charges	37,692,167
Income Before Extraordinary Items	20,012,931
Net Income	20,012,931

**BIG RIVERS ELECTRIC CORPORATION
CASE NO. 2026-00021**

Regulatory Liability Account Balances

	Acct 25440000 TIER Credit Excess	Acct 25441000 TIER Credit Min Balance	Total Regulatory Liability
1/1/2025 Balance	(4,173,442.76)	(12,400,000.00)	(16,573,442.76)
January Activity	-	-	-
1/31/2025 Balance	(4,173,442.76)	(12,400,000.00)	(16,573,442.76)
February Activity	-	-	-
2/28/2025 Balance	(4,173,442.76)	(12,400,000.00)	(16,573,442.76)
March Activity	-	-	-
3/31/2025 Balance	(4,173,442.76)	(12,400,000.00)	(16,573,442.76)
April Activity	-	-	-
4/30/2025 Balance	(4,173,442.76)	(12,400,000.00)	(16,573,442.76)
May Activity	-	-	-
5/31/2025 Balance	(4,173,442.76)	(12,400,000.00)	(16,573,442.76)
June Activity	-	-	-
6/30/2025 Balance	(4,173,442.76)	(12,400,000.00)	(16,573,442.76)
July Activity	-	-	-
7/31/2025 Balance	(4,173,442.76)	(12,400,000.00)	(16,573,442.76)
August Activity	-	-	-
8/31/2025 Balance	(4,173,442.76)	(12,400,000.00)	(16,573,442.76)
Reclass 2024 TIER Credit per Case No. 2025-00021	4,173,442.76	-	4,173,442.76
9/30/2025 Balance	-	(12,400,000.00)	(12,400,000.00)
October Activity	-	-	-
10/31/2025 Balance	-	(12,400,000.00)	(12,400,000.00)
November Activity	-	-	-
11/30/2025 Balance	-	(12,400,000.00)	(12,400,000.00)
Establish 2025 TIER Credit	(4,966,893.05)	-	(4,966,893.05)
12/31/2025 Balance	(4,966,893.05)	(12,400,000.00)	(17,366,893.05)

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

	<i>Actual</i> <u>2019</u>	<i>Actual</i> <u>2020</u>	<i>Actual</i> <u>2021</u>	<i>Actual</i> <u>2022</u>	<i>Actual</i> <u>2023</u>	<i>Actual</i> <u>2024</u>	<i>Actual</i> <u>2025</u>
Period Amortization (Excl. GN Reg. Asset Amort.)	\$ -	\$ -	\$ (13.044)	\$ (13.044)	\$ (13.044)	\$ (13.044)	\$ (9.892)
Plus: GN Reg. Asset Period Amortization:	\$ -	\$ -	\$ -	\$ -	\$ (4.492)	\$ (4.492)	\$ (4.267)
Total Period Amortization	\$ -	\$ -	\$ (13.044)	\$ (13.044)	\$ (17.536)	\$ (17.536)	\$ (14.158)

Regulatory Assets - Dr./ (Cr.):

<u>Focused Audit Exp. (CN 2013-00199) - Reg. Asset (18239500):</u>							
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	(0.676)	-	-	-	-	-
Ending Balance	\$ 0.676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Wilson Deprec. - Reg. Asset (18237500):</u>							
Additions-Deferred Expenses	\$ 20.595	\$ 20.838	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	(13.044)	(6.522)	-	-	-
Reduction-Equity Write-Off/ Other	-	-	(84.945)	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	(0.029)	(11.000)	(25.842)	-	-	-
Ending Balance	\$ 120.544	\$ 141.353	\$ 32.364	\$ -	\$ -	\$ -	\$ -
<u>Coleman-Deprec. - Reg. Asset (18237000):</u>							
Additions-Deferred Expenses	\$ 5.827	\$ 4.368	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	(6.522)	(6.464)	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	(27.743)	-	-	(0.884)	-	-	-
Ending Balance	\$ 9.502	\$ 13.870	\$ 13.870	\$ 6.464	\$ -	\$ -	\$ -
<u>Reid 1-Plant & Decomm. Costs - Reg. Asset (18237200):</u>							
Additions-Deferred Expenses	\$ -	\$ 7.769	\$ 1.573	\$ 0.104	\$ 0.016	\$ 0.038	\$ 0.051
Amortization	-	-	-	-	(3.319)	(0.038)	(0.051)
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	(6.143)	-	-
Ending Balance	\$ -	\$ 7.769	\$ 9.342	\$ 9.446	\$ -	\$ -	\$ -

Case No. 2026-00021

Attachment for Response to PSC 1-4(f)

Witness: Talina R. Mathews

Page 1 of 16

Big Rivers Electric Corporation
Case No. 2026-00021
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TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

	<i>Actual</i> 2019	<i>Actual</i> 2020	<i>Actual</i> 2021	<i>Actual</i> 2022	<i>Actual</i> 2023	<i>Actual</i> 2024	<i>Actual</i> 2025
<u>SII Plant & Decomm. - Reg. Asset (18236500):</u>							
Additions-Deferred Expenses	\$ 90.424	\$ 1.678	\$ 0.855	\$ 1.041	\$ 0.462	\$ 0.194	\$ 0.210
Amortization	-	-	-	-	(3.261)	(13.006)	(9.841)
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	(11.423)	(15.511)	(4.173)
Ending Balance	\$ 90.424	\$ 92.102	\$ 92.957	\$ 93.998	\$ 79.776	\$ 51.453	\$ 37.649
<u>Coleman-Plant & Decomm. - Reg. Asset (18237100):</u>							
Additions-Deferred Expenses	\$ -	\$ 129.869	\$ 2.746	\$ 1.544	\$ 0.601	\$ 1.732	\$ 7.283
Amortization	-	-	-	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ 129.869	\$ 132.615	\$ 134.159	\$ 134.759	\$ 136.492	\$ 143.775
<u>Green-Coal Retirement/Gas Conv. - Reg. Asset (18236100):</u>							
Additions-Deferred Expenses	\$ -	\$ -	\$ 21.564	\$ 72.769	\$ 4.043	\$ 1.885	\$ 4.705
Amortization	-	-	-	-	(4.492)	(4.492)	(4.267)
Reduction-Equity Write-Off/ Other	-	-	-	-	(9.624)	(0.588)	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ 21.564	\$ 94.333	\$ 84.260	\$ 81.066	\$ 81.504

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

Actual *Actual* *Actual* *Actual* *Actual* *Actual* *Actual*
2019 2020 2021 2022 2023 2024 2025

Total TIER Cr. Regulatory Assets:

Additions-Deferred Expenses	\$ 116.846	\$ 164.522	\$ 26.738	\$ 75.458	\$ 5.123	\$ 3.850	\$ 12.249
Amortization	-	-	(13.044)	(13.044)	(17.536)	(17.536)	(14.158)
Reduction-Equity Write-Off/ Other	-	-	(84.945)	-	(9.624)	(0.588)	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	(27.743)	(0.705)	(11.000)	(26.726)	(17.566)	(15.511)	(4.173)
Ending Balance - Reg.(TIER) Assets	\$ 221.146	\$ 384.963	\$ 302.711	\$ 338.399	\$ 298.796	\$ 269.010	\$ 262.927

Regulatory Liabilities - Dr./(Cr.):

1.30 TIER Cr. - (60%) Other Reg. Liability:

Reg. Liability - 60% Annual TIER Credit							
Addition - 60% Annual TIER Credit	\$ -	\$ (20.000)	\$ (26.726)	\$ (17.566)	\$ (15.511)	\$ (4.173)	\$ (4.967)
Utilization-Reduce Reg. Assets	-	-	11.000	26.726	15.266	14.411	4.173
Utilization-MRSM Credits	-	-	-	-	-	-	-
Utilization-Increase Net Margins	-	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-	-
Ending Reg. Liability Balance (A/C 25440000 & 25441000)	\$ -	\$ (20.000)	\$ (35.726)	\$ (26.566)	\$ (26.811)	\$ (16.573)	\$ (17.367)

Big Rivers Electric Corporation
Case No. 2026-00021
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TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

Actual **Actual** **Actual** **Actual** **Actual** **Actual** **Actual**
2019 2020 2021 2022 2023 2024 2025

1.30 TIER Cr. - (40%) MRSM Reg. Liability:

Rural - MRSM-TIER Cr.Liability:							
Beg. Balance - Rural Liability	\$ -	\$ -	\$ (10.497)	\$ (14.232)	\$ (9.200)	\$ (7.893)	\$ (2.186)
MRSM Credits Applied to Rural Bills	-	-	10.497	14.232	9.200	7.893	2.186
Addition - 40% 1.30 Annual TIER Credit	-	(10.497)	(14.232)	(9.200)	(7.893)	(2.186)	(2.599)
Addition - 60% 1.30 Annual TIER Credit	-	-	-	-	-	-	-
Ending Bal.-Rural MRSM-TIER Cr. Liab.(25421000):	\$ -	\$ (10.497)	\$ (14.232)	\$ (9.200)	\$ (7.893)	\$ (2.186)	\$ (2.599)
Lg. Ind. - MRSM-TIER Cr.Liability:							
Beg. Balance - Lg. Ind. Liability	\$ -	\$ -	\$ (2.836)	\$ (3.585)	\$ (2.510)	\$ (2.448)	\$ (0.596)
MRSM Credits Applied to Lg. Ind. Bills	-	-	2.836	3.585	2.510	2.448	0.596
Addition - 40% 1.30 Annual TIER Credit	-	(2.836)	(3.585)	(2.510)	(2.448)	(0.596)	(0.713)
Addition - 60% 1.30 Annual TIER Credit	-	-	-	-	-	-	-
Ending Bal.-Lg. Ind. MRSM-TIER Cr. Liab.(25422000):	\$ -	\$ (2.836)	\$ (3.585)	\$ (2.510)	\$ (2.448)	\$ (0.596)	\$ (0.713)
Total MRSM-TIER Cr. Reg. Liability:							
Beg. Balance - Total MRSM Liability	\$ -	\$ -	\$ (13.334)	\$ (17.817)	\$ (11.711)	\$ (10.341)	\$ (2.782)
MRSM Credits Applied to Member Bills	-	-	13.334	17.817	11.711	10.341	2.782
Addition - 40% 1.30 Annual TIER Credit	-	(13.334)	(17.817)	(11.711)	(10.341)	(2.782)	(3.311)
Addition - 60% 1.30 Annual TIER Credit	-	-	-	-	-	-	-
Ending Total - MRSM-TIER Cr. Liab. (2542xxxx):	\$ -	\$ (13.334)	\$ (17.817)	\$ (11.711)	\$ (10.341)	\$ (2.782)	\$ (3.311)

Case No. 2026-00021

Attachment for Response to PSC 1-4(f)

Witness: Talina R. Mathews

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Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

Forecast *Forecast* *Forecast* *Forecast* *Forecast* *Forecast* *Forecast*
2026 2027 2028 2029 2030 2031 2032

Period Amortization (Excl. GN Reg. Asset Amort.)	\$ (10.079)	\$ (9.788)	\$ (9.788)	\$ (9.553)	\$ (8.998)	\$ (9.552)	\$ (8.064)
Plus: GN Reg. Asset Period Amortization:	\$ (4.528)	\$ (4.693)	\$ (4.862)	\$ (5.045)	\$ (5.247)	\$ (5.469)	\$ (5.715)
Total Period Amortization	\$ (14.607)	\$ (14.481)	\$ (14.649)	\$ (14.598)	\$ (14.245)	\$ (15.020)	\$ (13.779)

Regulatory Assets - Dr./ (Cr.):

<u>Focused Audit Exp. (CN 2013-00199) - Reg. Asset (18239500):</u>							
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Wilson Deprec. - Reg. Asset (18237500):</u>							
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Coleman-Deprec. - Reg. Asset (18237000):</u>							
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Reid 1-Plant & Decomm. Costs - Reg. Asset (18237200):</u>							
Additions-Deferred Expenses	\$ (0.000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	0.000	-	-	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts (\$ in Millions)	<i>Forecast</i> 2026	<i>Forecast</i> 2027	<i>Forecast</i> 2028	<i>Forecast</i> 2029	<i>Forecast</i> 2030	<i>Forecast</i> 2031	<i>Forecast</i> 2032
<u>SII Plant & Decomm. - Reg. Asset (18236500):</u>							
Additions-Deferred Expenses	\$ 0.015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	(10.079)	(9.788)	(9.788)	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	(4.967)	(0.571)	(2.471)	-	-	-	-
Ending Balance	\$ 22.617	\$ 12.259	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Coleman-Plant & Decomm. - Reg. Asset (18237100):</u>							
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	(9.553)	(8.998)	(9.552)	(8.064)
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	(1.052)	(10.723)	-	(7.125)	(4.181)
Ending Balance	\$ 143.775	\$ 143.775	\$ 142.722	\$ 122.446	\$ 113.448	\$ 96.772	\$ 84.527
<u>Green-Coal Retirement/Gas Conv. - Reg. Asset (18236100):</u>							
Additions-Deferred Expenses	\$ 2.807	\$ 2.695	\$ 2.756	\$ 2.820	\$ 2.887	\$ 2.956	\$ 3.029
Amortization	(4.528)	(4.693)	(4.862)	(5.045)	(5.247)	(5.469)	(5.715)
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ 79.782	\$ 77.784	\$ 75.679	\$ 73.454	\$ 71.094	\$ 68.581	\$ 65.895

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

Forecast *Forecast* *Forecast* *Forecast* *Forecast* *Forecast* *Forecast*
2026 2027 2028 2029 2030 2031 2032

Total TIER Cr. Regulatory Assets:

Additions-Deferred Expenses	\$ 2.821	\$ 2.695	\$ 2.756	\$ 2.820	\$ 2.887	\$ 2.956	\$ 3.029
Amortization	(14.607)	(14.481)	(14.649)	(14.598)	(14.245)	(15.020)	(13.779)
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	(4.967)	(0.571)	(3.524)	(10.723)	-	(7.125)	(4.181)
Ending Balance - Reg.(TIER) Assets	\$ 246.174	\$ 233.818	\$ 218.401	\$ 195.900	\$ 184.542	\$ 165.353	\$ 150.422

Regulatory Liabilities - Dr./(Cr.):

1.30 TIER Cr. - (60%) Other Reg. Liability:

Reg. Liability - 60% Annual TIER Credit							
Addition - 60% Annual TIER Credit	\$ (0.000)	\$ (4.182)	\$ (3.524)	\$ (10.723)	\$ -	\$ (7.125)	\$ (4.181)
Utilization-Reduce Reg. Assets	4.967	0.571	3.524	10.723	-	7.125	4.181
Utilization-MRSM Credits	-	-	-	-	-	-	-
Utilization-Increase Net Margins	3.611	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-	-
Ending Reg. Liability Balance (A/C 25440000 & 25441000)	\$ (8.789)	\$ (12.400)	\$ (12.400)	\$ (12.400)	\$ (12.400)	\$ (12.400)	\$ (12.400)

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

Forecast *Forecast* *Forecast* *Forecast* *Forecast* *Forecast* *Forecast*
2026 2027 2028 2029 2030 2031 2032

1.30 TIER Cr. - (40%) MRSM Reg. Liability:

Rural - MRSM-TIER Cr.Liability:							
Beg. Balance - Rural Liability	\$ (2.599)	\$ (0.000)	\$ (2.178)	\$ (1.862)	\$ (5.259)	\$ -	\$ (3.545)
MRSM Credits Applied to Rural Bills	2.599	0.000	2.178	1.862	5.259	-	3.545
Addition - 40% 1.30 Annual TIER Credit	(0.000)	(2.178)	(1.862)	(5.259)	-	(3.545)	(1.959)
Addition - 60% 1.30 Annual TIER Credit	-	-	-	-	-	-	-
Ending Bal.-Rural MRSM-TIER Cr. Liab.(25421000):	\$ (0.000)	\$ (2.178)	\$ (1.862)	\$ (5.259)	\$ -	\$ (3.545)	\$ (1.959)
Lg. Ind. - MRSM-TIER Cr.Liability:							
Beg. Balance - Lg. Ind. Liability	\$ (0.713)	\$ (0.000)	\$ (0.610)	\$ (0.487)	\$ (1.890)	\$ -	\$ (1.205)
MRSM Credits Applied to Lg. Ind. Bills	0.713	0.000	0.610	0.487	1.890	-	1.205
Addition - 40% 1.30 Annual TIER Credit	-	(0.610)	(0.487)	(1.890)	-	(1.205)	(0.828)
Addition - 60% 1.30 Annual TIER Credit	-	-	-	-	-	-	-
Ending Bal.-Lg. Ind. MRSM-TIER Cr. Liab.(25422000):	\$ (0.000)	\$ (0.610)	\$ (0.487)	\$ (1.890)	\$ -	\$ (1.205)	\$ (0.828)
Total MRSM-TIER Cr. Reg. Liability:							
Beg. Balance - Total MRSM Liability	\$ (3.311)	\$ (0.000)	\$ (2.788)	\$ (2.349)	\$ (7.149)	\$ -	\$ (4.750)
MRSM Credits Applied to Member Bills	3.311	0.000	2.788	2.349	7.149	-	4.750
Addition - 40% 1.30 Annual TIER Credit	(0.000)	(2.788)	(2.349)	(7.149)	-	(4.750)	(2.787)
Addition - 60% 1.30 Annual TIER Credit	-	-	-	-	-	-	-
Ending Total - MRSM-TIER Cr. Liab. (2542xxxx):	\$ (0.000)	\$ (2.788)	\$ (2.349)	\$ (7.149)	\$ -	\$ (4.750)	\$ (2.787)

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

Forecast *Forecast* *Forecast* *Forecast* *Forecast* *Forecast* *Forecast*
2033 2034 2035 2036 2037 2038 2039

Period Amortization (Excl. GN Reg. Asset Amort.)	\$ (8.332)	\$ (7.144)	\$ (7.543)	\$ (5.396)	\$ (6.096)	\$ (4.268)	\$ (3.400)
Plus: GN Reg. Asset Period Amortization:	\$ (5.990)	\$ (6.301)	\$ (6.595)	\$ (6.595)	\$ (6.595)	\$ (6.595)	\$ (6.595)
Total Period Amortization	\$ (14.322)	\$ (13.445)	\$ (14.139)	\$ (11.991)	\$ (12.692)	\$ (10.864)	\$ (9.995)

Regulatory Assets - Dr./ (Cr.):

<u>Focused Audit Exp. (CN 2013-00199) - Reg. Asset (18239500):</u>							
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Wilson Deprec. - Reg. Asset (18237500):</u>							
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Coleman-Deprec. - Reg. Asset (18237000):</u>							
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Reid 1-Plant & Decomm. Costs - Reg. Asset (18237200):</u>							
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts (\$ in Millions)	<i>Forecast</i> 2033	<i>Forecast</i> 2034	<i>Forecast</i> 2035	<i>Forecast</i> 2036	<i>Forecast</i> 2037	<i>Forecast</i> 2038	<i>Forecast</i> 2039
<u>SII Plant & Decomm. - Reg. Asset (18236500):</u>							
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Coleman-Plant & Decomm. - Reg. Asset (18237100):</u>							
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	(8.332)	(7.144)	(7.543)	(5.396)	(6.096)	(4.268)	(3.400)
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	(8.936)	(1.161)	(9.407)	(3.342)	(4.902)	(5.903)	(4.680)
Ending Balance	\$ 67.258	\$ 58.954	\$ 42.003	\$ 33.266	\$ 22.268	\$ 12.097	\$ 4.017
<u>Green-Coal Retirement/Gas Conv. - Reg. Asset (18236100):</u>							
Additions-Deferred Expenses	\$ 3.106	\$ 2.649	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	(5.990)	(6.301)	(6.595)	(6.595)	(6.595)	(6.595)	(6.595)
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-	-	-	-
Ending Balance	\$ 63.010	\$ 59.358	\$ 52.763	\$ 46.167	\$ 39.572	\$ 32.977	\$ 26.381

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

Forecast *Forecast* *Forecast* *Forecast* *Forecast* *Forecast* *Forecast*
2033 2034 2035 2036 2037 2038 2039

Total TIER Cr. Regulatory Assets:

Additions-Deferred Expenses	\$ 3.106	\$ 2.649	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	(14.322)	(13.445)	(14.139)	(11.991)	(12.692)	(10.864)	(9.995)
Reduction-Equity Write-Off/ Other	-	-	-	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	(8.936)	(1.161)	(9.407)	(3.342)	(4.902)	(5.903)	(4.680)
Ending Balance - Reg.(TIER) Assets	\$ 130.269	\$ 118.312	\$ 94.766	\$ 79.433	\$ 61.840	\$ 45.073	\$ 30.398

Regulatory Liabilities - Dr./(Cr.):

1.30 TIER Cr. - (60%) Other Reg. Liability:

Reg. Liability - 60% Annual TIER Credit							
Addition - 60% Annual TIER Credit	\$ (8.936)	\$ (1.161)	\$ (9.407)	\$ (3.342)	\$ (4.902)	\$ (5.903)	\$ (4.680)
Utilization-Reduce Reg. Assets	8.936	1.161	9.407	3.342	4.902	5.903	4.680
Utilization-MRSM Credits	-	-	-	-	-	-	-
Utilization-Increase Net Margins	-	-	-	-	-	-	-
Other Adjustments	-	-	-	-	-	-	-
Ending Reg. Liability Balance (A/C 25440000 & 25441000)	\$ (12.400)	\$ (12.400)	\$ (12.400)	\$ (12.400)	\$ (12.400)	\$ (12.400)	\$ (12.400)

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

Forecast *Forecast* *Forecast* *Forecast* *Forecast* *Forecast* *Forecast*
2033 2034 2035 2036 2037 2038 2039

1.30 TIER Cr. - (40%) MRSM Reg. Liability:

Rural - MRSM-TIER Cr.Liability:								
Beg. Balance - Rural Liability	\$ (1.959)	\$ (3.884)	\$ (0.745)	\$ (4.083)	\$ (1.628)	\$ (2.263)	\$ (2.672)	\$ (2.672)
MRSM Credits Applied to Rural Bills	1.959	3.884	0.745	4.083	1.628	2.263	2.672	2.672
Addition - 40% 1.30 Annual TIER Credit	(3.884)	(0.745)	(4.083)	(1.628)	(2.263)	(2.672)	(2.175)	(2.175)
Addition - 60% 1.30 Annual TIER Credit	-	-	-	-	-	-	-	-
Ending Bal.-Rural MRSM-TIER Cr. Liab.(25421000):	\$ (3.884)	\$ (0.745)	\$ (4.083)	\$ (1.628)	\$ (2.263)	\$ (2.672)	\$ (2.175)	\$ (2.175)
Lg. Ind. - MRSM-TIER Cr.Liability:								
Beg. Balance - Lg. Ind. Liability	\$ (0.828)	\$ (2.073)	\$ (0.029)	\$ (2.188)	\$ (0.600)	\$ (1.005)	\$ (1.264)	\$ (1.264)
MRSM Credits Applied to Lg. Ind. Bills	0.828	2.073	0.029	2.188	0.600	1.005	1.264	1.264
Addition - 40% 1.30 Annual TIER Credit	(2.073)	(0.029)	(2.188)	(0.600)	(1.005)	(1.264)	(0.945)	(0.945)
Addition - 60% 1.30 Annual TIER Credit	-	-	-	-	-	-	-	-
Ending Bal.-Lg. Ind. MRSM-TIER Cr. Liab.(25422000):	\$ (2.073)	\$ (0.029)	\$ (2.188)	\$ (0.600)	\$ (1.005)	\$ (1.264)	\$ (0.945)	\$ (0.945)
Total MRSM-TIER Cr. Reg. Liability:								
Beg. Balance - Total MRSM Liability	\$ (2.787)	\$ (5.957)	\$ (0.774)	\$ (6.271)	\$ (2.228)	\$ (3.268)	\$ (3.935)	\$ (3.935)
MRSM Credits Applied to Member Bills	2.787	5.957	0.774	6.271	2.228	3.268	3.935	3.935
Addition - 40% 1.30 Annual TIER Credit	(5.957)	(0.774)	(6.271)	(2.228)	(3.268)	(3.935)	(3.120)	(3.120)
Addition - 60% 1.30 Annual TIER Credit	-	-	-	-	-	-	-	-
Ending Total - MRSM-TIER Cr. Liab. (2542xxxx):	\$ (5.957)	\$ (0.774)	\$ (6.271)	\$ (2.228)	\$ (3.268)	\$ (3.935)	\$ (3.120)	\$ (3.120)

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

Forecast *Forecast* *Forecast* *Forecast*
2040 2041 2042 2043

Period Amortization (Excl. GN Reg. Asset Amort.)	\$ (2.480)	\$ (2.072)	\$ -	\$ -
Plus: GN Reg. Asset Period Amortization:	\$ (6.595)	\$ (6.595)	\$ (6.328)	\$ (6.328)
Total Period Amortization	\$ (9.075)	\$ (8.668)	\$ (6.328)	\$ (6.328)

Regulatory Assets - Dr./ (Cr.):

<u>Focused Audit Exp. (CN 2013-00199) - Reg. Asset (18239500):</u>				
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -
<u>Wilson Deprec. - Reg. Asset (18237500):</u>				
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -
<u>Coleman-Deprec. - Reg. Asset (18237000):</u>				
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -
<u>Reid 1-Plant & Decomm. Costs - Reg. Asset (18237200):</u>				
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts (\$ in Millions)	<i>Forecast</i> 2040	<i>Forecast</i> 2041	<i>Forecast</i> 2042	<i>Forecast</i> 2043
<u>SII Plant & Decomm. - Reg. Asset (18236500):</u>				
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-
Ending Balance	\$ -	\$ -	\$ -	\$ -
<u>Coleman-Plant & Decomm. - Reg. Asset (18237100):</u>				
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -
Amortization	(2.480)	(1.537)	-	-
Reduction-Equity Write-Off/ Other	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-
Ending Balance	\$ 1.537	\$ -	\$ -	\$ -
<u>Green-Coal Retirement/Gas Conv. - Reg. Asset (18236100):</u>				
Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -
Amortization	(6.595)	(7.131)	(6.328)	(6.328)
Reduction-Equity Write-Off/ Other	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-
Ending Balance	\$ 19.786	\$ 12.655	\$ 6.328	\$ -

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

Forecast *Forecast* *Forecast* *Forecast*
2040 2041 2042 2043

Total TIER Cr. Regulatory Assets:

Additions-Deferred Expenses	\$ -	\$ -	\$ -	\$ -
Amortization	(9.075)	(8.668)	(6.328)	(6.328)
Reduction-Equity Write-Off/ Other	-	-	-	-
Reduction-TIER Cr./ Use of Excess Reg. Liability	-	-	-	-
Ending Balance - Reg.(TIER) Assets	\$ 21.323	\$ 12.655	\$ 6.328	\$ -

Regulatory Liabilities - Dr./(Cr.):

1.30 TIER Cr. - (60%) Other Reg. Liability:

Reg. Liability - 60% Annual TIER Credit				
Addition - 60% Annual TIER Credit	\$ -	\$ -	\$ -	\$ -
Utilization-Reduce Reg. Assets	-	-	-	-
Utilization-MRSM Credits	-	-	-	-
Utilization-Increase Net Margins	-	-	-	-
Other Adjustments	-	-	-	-
Ending Reg. Liability Balance (A/C 25440000 & 25441000)	\$ (12.400)	\$ (12.400)	\$ (12.400)	\$ (12.400)

Big Rivers Electric Corporation
Case No. 2026-00021
Attachment for Response to PSC 1-4(f)
TIER Cr. Regulatory Assets Amortization Schedules

Dr./ (Cr.) Amounts
(\$ in Millions)

Forecast *Forecast* *Forecast* *Forecast*
2040 2041 2042 2043

1.30 TIER Cr. - (40%) MRSM Reg. Liability:

Rural - MRSM-TIER Cr.Liability:				
Beg. Balance - Rural Liability	\$ (2.175)	\$ -	\$ -	\$ -
MRSM Credits Applied to Rural Bills	2.175	-	-	-
Addition - 40% 1.30 Annual TIER Credit	-	-	-	-
Addition - 60% 1.30 Annual TIER Credit	-	-	-	-
Ending Bal.-Rural MRSM-TIER Cr. Liab.(25421000):	\$ -	\$ -	\$ -	\$ -
Lg. Ind. - MRSM-TIER Cr.Liability:				
Beg. Balance - Lg. Ind. Liability	\$ (0.945)	\$ -	\$ -	\$ -
MRSM Credits Applied to Lg. Ind. Bills	0.945	-	-	-
Addition - 40% 1.30 Annual TIER Credit	-	-	-	-
Addition - 60% 1.30 Annual TIER Credit	-	-	-	-
Ending Bal.-Lg. Ind. MRSM-TIER Cr. Liab.(25422000):	\$ -	\$ -	\$ -	\$ -
Total MRSM-TIER Cr. Reg. Liability:				
Beg. Balance - Total MRSM Liability	\$ (3.120)	\$ -	\$ -	\$ -
MRSM Credits Applied to Member Bills	3.120	-	-	-
Addition - 40% 1.30 Annual TIER Credit	-	-	-	-
Addition - 60% 1.30 Annual TIER Credit	-	-	-	-
Ending Total - MRSM-TIER Cr. Liab. (2542xxxx):	\$ -	\$ -	\$ -	\$ -

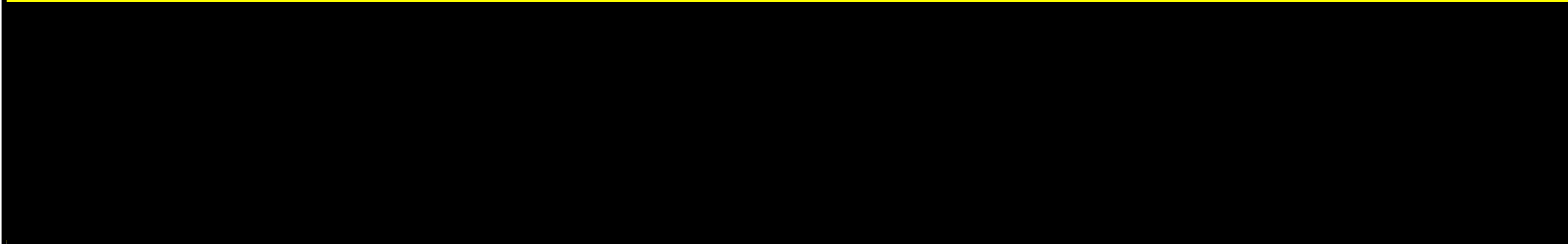
**BIG RIVERS ELECTRIC CORPORATION
CASE NO. 2026-00021**

**2025 Member Revenue Sales
By Customer Class**

<u>RURAL CUSTOMER CLASS</u>	
Jackson Purchase EC	\$ 67,685,393.38
Kenergy Corp	122,568,090.29
Meade County RECC	52,604,562.35
Total	\$ 242,858,046.02
<u>LARGE INDUSTRIAL CUSTOMER CLASS</u>	
Jackson Purchase EC	\$ 16,560,375.76
Kenergy Corp	87,846,729.39
Meade County RECC	27,181,027.26
Total	\$ 131,588,132.41
Grand Total 2025 Member Revenue Sales	\$ 374,446,178.43

**BIG RIVERS ELECTRIC CORPORATION
CASE NO. 2026-00021**

Requested Billing Calculations

	kW	kWh	Base Demand	Base Energy	Total Base Demand & Energy
					

**BIG RIVERS ELECTRIC CORPORATION
CASE NO. 2026-00021**

Requested Billing Calculations

	Net Green Power	Power Factor Penalty	EDR & Other Billing Adjustments	FAC	ES	Non- FAC PPA	MRS M Credit	Total Revenue (Net of MRS M)
	-	-		-	-	-	-	
	-	-		-	-	-	-	
	-	-		-	-	-	-	

BIG RIVERS ELECTRIC CORPORATION
ELECTRONIC APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION
FOR ANNUAL REVIEW OF ITS MRSM CHARGE
FOR CALENDAR YEAR 2025
CASE NO. 2026-00021

Response to the Commission Staff's
First Request for Information
dated March 24, 2026

April 10, 2026

1 **Item 5) Refer to Mathews Direct Testimony, Exhibit Mathews-3. Explain how**
2 **the \$700,000 "Rural Initial Credit" was determined before allocating the**
3 **remaining balance based on 2025 revenue.**

4

5 **Response)** Please see the attached copy of the Commission's June 25, 2020, Order
6 in Case No. 2020-00064, *In the Matter of: Electronic Application of Big Rivers Electric*
7 *Corporation for Approval to Modify Its MRSM Tariff, Cease Deferring Depreciation*
8 *Expenses, Establish Regulatory Assets, Amortize Regulatory Assets, and Other*
9 *Appropriate Relief*. Please see page 23 of the Order where the Commission found
10 "that until rates are altered through a base rate case and DSM costs are no longer
11 embedded in Rural rates, the first \$700,000 towards the New Tier Credit will be
12 applied to the Rural class with the balance being allocated, as proposed in the
13 Settlement, in proportion to the revenues received from each class, excluding revenue
14 from sales under EDR and sales to which the FAC is inapplicable."

BIG RIVERS ELECTRIC CORPORATION
ELECTRONIC APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION
FOR ANNUAL REVIEW OF ITS MRSM CHARGE
FOR CALENDAR YEAR 2025
CASE NO. 2026-00021

Response to the Commission Staff's
First Request for Information
dated March 24, 2026

April 10, 2026

1 This requirement is also reflected on Sheet No. 66, paragraph 3, of Big Rivers'
2 current Tariff for the Member Rate Stability Mechanism, with an effective date of
3 June 25, 2020.

4

5

6 **Witness)** Talina R. Mathews

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BIG RIVERS)	
ELECTRIC CORPORATION FOR APPROVAL)	
TO MODIFY ITS MRSM TARIFF, CEASE)	CASE NO.
DEFERRING DEPRECIATION EXPENSES,)	2020-00064
ESTABLISH REGULATORY ASSETS,)	
AMORTIZE REGULATORY ASSETS, AND)	
OTHER APPROPRIATE RELIEF)	

ORDER

On February 28, 2020, Big Rivers Electric Corporation (BREC) filed an application, pursuant to KRS 278.040 and KRS 278.220, requesting that the Commission (1) authorize BREC to modify its Member Rate Stability Mechanism (MRSM) Tariff to provide a monthly bill credit and increased amortization of the Smelter Loss Mitigation (SLM) Regulatory Assets;¹ (2) find that the D.B. Wilson Station (Wilson Station) is “used and useful,” and authorize BREC to cease deferring and begin recovering depreciation expenses; (3) authorize BREC to establish regulatory assets for the costs related to the retirement of the Kenneth C. Coleman Station (Coleman Station) and Robert A. Reid Station Unit 1 (Reid Station Unit 1); and (4) authorize BREC to recover through amortization the SLM Regulatory Assets. BREC stated that the primary purpose of the application is to restore BREC’s investment grade credit ratings. BREC requested an

¹ The SLM Regulatory Assets include Station Two Retirement Costs Regulatory Asset, Wilson Station Depreciation Deferral Regulatory Asset, Coleman Station Depreciation Deferral Regulatory Asset, Coleman Station Regulatory Asset, Reid Station Unit 1 Regulatory Asset, and the Focused Management Audit expenses. BREC requests approval to establish the Coleman Station Regulatory Asset and the Reid Station Unit 1 Regulatory Asset in this proceeding.

expedited decision because it planned to issue new debt in July 2020 and would share the final Order in this proceeding with rating agencies no later than June 30, 2020.

Kentucky Industrial Utility Customers, Inc. (KIUC) and the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General) are intervenors in this matter. BREC responded to multiple rounds of discovery from the parties. KIUC filed testimony and responded to one round of discovery. Two informal conferences were held to discuss potential settlement by the parties.

On May 29, 2020, BREC, KIUC, and the Attorney General filed a unanimous Settlement Agreement, Stipulation, and Recommendation (Settlement) that addressed all of the issues raised in this proceeding. BREC and KIUC filed respective testimony in support of the settlement. The Settlement is attached to this Order. A hearing was held on June 9, 2020, for the purpose of hearing testimony in support of the Settlement and Commission Staff cross-examination. KIUC, BREC, and the Attorney General each filed post-hearing briefs in support of the Settlement on June 11, 2020, June 16, 2020, and June 17, 2020, respectively. The matter now stands submitted to the Commission for a decision.

BACKGROUND

BREC is a member-owned, not-for-profit generation and transmission (G&T) cooperative that provides wholesale electric power and services to its Members,² which provide retail electric service to approximately 118,000 customers in 22 counties in

² BREC's members are Jackson Purchase Energy Corporation (Jackson Purchase Energy), Kenergy Corporation (Kenergy), and Meade County Rural Electric Cooperative Corporation (Meade County RECC) (collectively, Members).

western Kentucky.³ BREC owns 1,444 megawatts (MW) of primarily coal-fired generation.⁴ The generating facilities relevant to this proceeding are (1) the Wilson Station, which consists of a single coal unit; (2) Coleman Station, which consists of three coal units that were idled in 2014; (3) Reid Station Unit 1, which has been idled since 2016; and (4) the Henderson Municipal Power & Light (HMPL&L) William L. Newman Station (Station Two) that was retired in 2019.⁵ BREC is a member of the regional transmission organization Midcontinent Independent System Operator, Inc. (MISO).

This case is the culmination of BREC's efforts to mitigate the loss of 850 MW of load from two aluminum smelters in 2013–2014, which represented more one-half of BREC's total native load.⁶ Due to the loss of revenue from the loss of the smelter load, three credit rating agencies reduced their ratings for BREC to below investment grade in 2013, which resulted in, among other things, increased cost for borrowing.⁷ BREC is the only G&T that has issued debt in the capital market that does not have an investment grade credit rating.⁸

³ Application at 10.

⁴ *Id.* at 12.

⁵ Application at 12–15. *Also, See Case No. 2018-00146, Application of Big Rivers Electric Corporation for Termination of Contracts and a Declaratory Order and for Authority to Establish a Regulatory Asset* (Oct. 23, 2018). Station Two, which was retired in 2019, is owned by HMP&L and operated by BREC. The Commission, among other things, approved a regulatory asset to defer BREC's share of the expenses related to the termination of the Station Two contracts.

⁶ Direct Testimony of Robert W. Berry (Berry Direct Testimony) at 5:15-19.

⁷ *See Case No. 2018-00146, Robert W. Berry Supplemental Testimony* at 7:11–15. The three credit rating agencies are Fitch Ratings, S&P Global Ratings, and Moody's Investor Service.

⁸ Settlement Testimony of Daniel M. Walker (Walker Settlement Testimony) at 6:15–18.

Relevant to this proceeding and pursuant to a mitigation plan (Mitigation Plan) developed by BREC and a focused management audit (Focused Management Audit) ordered by the Commission, BREC pursued off-system sales and executed wholesale power purchase contracts with entities in Nebraska that run through 2026, with Owensboro Municipal Utilities that runs through 2026, and with members of the Kentucky Municipal Energy Agency (KyMEA) that run through 2029.⁹ Further, BREC has a pending case before the Commission to provide electric service to Nucor Corporation's new facility in Meade County, Kentucky, that, if approved, will significantly increase BREC's native load.¹⁰

BREC explained that with anticipated increases in native load and successful marketing of excess capacity, its financial and credit metrics have improved considerably. In July 2018, one of the rating agencies upgraded BREC to an investment grade rating.¹¹ BREC maintained that it must receive an investment grade rating from a second rating agency in order to comply with its loan agreement with the U.S. Department of Agriculture Rural Utilities Service (RUS) or face financial consequence.¹² Additionally, because credit ratings implicate loan interest rates, BREC asserts that regaining investment grade rating would result in "material" savings on future borrowings.¹³ For this reason, BREC

⁹ Berry Direct Testimony at 7:8–16.

¹⁰ *Id.* at 8:3-10; See Case No. 2019-00365, *Electronic Joint Application of Big Rivers Electric Corporation and Meade County Rural Electric Cooperative Corporation for (1) Approval of Contracts for Electric Service with Nucor Corporation; and (2) Approval of Tariff* (filed Oct. 18, 2019).

¹¹ Berry Direct Testimony, Exhibit 2 at 6.

¹² Berry Direct Testimony at 26:18.

¹³ *Id.* at 26:19–22.

requests approval of its application in conjunction with its efforts to obtain an investment grade rating from at least two of the three rating agencies and to return to its members the short- and long-term benefits of the expected cost savings from improved credit rating and new sources of revenue.¹⁴

PROPOSAL

As originally proposed, BREC sought Commission approval of the following:

Modify BREC's MRSM Tariff

BREC requested to modify the MRSM Tariff, which currently returns transmission and off-system sales revenue as well as reductions in expenses due to the retirement of Station Two, to Members, and ultimately their retail customers, through monthly bill credits.¹⁵ Under the current MRSM Tariff, the credit is calculated based upon different revenue sources allocated using differing matrices and margins. BREC asserted that the proposed modifications would treat all net margins the same, and thus simplify and stabilize rates through a monthly bill credit, which would result in a higher bill credit and lower effective rates to Members in 2021 than under the current MRSM Tariff.¹⁶

For calendar years 2020 through 2043, BREC proposed to allocate all net margins above the margins that would result in a TIER of 1.30 (New TIER Credit), with 50 percent allocated to a monthly bill credit (Monthly Bill Credit) and 50 percent allocated to accelerate the amortization of the SLM Regulatory Asset balance.¹⁷ Under the revised

¹⁴ Application at 4–5, Berry Direct Testimony at 9:9–12.

¹⁵ See MRSM Tariff, Sheet 65.

¹⁶ Application at 91, 93.

¹⁷ *Id.* at 94.

MRSM Tariff, the year-end TIER would be calculated annually, excluding expenditures on promotional, political, and institutional advertising pursuant to 807 KAR 5:016, lobbying costs, and donations.¹⁸ The Monthly Bill Credit would be applied in equal monthly installments over the following twelve months.¹⁹ The Monthly Bill Credit would be allocated to the Rural Class and the Large Industrial Class (LIC) in proportion to the revenues produced by each class during the prior calendar year, excluding revenue from sales under an economic development rider (EDR) and sales to which BREC's fuel adjustment clause (FAC) is not applicable.²⁰ The Monthly Bill Credit would then be applied based upon kilowatt-hour (kWh) sales within each class.²¹

The remaining 50 percent of the net margins above a 1.30 TIER would be applied to further amortize the SLM Regulatory Assets, decreasing their total balance. This proposal is described in further detail below. If the SLM Regulatory Assets are fully amortized before December 31, 2043, then 100 percent of the New TIER Credit would be applied to the Monthly Bill Credit.²²

BREC also proposed to stop accruing the Demand Side Management (DSM) Regulatory Liability, previously approved by the Commission,²³ as of January 1, 2020,

¹⁸ *Id.* at 94, 99.

¹⁹ *Id.* at 99.

²⁰ Direct Testimony of Paul G. Smith (Smith Direct Testimony) at 19:5–10.

²¹ *Id.* at 19:11–15.

²² *Id.* at 20:1–3.

²³ Case No. 2018-00236, *Demand-Side Management Filing of Big Rivers Electric Corporation on Behalf of Itself, Jackson Purchase Energy Corporation, and Meade County R.E.C.C. and Request to Establish a Regulatory Utility* (Ky. PSC Dec. 12, 2018) Order at ordering paragraph 7.

and use the balance to reduce the balance of the SLM Regulatory Assets. As of December 31, 2019, the DSM Regulatory Liability had a balance of \$704,839.13.²⁴

Wilson Station Deferred Depreciation Expense

BREC requested that the Commission find that the Wilson Station is “used and useful,” authorize BREC to cease deferring depreciation expense for the Wilson Station as of December 31, 2020, and authorize BREC to collect depreciation expense for the Wilson Station as of January 1, 2021.

As background, Wilson Station lost 90 percent of its load with the loss of smelter load in 2013.²⁵ Because BREC expected to idle the Wilson Station, in 2014 the Commission ordered BREC to defer depreciation expense for the Wilson Station to a regulatory asset.²⁶ Ultimately, BREC did not idle the Wilson Station, which continues to run to serve native load and off-system sales.²⁷ BREC stated that the Wilson Station remains the least-cost unit and has the lowest cost for future environmental compliance.²⁸

BREC contended that the Wilson Station is necessary to serve native load and for off-system sales, and thus BREC should recover costs it incurs, including depreciation expense. As of December 31, 2019, the Wilson Station Depreciation Deferral Regulatory Asset had a balance of approximately \$120,500,000. If approved, BREC would stop deferring the depreciation expense for the Wilson Station as of December 31, 2020, thus

²⁴ BREC’s Response to Staff’s Post-Hearing Request for Information (Response to Staff’s First Post-Hearing Request), Item 1.

²⁵ Application at 33.

²⁶ *Id.* at 35.

²⁷ *Id.* at 36.

²⁸ *Id.*

realizing current depreciation expense. BREC also proposed to begin amortizing the Wilson Station Depreciation Deferral Regulatory Asset on January 1, 2021, as part of the SLM Regulatory Assets.

Establish Regulatory Assets for Costs to Retire Coleman Station and Reid Station Unit 1

BREC requested approval to establish regulatory assets for the costs related to the retirement of Coleman Station and Reid Station Unit 1, including their net book values. Coleman Station and Reid Station Unit 1 were idled in 2014 and 2016, respectively. BREC asserted that it was not financially viable to re-energize Coleman Station due to uneconomic pricing and the termination of MISO interconnection rights, and thus requested to retire that facility.²⁹ BREC further asserted that the cost to bring Reid Station Unit 1 into compliance with environmental standards was not economic, and thus requested to retire that facility.³⁰ Additionally, BREC proposed to stop deferring Coleman Station depreciation expense into a regulatory asset, which had been established pursuant to a Commission Order in BREC's last base rate case. Coleman Station's depreciation expense regulatory asset had a balance of approximately \$37,200,000 as of December 31, 2019.³¹

BREC requested approval to establish new regulatory assets for the costs associated with retiring Coleman Station and Reid Station Unit 1, including the remaining net book value and decommissioning costs. Coleman Station had a remaining net book

²⁹ *Id.* at 42.

³⁰ *Id.* at 51.

³¹ *Id.* at 44.

value of approximately \$140,400,000 as of December 31, 2019.³² However, BREC intends to remove the flue gas desulfurization (FGD) system from Coleman Station and install it at the Wilson Station, which will reduce the unrecovered net book value of Coleman Station by approximately \$23,300,000 to \$117,100,000.³³ BREC stated that the remaining net book value of Reid Station Unit 1 is approximately \$6,000,000.³⁴ BREC asserted that, unless regulatory assets are established, it would have to recognize a one-time expense of approximately \$117,100,000 to write off Coleman Station and \$6,000,000 to write off Reid Station Unit 1, without the ability to recover those amounts through rates.³⁵

BREC also requested to include the expenses associated with the physical retirement of the Coleman Station and Reid Station Unit 1, including decommissioning costs. BREC avowed that it would minimize decommissioning costs through the potential sale or use of tangible assets.³⁶ BREC argued that the costs to retire Coleman Station and Reid Station Unit 1 are not currently included in rates and that such expenses should be recovered in the future by establishing and amortizing regulatory assets (respectively, Coleman Station Regulatory Asset and Reid Station Unit 1 Regulatory Asset).

³² *Id.* at 46.

³³ *Id.*

³⁴ *Id.* at 53.

³⁵ *Id.* at 46.

³⁶ *Id.* at 47.

BREC stated that it needs the approval of RUS and the Commission to establish a regulatory asset and that RUS provided its approval on April 13, 2020.³⁷

Reduce and Amortize SLM Regulatory Assets

BREC’s plan to regain investment grade rating is predicated upon reducing the SLM Regulatory Assets. In support of its plan, BREC cited to, among other things, a credit opinion by one rating agency that a rating upgrade was possible “if credit supportive regulatory treatment remains intact and there is future regulatory support for cost recovery of the increasing regulatory asset account.”³⁸

To that end, BREC requested approval to recover the balances of the SLM Regulatory Assets by amortizing the regulatory assets over a period no longer than through December 31, 2043, which is the date when the current all-requirements contracts between BREC and its Members expire. The balances of previously approved regulatory assets and regulatory assets for which BREC requests approval in this proceeding are as follows:³⁹

Name	Established	Approximate Balance as of 12/31/19
Station Two Retirement Costs	Case No. 2018-00146	\$90.4 million
Coleman Station Depreciation Deferral	Case No. 2012-00535	\$37.2 million
Wilson Station Depreciation Deferral	Case No. 2013-00199	\$120.5 million
Focused Management Audit Expenses	KRS 278.255(3)	\$0.7 million
Coleman Station	<i>Requested in this Case</i>	\$117.1 million + Actual

³⁷ *Id.* at 49, 56; BREC’s Supplemental Response to Commission Staff’s First Request for Information (Response to Staff’s First Request), Item 20.

³⁸ Berry Direct Testimony, Exhibit 4 at 2. See also Smith Settlement Testimony, Exhibit 4.

³⁹ Application at 63.

		Regulatory Asset Costs of Retirement, such as decommissioning costs
Reid Station Unit 1	<i>Requested in this Case</i>	\$6.0 million + Actual Costs Regulatory Asset of Retirement, such as decommissioning costs

BREC proposed to record a one-time amortization of the SLM Regulatory Assets in 2021 of approximately \$91,000,000, which represents 80 percent of its Member equity in excess of the amount required under BREC’s loan covenants.⁴⁰ Thereafter, BREC would recover the remainder of the SLM Regulatory Assets through existing rates by amortizing each regulatory asset using a levelized annual amortization from 2021 through 2043 and through the allocation of 50 percent of the New TIER Credit.⁴¹ In any year that the year-end TIER is below 1.30, BREC proposed the amortization expense would be reduced to bring BREC’s TIER to 1.30.⁴²

Other Issues Raised by BREC

BREC also requested that the Commission not require BREC to implement depreciation rates from its 2019 depreciation study, conducted pursuant to a previous Commission Order.⁴³ Implementing the 2019 depreciation study rates would reduce BREC’s depreciation expenses by \$90,000.⁴⁴ BREC argued that it would have to expend

⁴⁰ Application at 64-65; Berry Direct Testimony at 32:4-10; Smith Direct Testimony at 14:15-18.

⁴¹ Application at 66–67.

⁴² *Id.* at 101.

⁴³ *Id.* at 24, citing Case No. 2018-00313, *Motion of Big Rivers Electric Corporation for an Extension of Time to File a New Depreciation Study* (Ky. PSC Dec. 14, 2018).

⁴⁴ *Id.* at 25; Application, Exhibit C at 5; Smith Direct Testimony at 32:15–18.

significant time and costs to implement the 2019 depreciation study, with the costs outweighing the insignificant benefit.⁴⁵

BREC also requested that the Commission not modify BREC's fuel allocation methodology, which allocates fuel costs between native load and off-system sales with generation stacked from lowest to highest cost each hour with lowest fuel expenses allocated to native load and the remaining fuel expense allocated to off-system sales.⁴⁶ BREC explained that it is not requesting to change its fuel cost allocation methodology because this is not a base rate case and because the remaining generation has similar dispatch costs, so any change to the methodology would make an insignificant difference.⁴⁷

KIUC's Proposed Rate Design for Large Industrial Class

KIUC proposed a revenue-neutral revised rate design for the LIC, with certain exemptions, based upon KIUC's review of data from a 2013 BREC rate case that KIUC asserted contained significant errors that departed from the cost of service and resulted in an unreasonable rate for the LIC. KIUC's witness Steve Baron provided evidence that the current LIC base rate energy charge of \$38.05 per megawatt-hour (MWh) is greater than the actual unit energy cost of \$24.75 per MWh.⁴⁸ Further, Mr. Baron alleged that the current LIC base rate energy charge results in low load factor large industrial customers

⁴⁵ Application at 26; Smith Direct Testimony at 33:3–15.

⁴⁶ Application at 28, *citing* Case No. 2017-00287, *An Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 2016 through April 30, 2017* (Ky. PSC Feb. 2, 2018) Order at 2.

⁴⁷ *Id.* at 31–32.

⁴⁸ Direct Testimony of Stephen J. Baron (Baron Direct Testimony) at 4:2–5.

being subsidized by high load factor large industrial customers.⁴⁹ KIUC proposed a revenue neutral design where the excess energy costs be moved to the LIC base rate demand charge, with the new lower LIC energy charge of \$24.75 per MWh and an increased LIC demand charge of \$18.731 per kilowatt (kW) from the current rate of \$10.7150 per kW.⁵⁰ KIUC also proposed that the revised rate design not be applied to coal mine customers or economic development rate load.⁵¹

According to KIUC's witness in this matter, there were two material errors in the cost-of-service study (COSS) that resulted in unreasonable rates being approved in the 2013 rate case. First, the cost of energy to supply off-system sales should have been, but was not, offset by a revenue credit for off-system sales, which was inappropriately assigned to demand function instead of energy.⁵² Additionally, the unit energy cost was overstated because the costs for certain riders were also assigned to demand function instead of production energy.⁵³

KIUC's direct testimony based the revised rate design on 2019 financial data and billing determinants. After an informal conference with Commission Staff, KIUC provided the proposed LIC rate design using 2013 financial data and billing determinants, with a

⁴⁹ *Id.* at 4:6-9.

⁵⁰ KIUC Post-Hearing Brief at 8; Baron Direct Testimony at 18:2-3, 20:10-12.

⁵¹ KIUC Post-Hearing Brief at 8; Baron Direct Testimony at 5:6-15.

⁵² Baron Direct Testimony at 10:2-11, 15-19.

⁵³ *Id.* at 11:11-21.

proposed energy charge of \$33.267 per mWh and a demand charge of \$13.406 kW for the LIC.⁵⁴

SETTLEMENT AGREEMENT

The Settlement reflects the agreement of the parties on all issues in this case. The substantive areas addressed in the Settlement are as follows:

- Modify the MRSM Tariff to establish a New TIER Credit, with 50 percent of the net margins above the margins needed to produce a 1.30 TIER utilized to reduce the unamortized balance of the SLM Regulatory Assets through a charge to depreciation and amortization expense, and the remaining 50 percent of net margins above the margins needed to produce a 1.30 TIER returned to Members as a Monthly Bill Credit.
- The margins credited through the Monthly Bill Credit are allocated between the Rural Class and the LIC in proportion to revenues received from each class in the previous year. The portion allocated to the LIC is applied to bills based on kWh sales within that class, excluding sales under an EDR and sales to which BREC's FAC is inapplicable. The portion allocated to the Rural Class is applied to bills based on the number of retail customers served by each Member.
- Cease deferring depreciation expense for the Wilson Station as of December 31, 2020, and begin recovering depreciation expense for the Wilson Station through existing rates effective January 1, 2021.
- Cease deferring depreciation expense for Coleman Station as of the date of retirement.

⁵⁴ KIUC's Response to Post-Informal Conference Request for Information (Response to Post-IC Request), Item 1.

- Establish a regulatory asset for Coleman Station retirement costs, including the net book value and decommissioning costs.
- Establish a regulatory asset for Reid Station Unit 1 retirement costs, including the net book value and decommissioning costs.
- Recover the amortization of the SLM Regulatory Assets through an annual charge to depreciation and amortization expense over a period ending December 31, 2043.
- Implement an LIC rate design that increases the demand charge to \$13.406 per kW and decreases the energy charge to \$33.267 per MWh. The LIC rate design does not apply to coal mine customers or economic development load.
- BREC is not required to make any changes to its depreciation rates or its fuel cost-stacking methodology at this time.
- In calculating the TIER for the New TIER Credit, BREC can include expenses for economic development, promotional advertising, and Touchstone Energy dues up to \$400,000 annually.
- In 2021, BREC will record a one-time reduction in the balance of the SLM Regulatory Assets in the amount of 80 percent of BREC's Equity Headroom as of December 31, 2020. BREC estimates this amount will be approximately \$91,000,000.
- Cease recording the DSM Regulatory Liability in 2020 and utilize the DSM Regulatory Liability accrued through December 31, 2019 to record a one-time amortization of the SLM Regulatory Assets.
- Prioritize the reduction in the SLM Regulatory Assets as follows to reduce each regulatory asset until fully recovered:

- Focused Management Audit Expenses
 - Wilson Station Deferred Depreciation
 - Coleman Station Deferred Depreciation
 - Reid Station Unit 1 Regulatory Asset
 - Station Two Regulatory Asset
 - Coleman Station Regulatory Asset
- Starting in 2021 and continuing through 2043, BREC will file the following no later than February 28 each year:
 - Year-end TIER calculation for the prior calendar year
 - The amount of the New TIER Credit that will flow through the MRSRM Rider during the following twelve months
 - The amount charged to depreciation and amortization expense for recovery of the SLM Regulatory Assets in the prior calendar year that will reduce the SLM Regulatory Assets balance
 - Status of amortization of SLM Regulatory Assets
 - Interest savings gained (annualized) once investment grade rating are received from at least two of the three rating agencies
 - Status of and expected decommissioning costs of Coleman Station, Reid Station Unit 1, and BREC's estimated share of costs associated with Station Two
 - Copy of any proposal to decommission Coleman Station, Reid Station Unit 1, and Station Two that was awarded in the prior year

DISCUSSION AND FINDINGS

As an initial matter, the Commission commends BREC for its ability to recover from the precipice of financial insolvency and arrive to the point it is today. To have even a cursory understanding of the path BREC has taken over the past thirty years, but certainly the last ten years, provides an appreciation for the job accomplished by BREC. The Commission understands that the recent improvement in credit rating agencies' view of BREC is due in part to the Commission's actions and support. As explained below in more detail, the Commission will do what it must, within the confines of KRS Chapter 278, to continue to support the health and creditworthiness that BREC and its Members deserve. We hope that with this Order and BREC's near-future plans the utility's troubled past becomes but a mere memory.

Having reviewed the record and being sufficiently advised, the Commission finds that the provisions of the Settlement are supported by substantial evidence, in the public interest and should be approved, subject to the modifications discussed below. Our approval of the Settlement, as modified, is based solely on its reasonableness and does not constitute precedent on any issue, except as specifically provided for in this Order.

Amortization Adjustment

The Settlement adopts BREC's as-filed position to annually adjust the amortization expense for the SLM Regulatory Assets. BREC states that credit rating agencies would view its proposal more favorably than utilizing a regulatory liability account to defer margins because of uncertainty of recovery and the larger regulatory asset balance.⁵⁵ The Commission appreciates BREC's concerns. Nevertheless, the Commission believes

⁵⁵ Smith Settlement Testimony at 20.

the proposal to adjust a regulatory asset's amortization expense without Commission approval is untenable and ultimately inappropriate. Reducing the amortization expense in any given year BREC cannot achieve a 1.30 TIER merely reduces the likelihood the SLM Regulatory Assets are not timely amortized. As noted before, the Commission is interested in and will work to ensure BREC's long-term financial health. The Commission finds that BREC should defer the 60 percent of margins in excess of those necessary to achieve a 1.30 TIER to a regulatory liability account. To address any concerns about the use of the regulatory liability, the Commission finds the following: This regulatory liability will only be used to reduce the SLM Regulatory Assets or help BREC achieve a TIER of 1.30. Further, the regulatory liability will only be used to help BREC achieve a TIER of 1.30 one time, as explained later in this order. As such, the vast majority of the balance of the regulatory liability will assuredly be used to further reduce the balances of the SLM Regulatory Assets. The Commission also finds that BREC should retain a minimum balance in the regulatory liability to ensure that an adequate balance is maintained to allow BREC to achieve a TIER of 1.30. The Commission will initially set the minimum balance at \$9.0 million, but BREC may request to reset this amount as its interest expense changes. BREC may request to use any deferred amount over the minimum balance to reduce the SLM Regulatory Assets at any time. BREC may reduce the regulatory liability below the minimum balance only as necessary to achieve a TIER of 1.30. In the event that BREC management reasonably believes the likelihood that the regulatory liability balance is insufficient for BREC to achieve a TIER of 1.30 is probable, BREC shall immediately file a case with the Commission requesting to address the deficiency.

Regulatory Exclusions

BREC proposed in its Application to exclude expenditures on promotional, political, and institutional advertising pursuant to 807 KAR 5:016, lobbying costs, and donations from its margin calculations. The Settlement provides that BREC can include expenses for economic development, promotional advertising, and Touchstone Energy dues up to \$400,000 annually in the calculation of its margins for the New TIER Credit. BREC states that the purpose of this provision is to reduce the difference between its actual margins and its margins under the New TIER Credit.⁵⁶ The Commission agrees that no public purpose is served by requiring BREC to artificially increase its margins to calculate the New TIER Credit. The Commission finds that BREC should include all expenses in its net margin calculation. BREC has provided its annual expenses for 401(k) matching for employees also participating in a defined benefit retirement plan, supplemental executive retirement plans (SERP), life Insurance premiums in excess of annual salaries or \$50,000, board of directors' per diems for attending industry association meetings and Christmas gifts, advertising, economic development, lobbying, donations, and Touchstone Energy dues.⁵⁷ The average of these amounts is nearly \$1.0 million annually. While the Commission applauds BREC's successful mitigation of the loss of the smelter load, it is nonetheless gravely concerned about the level of discretionary spending that BREC continues to incur that provides little discernable benefit to its Members. BREC is not alone in its decision to incur costs determined to be unreasonable by the Commission; however, that does not excuse this behavior. Therefore, the Commission places BREC

⁵⁶ *Id.* at 18.

⁵⁷ BREC's Response to Commission Staff's Second Request for Information, Item 7(b) and Commission Staff's Third Request for Information, Item 6.

on notice that these discretionary expenses should be materially reduced before BREC's next rate case, or it could result in the initiation of a show cause proceeding by the Commission to determine why penalties should not be imposed for failure to comply with this Order. Ultimately, management is responsible for the costs discussed above, and as such will be the focus of the Commission's subsequent matters on this issue if not materially addressed.

Wilson Station Used and Useful

The Settlement recommends that the Commission enter an order finding that the Wilson Station is "used and useful" for the benefit of its Members in conjunction with a finding to cease deferring and begin recovering the depreciation expense for Wilson through existing rates. Consistent with Commission and state court precedent, whether the Wilson Station is "used and useful" is not the determining standard for cost recovery. Pursuant to KRS 278.030(1), the Commission's statutory standard to be applied to this determination is ultimately whether the rates are "fair, just, and reasonable. "Used and useful" on the other hand is a factor but not controlling in a determination of fair, just, and reasonable rates.⁵⁸ The Commission finds that recovering depreciation expense for Wilson Station through existing rates is fair, just, and reasonable. As discussed above, Wilson Station's depreciation expense was deferred because BREC intended to idle Wilson Station in 2013. However, Wilson Station was never retired. Instead, as established by substantial evidence in the case record, it continues to operate to serve native load and to market excess power, with revenue from off-system sales from Wilson Station used to offset the fixed cost to BREC and its Members.

⁵⁸ *National-Southwire Aluminum Co. v. Big Rivers Elec. Corp.*, 785 S.W.2d 503, 510-514 (Ky. App. 1990).

Decommissioning Costs

The Settlement provides for regulatory assets treatment of decommissioning costs at Coleman Station, Reid Station Unit 1, and Station Two as proposed in BREC's Application. The Commission finds that, while these expenses are approved for regulatory asset treatment, the Commission reserves the right to review these expenses and disallow any items or amounts found not to be fair, just, and reasonable. BREC should file, in addition to the filings agreed upon in the Settlement, testimony in support of the reasonableness of the decommissioning costs and detailed descriptions of all actions BREC has taken to minimize decommissioning costs.

Annual Filing

The Settlement provides that BREC will annually file certain information no later than February 28. The Commission finds that BREC should provide, in addition to the information required by the Settlement, its current Member equity balance and the minimum required by its loan covenants. While the Settlement does not specify the forum of this report, the Commission finds that BREC should file a formal docketed proceeding in the form of an annual application to revise its MRSM rates that should include all information laid out in the Settlement and this Order. BREC will be allowed to implement its MRSM rates as of February 28, subject to prospective changes. This will allow the Commission, BREC, KIUC, and the Attorney General to conduct discovery and review the MRSM annually. BREC may propose adjustments and alterations as it deems necessary. Additionally, the Commission will monitor BREC's Member equity and will entertain proposals to utilize excess Member equity to reduce the SLM Regulatory Assets and may order such treatment when appropriate.

DSM Regulatory Liability

In Case No. 2018-00236,⁵⁹ BREC filed and received approval to discontinue certain DSM programs. The application also requested approval to defer any difference between future DSM expenditures and the amount included in base rates into a regulatory liability, which would be offset in BREC's next rate case against the regulatory asset associated with the annual depreciation expense for the Wilson Station.⁶⁰ In this Order, the Commission found it reasonable to create a regulatory liability for the unspent portion. However, the Commission noted that since the DSM revenues and costs were only collected in the rural base rates, the regulatory liability should be used in BREC's next rate case exclusively for the benefit of the rural customer class.⁶¹ In the proposed Settlement, BREC will utilize the DSM regulatory liability accrued through December 31, 2019, to record a one-time amortization of the SLM Regulatory Assets and will cease recording the DSM regulatory liability in 2020. Hence, the balance of the DSM regulatory liability, when applied to the proposed regulatory asset, will ultimately benefit all consumers, not just rural customers, and the same is true if BREC stops deferring DSM revenues to the DSM regulatory liability. BREC supports this treatment of the DSM regulatory liability balance, stating that the annual benefits the Rural customers will receive from the combined reduction of the SLM Regulatory Assets and the receipt of the

⁵⁹ Case No. 2018-00236, *Demand-Side Management Filing of Big Rivers Electric Corporation on Behalf of Itself, Jackson Purchase, Energy Corporation, and Meade County R.E.C.C. and Request to Establish a Regulatory Liability* (Ky. PSC Dec. 12, 2018).

⁶⁰ Application at 21. BREC's rates contain a DSM component based upon \$1 million of annual spend. Once the DSM programs were phased out, BREC estimated an annual savings of approximately \$750,000.

⁶¹ Case No. 2018-00236, Final Order, at 9.

Monthly Bill Credit surpasses a one-time utilization of the DSM regulatory liability, which would amount to approximately \$7.00 per Rural customer.⁶²

The Commission agrees that applying the balance of the DSM regulatory liability to the SLM Regulatory Assets is reasonable as the benefits of reducing the overall amount of the BREC's regulatory assets outweigh the amount of the DSM regulatory liability balance that is spread between the Industrial and Rural rate classes. If BREC's history informs the Commission of nothing else, it is LIC customers that may come and go based on a number of factors; and the rural class is always left holding the bag. As such, reduction of any outstanding regulatory assets, as soon as possible, ultimately benefits the rural class to a significant degree. However, for the calculation of the New TIER Credit beginning in 2021, the Commission finds that until rates are altered through a base rate case and DSM costs are no longer embedded in the Rural rates, the first \$700,000 towards the New TIER Credit will be applied to the Rural class with the balance being allocated, as proposed in the Settlement, in proportion to the revenues received from each class, excluding revenue from sales under EDR and sales to which the FAC is inapplicable.

Allocation of TIER Credit

The proposed New TIER Credit allocates 50 percent of the net margins above the margins needed to produce a 1.30 TIER towards the reduction of the unamortized balance of the SLM Regulatory Assets, and the remaining 50 percent of net margins is to be returned to Members as a Monthly Bill Credit. In addition, the margins credited through the Monthly Bill Credit are proposed to be allocated between the Rural Class and the LIC

⁶² BREC's Post-Hearing Brief at 8.

in proportion to revenues received from each class. The portion allocated to the LIC is applied to bills based on kWh sales within that class, excluding sales under an EDR and sales to which BREC's FAC is inapplicable. The portion allocated to the Rural Class is applied to bills based on the number of retail customers served by each Member. BREC contends that the proposed New TIER Credit is a more simplified mechanism and could provide increased MRSM credits to its Members and their retail member-customers.⁶³

The Commission recognizes the importance of maintaining continuity in regards to the amount, application, and allocation of the monthly MRSM credits. Therefore, the Commission finds that the allocation between the Monthly Bill Credit and SLM Regulatory Assets should be revised from a 50/50 split to a 40/60 split, respectively. Increasing the amount of excess margins used to accelerate amortization of the regulatory assets will help all customers, Members, and BREC by more quickly paying down the significant monetary burden represented by the SLM Regulatory Assets. Given the expected significant positive margins over the next few years, the Commission will not allow the influx of healthy margins to come and go without using them to reduce BREC's long-term financial burden. The Commission also finds that after the \$700,000 DSM credit is applied to the Rural Class, the monthly MRSM credits will be allocated to the Rural Class and LIC as proposed, but the Monthly Bill Credit will be applied to each Member's bill based on kWh sales for both the Rural and LIC classes. The Commission reasons that applying the credit through usage as opposed to on a per unit basis is a more equitable distribution between all customers within the Rural Class. This revised allocation and credit not only

⁶³ Application at 93 and 95.

allows for a more expedited draw down of the SML Regulatory Assets, but also maintains a similar bill credit on customer's bills.⁶⁴ As is always the case, the Commission reserves the right to modify the application of the bill credits and the split of excess margins in BREC's annual proceedings.

LIC Rate Design

The settlement includes KIUC's revised proposed rate design change for the LIC, which is characterized as a remedy for the rate design disparity from cost of service that results in LIC customers with high load factors subsidizing LIC customers with lower load factors. The proposed rate design change would exclude all of the LIC coal mine customers and the LIC EDR customers and will reduce the energy charge from \$38.050/mWh to \$33.267/mWh. The proposed rate design will also increase the demand charge proportionally from \$10.715/kW to \$13.406/kW so that the resulting rate design is revenue neutral.⁶⁵ As mentioned above, support for this rate design change was due to perceived errors in the 2013 Rate Case COSS. The Commission finds that KIUC has not met its burden of proof as the support set forth by KIUC is not comprehensive, but rather a snap shot of a 2013 COSS. Further, the Commission believes this is not a venue to revise rate design, especially based on a COSS that is over seven years old.⁶⁶ Issues

⁶⁴ Using the average bill credit for 2016 and 2017 for the Rural class customer. In addition, the allocation maintains the current rate structure, which BREC notes are competitive in the Commonwealth of Kentucky, as well as the nation on page 5 of BREC's Updated Corrective Plan to Achieve Two Credit Ratings of Investment Grade, January 28, 2019.

⁶⁵ Settlement Testimony of Stephen J. Baron Settlement, Exhibit at 3.

⁶⁶ KIUC cited to Case No. 2018-00407 *A Review of the Rate Case Procedure for Electric Distribution Cooperatives* (Ky. PSC Mar 26, 2019) for use of a streamlined method for COSS on page 25 of Baron's Direct Testimony; however, page 1 of Appendix A to Case No. 2018-00497 March 26, 2019 Order states that the COSS must be less than five (5) years old.

with the COSS should have been addressed and litigated in the 2013 Rate Case and, as such, were not, and the Commission found the COSS to be reasonable.⁶⁷ The Commission does note concern with the issues raised by KIUC in this matter and finds that BREC is to file a minimum of two fully allocated COSSs based upon NARUC approved methods during the 2021 annual filing of the New TIER Credit so that the Commission can determine whether there is a need to reevaluate the current LIC rate design.

OTHER FINDINGS

1.30 TIER

BREC stated that it chose the New TIER Credit to be based upon a 1.30 TIER as it was the TIER approved by the Commission in BREC's last rate case, Case No. 2013-00199,⁶⁸ and such a TIER ensures BREC has an adequate amount of capital.⁶⁹ BREC asserts that the best opportunity to regain its investment grade credit ratings would be to maintain a 1.30 TIER as anything less would be a credit negative for the credit rating agencies.⁷⁰ BREC maintains credit agencies view cooperatives holistically and any reduction in retained equity, or the difference between a 1.30 and 1.10 TIER, would be viewed as a credit negative which will limit BREC's access to low cost funds from RUS and capital markets.⁷¹ BREC further contends that maintaining net margins and retaining

⁶⁷ See, Case No. 2013-00199, April 25, 2014 Order, at 33.

⁶⁸ Case No. 2013-00199, *Application of Big Rivers Electric Corporation for a General Adjustment in Rates Supported By Fully Forecasted Test Period* (Ky. PSC Apr. 25, 2014).

⁶⁹ Smith Settlement Testimony at 4.

⁷⁰ BREC's Post-Hearing Brief at 2.

⁷¹ *Id.* at 6–7.

earnings equal to a 1.30 TIER ensures that the Cooperative will maintain a minimal level of cash flow and capital above the required 1.10 margin for interest ratio (MFIR) included in BREC's Indenture, allow for BREC to maintain its physical plants, and ensure there is adequate cash on hand for any unexpected expenses.⁷² BREC notes that the request is actually low for a G&T cooperative as the national median TIER between 2016 and 2018 for G&T cooperatives is 1.59.⁷³

BREC's current debt covenants are based upon MFIR and require a 1.10 margin. The difference between MFIR and TIER is MFIR includes income taxes and extraordinary expenses; however, the two are typically equal to each other for BREC.⁷⁴ The Commission recognizes that credit markets and regulating bodies defer to TIER as it is the most common index used to describe a cooperative's financial condition and that the two indexes are similar. The Commission also recognizes that some sort of margin or cushion is necessary as a safeguard against an unexpected expense or shift in revenues. Therefore, the Commission finds that a TIER of 1.30 is a reasonable matrix for the New TIER Credit.

IT IS THEREFORE ORDERED that:

1. The provisions in the Settlement as set forth in the Attachment to this Order are approved subject to the modifications and deletions set forth in this Order.
2. BREC's MRSM Tariff is approved, as modified by this Order, for service rendered on and after the date of entry of this Order.

⁷² *Id.* at 4.

⁷³ *Id.* at 6.

⁷⁴ BREC's Response to Staff's First Request, Item 26.

3. Ordering paragraph 7 of the December 12, 2018 Order in Case No. 2018-00236 is revoked as of the date of entry of this Order.

4. BREC is authorized to cease accruing a regulatory liability for DSM revenues as of January 1, 2020.

5. BREC is authorized to use the DSM Regulatory Liability to reduce the SLM Regulatory Assets.

6. BREC is authorized to establish a regulatory asset for the actual remaining net book value and decommissioning costs for Coleman Station, subject to Commission review of any decommissioning costs.

7. BREC is authorized to establish a regulatory asset for the actual remaining net book value and decommissioning costs for Reid Station Unit 1, subject to Commission review of any decommissioning costs.

8. BREC is authorized to amortize the SLM Regulatory Assets through the MRSM over a period no longer than the expiration of the Member Contracts on December 31, 2043.

9. BREC is authorized to establish a regulatory liability for 60 percent of its net margins in excess of those margins necessary to achieve a TIER of 1.30. This regulatory liability shall be used for the sole purpose of reducing the SLM Regulatory Assets or help BREC achieve a TIER of 1.30.

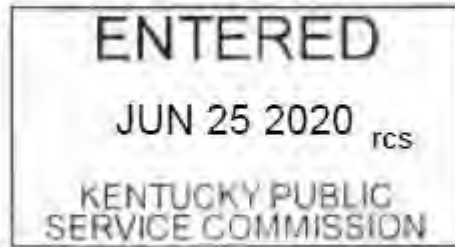
10. BREC shall file annually, by February 28, an application to adjust its MRSM rates, containing at minimum the information contained in the Settlement, as modified herein.

11. Within 20 days of the date of this Order, BREC shall, using the Commission's electronic Tariff Filing System, file its revised tariffs reflecting modifications approved or as required herein and reflecting their effective date and that they were authorized by this Order.

12. This case is closed and removed from the Commission's Docket.

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By the Commission



ATTEST:



Executive Director

Case No. 2020-00064

Case No. 2026-00021 Attachment to Response to PSC 1-5

Witness: Talina R. Mathews

ATTACHMENT

ATTACHMENT TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00064 DATED JUN 25 2020

[THIRTY-TWO PAGES TO FOLLOW]

1 **SETTLEMENT AGREEMENT, STIPULATION, AND RECOMMENDATION**

2 This Settlement Agreement, Stipulation, and Recommendation (“Agreement”
3 or “Settlement Agreement”) is entered into this 28th day of May, 2020, by and among
4 the Attorney General of the Commonwealth of Kentucky (“Attorney General”), Big
5 Rivers Electric Corporation (“Big Rivers”), and Kentucky Industrial Utility
6 Customers, Inc. (“KIUC”) with respect to *In the Matter of: Application of Big Rivers*
7 *Electric Corporation for Approval to Modify its MRSM Tariff, Cease Deferring*
8 *Depreciation Expenses, Establish Regulatory Assets, Amortize Regulatory Assets, and*
9 *Other Appropriate Relief*, P.S.C. Case No. 2020-00064 (the “Proceeding”). The
10 Attorney General, Big Rivers, and KIUC may be referred to herein individually as a
11 “Party” and collectively as the “Parties.”

12 **WITNESSETH**

13 **WHEREAS**, on February 28, 2020, Big Rivers filed an Application (the
14 “Application”) with the Kentucky Public Service Commission (the “Commission”) in
15 the Proceeding;

16 **WHEREAS**, in its Application, Big Rivers sought an order from the
17 Commission:

- 18 (i) finding that the Wilson Station is “used and useful” for the benefit of Big Rivers’
19 Members, authorizing Big Rivers to cease deferring the depreciation expenses
20 for the Wilson Station into a regulatory asset as of December 31, 2020, and
21 authorizing Big Rivers to collect depreciation expenses for the Wilson Station
22 as of January 1, 2021;
23
24 (ii) authorizing Big Rivers to establish regulatory assets for the costs related to
25 the retirement of the Coleman Station (the “Coleman Station Regulatory
26 Asset”) and Reid Station Unit 1 (the “Reid Station Unit 1 Regulatory Asset”),
27 including the unrecovered net book value of the generating stations and all

1 actual costs related to retirement, such as decommissioning costs, subject to
2 the approval of the Rural Utilities Service (“RUS”) to establish the same;

3
4 (iii) authorizing Big Rivers to recover through amortization the previously
5 established Station Two Retirement Costs Regulatory Asset, the previously
6 established Wilson Station Depreciation Deferral Regulatory Asset, the
7 previously established Coleman Station Depreciation Deferral Regulatory
8 Asset, the Coleman Station Regulatory Asset (subject to RUS’s approval of its
9 establishment), the Reid Station Unit 1 Regulatory Asset (subject to RUS’s
10 approval of its establishment), and the Focused Management Audit expenses
11 incurred by Big Rivers, pursuant to KRS 278.255(3) (collectively, the “Smelter
12 Loss Mitigation Regulatory Assets”), over a period no longer than through
13 December 31, 2043, which is the date of expiration of the all-requirements
14 contracts between Big Rivers and its Members; and

15
16 (iv) authorizing Big Rivers to modify its Member Rate Stability Mechanism
17 (“MRSM”) Tariff, including ceasing the accrual of the Demand Side
18 Management (“DSM”) regulatory liability in 2020, to provide a monthly bill
19 credit to Big Rivers’ Members and increased amortization of the Smelter Loss
20 Mitigation Regulatory Assets following any calendar year in which Big Rivers’
21 times interest earned ratio (“TIER”) exceeds 1.30;

22
23 **WHEREAS**, on April 13, 2020, the RUS granted approval of the establishment
24 of the Coleman Station Regulatory Asset and Reid Station Unit 1 Regulatory Asset;

25 **WHEREAS**, the Commission granted the Attorney General and KIUC full
26 intervention in the Proceeding. The members of KIUC who are participating in this
27 proceeding are Domtar Paper Co., LLC and Kimberly Clark Corporation. The
28 individual rights of other KIUC member companies are not affected or limited by this
29 Settlement Agreement;

30 **WHEREAS**, KIUC filed testimony in this Proceeding in which KIUC
31 recommended that: Big Rivers’ Application be approved; Big Rivers’ Large Industrial
32 Class (“LIC”) rate design be adjusted to reflect full cost of service by increasing the
33 demand charge to \$18.731 per kW and lowering the energy charge to \$24.75/MWh;

1 this new rate design shall not apply to coal mine customers or economic development
2 load; this new rate design is revenue neutral to Big Rivers and the Rural Class;
3 Kenergy Corp. (“Kenergy”), Meade County Rural Electric Cooperative (“MCRECC”)
4 and Jackson Purchase Energy Corporation (“JPEC”)¹ shall be authorized to include
5 their existing retail adders on the new LIC rate to keep them whole; the fuel
6 adjustment clause allocation method between native load and off-system sales be
7 maintained; Big Rivers should continue seeking mechanisms to lower the rates of the
8 retail customers of its three Members; Big Rivers should make quarterly reporting
9 filings to the Commission and the Parties; there should be established a prioritization
10 of the write-down of the regulatory assets; and that Big Rivers should maintain a
11 20% Member Equity cushion throughout the term of this plan;

12 **WHEREAS**, the Attorney General did not file testimony in this matter, thus
13 reserving his right to comment and provide the Commission any proposal for its
14 consideration;

15 **WHEREAS**, the Parties have conducted discovery, reviewed documents
16 provided in discovery, and reviewed the issues raised in this Proceeding and have
17 reached a settlement of the case, including the issues raised therein, as embodied in
18 this Agreement;

19 **WHEREAS**, the adoption of this Agreement will support the Commission’s
20 administrative efficiency and eliminate the need for the Parties to potentially expend
21 significant resources litigating these proceedings;

¹ JPEC, Kenergy, and MCRECC are collectively referred to herein as the “Members.”

1 **WHEREAS**, the adoption of this Agreement not only mitigates the economic
2 impacts of the COVID-19 pandemic by reducing cross-subsidies in the Large
3 Industrial class, by reducing the TIER threshold for which Big Rivers will provide a
4 TIER Credit benefit to its Members in calendar year 2020 from 1.45 to 1.30, by
5 avoiding current increases to base rates, and by increasing the financial stability of
6 Big Rivers, but it also provides longer-term benefits to the Members and their retail
7 member-customers as described in Big Rivers' Application;

8 **WHEREAS**, the Parties recognize that if Big Rivers receives an investment
9 grade credit rating from at least two of the three credit rating agencies then its
10 borrowing costs will decline, and that concerns surrounding the economic effects of
11 COVID-19 have made achieving an investment grade credit rating more difficult;

12 **WHEREAS**, the Parties recognize that the probability of achieving an
13 investment grade credit rating is increased if Big Rivers' ratemaking TIER of 1.30 for
14 purposes of this Agreement is as close as possible to an actual TIER of 1.30;

15 **WHEREAS**, in addition to Big Rivers' normal efforts to minimize the rates
16 charged to its Members, Big Rivers will continue to explore ways to ease the economic
17 burden on its Members and their retail member-customers arising from the COVID-
18 19 pandemic, including the possibility of participating in government-sponsored
19 programs to alleviate the economic effects of COVID-19, which could provide
20 increased MRSM credits to the Members and their retail member-customers; and

21 **WHEREAS**, it is the position of the Parties that this Agreement is a fair, just,
22 and reasonable resolution of all of the issues in the Proceeding, is supported by

1 sufficient and adequate data and information, and should be approved by the
2 Commission;

3 **NOW, THEREFORE,** for and in consideration of the premises and terms and
4 conditions set forth herein, the Parties agree and stipulate as follows:

5 1. Capitalized terms used but not defined herein shall have the meanings
6 set forth in Big Rivers' Application or in Big Rivers' tariff on file with the Commission.

7 2. The Parties recommend that the Commission grant, without change or
8 condition except as provided herein, Big Rivers' request made in its Application that
9 the Commission enter an order authorizing Big Rivers to:

- 10 (i) cease deferring the depreciation expenses for the Wilson Station as of
11 December 31, 2020, and begin recovering the depreciation expenses
12 through existing rates for Wilson Station as of January 1, 2021 because
13 the Wilson Station is "used and useful" for the benefit of its Members;
14
- 15 (ii) cease deferring depreciation expenses of the Coleman Station as of the
16 date of retirement;
17
- 18 (iii) establish a regulatory asset for the costs related to the retirement of the
19 Coleman Station, including the unrecovered net book value and the
20 actual costs related to retirement, such as decommissioning costs;
21
- 22 (iv) establish a regulatory asset for the costs related to the retirement of
23 Reid Station Unit 1, including the unrecovered net book value and the
24 actual costs related to retirement, such as decommissioning costs;
25
- 26 (v) recover, through an annual charge to depreciation and amortization
27 expense, the amortization of the Smelter Loss Mitigation Regulatory
28 Assets over a period no longer than through the end of the Member "all-
29 requirements" contracts, December 31, 2043; and
30
- 31 (vi) modify its MRSM Tariff as proposed in its Application, except as
32 provided herein, to establish the New TIER Credit, which provides that
33 50% of net margins above the margins needed to produce a 1.30 TIER
34 will be utilized to reduce the unamortized balance of the Smelter Loss
35 Mitigation Regulatory Assets through a charge to depreciation and

1 amortization expense and the remaining 50% of net margins above the
2 margins needed to produce a 1.30 TIER will be provided to Members as
3 a Monthly Bill Credit.
4

5 3. The Parties recommend that Big Rivers not be required to make any
6 changes to its depreciation rates or its fuel cost stacking methodology at this time.

7 4. In calculating its TIER for purposes of the New TIER Credit, Big Rivers
8 shall be authorized to include economic development expenses, promotional
9 advertising expenses, and Touchstone Energy dues in a cumulative annual amount
10 not to exceed four hundred thousand dollars (\$400,000).

11 5. The Parties recommend that in addition to the relief sought in Big
12 Rivers' Application filed in the Proceeding, the Commission adopt the Large
13 Industrial Class ("LIC") rate design described in this paragraph. Except for the LIC
14 rate design applicable to service to the Members for their coal mine and oil industry
15 customers ("Fossil Fuel Customers") and their load served under an economic
16 development rate ("EDR"), the LIC rate design applicable to service to the Members
17 for all other Large Industrial customers shall adjust to cost of service, as determined
18 in KIUC's Direct and Settlement Testimony filed in this Proceeding. For service
19 beginning the calendar year 2021, the LIC energy rate will be \$33.267/MWh and the
20 demand charge will be \$13.406 per kW per month. The existing LIC rate design shall
21 be maintained for service to the Members for their Fossil Fuel Customers and load
22 served under an EDR until changed by Commission order.

23 6. This Agreement does not affect the current retail adders charged by the
24 Members on LIC customers, nor does it prevent the Members from seeking to change

1 such adders. This Agreement also does not prevent any Party hereto from making
2 appropriate filings with the Commission seeking a change in Big Rivers' rates to its
3 Members.

4 7. The Attorney General agrees to the recommendations contained in
5 Paragraph 5 of this Agreement since the changes affecting the LIC rate design are
6 revenue neutral to the Rural Class.

7 8. The Parties further recommend that, for any year in which a Monthly
8 Bill Credit is to be paid under the new MRSM Tariff, the margins to be credited
9 through the Monthly Bill Credit shall be allocated between the Rural Class and the
10 LIC in proportion to the revenues received from each class for the calendar year in
11 which Big Rivers earned the margins, excluding revenue applicable to sales under an
12 EDR as well as sales to which Big Rivers' Fuel Adjustment Clause is inapplicable.
13 The portion of the Monthly Bill Credit allocated to the LIC shall be applied to Member
14 bills based on kWh sales within the Large Industrial class, excluding sales under an
15 EDR and sales to which Big Rivers' Fuel Adjustment Clause is inapplicable. The
16 portion of the Monthly Bill Credit allocated to the Rural Class shall be applied to
17 Member bills based on the number of retail customers served by each Member. An
18 illustrative example of the application of Big Rivers' proposed MRSM Tariff
19 incorporating the terms of this Agreement, including operation of the New Tier
20 Credit, is attached hereto as Exhibit 1.

21 9. The Parties recommend that the Commission approve tariff changes for
22 the Members to accomplish the purposes of this Agreement, including allocating any

1 MRSM credits received for the Rural Class to retail customers on a per customer basis
2 and the new LIC rate design.

3 10. In 2021, and with no charge to net margins before 2021, Big Rivers
4 agrees to record a one-time reduction in the balance of the Smelter Loss Mitigation
5 Regulatory Assets as a charge to depreciation and amortization expense in the
6 amount of eighty percent of its equity in excess of the minimum equity required by
7 its loan covenants (the “Equity Headroom”) as of December 31, 2020. Big Rivers
8 estimates this amount as approximately \$91 million in its Application at Paragraph
9 65, and the actual utilization of eighty percent of Equity Headroom will be
10 determined as illustrated by Exhibit 6 to the Direct Testimony of Robert W. Berry,
11 provided that Big Rivers’ minimum equity level will be determined by Big Rivers’
12 loan covenants in effect from time to time.

13 11. Big Rivers agrees to utilize the DSM regulatory liability accrued
14 through December 31, 2019 to record a one-time amortization of the Smelter Loss
15 Mitigation Regulatory Assets, and will cease recording the DSM regulatory liability
16 in 2020.

17 12. The reduction in Smelter Loss Mitigation Regulatory Assets shall be
18 prioritized in the following order so as to reduce the specific regulatory assets, until
19 fully recovered:

- 20 a. Focused Management Audit Expenses
- 21 b. Wilson Station Deferred Depreciation
- 22 c. Coleman Station Deferred Depreciation

1 d. Reid Station Unit 1 Regulatory Asset

2 e. Station Two Regulatory Asset

3 f. Coleman Station Regulatory Asset

4 13. Starting in 2021 and each calendar year thereafter (through 2043), no
5 later than February 28 of each calendar year, Big Rivers agrees to provide the
6 Commission, the Attorney General, and KIUC with a report containing the following
7 information:

8 a. its calculation of its year-end TIER for the prior calendar year;

9 b. the amount of adjusted net margins that will flow through the MRSM
10 Rider as a credit to Big Rivers' Members during the following twelve
11 months;

12 c. the amount Big Rivers will charge to depreciation and amortization
13 expense for recovery of the Smelter Loss Mitigation Regulatory Assets
14 in the prior calendar year, which will result in the reduction of the
15 balance of Smelter Loss Mitigation Regulatory Assets;

16 d. the overall status of the amortization of the Smelter Loss Mitigation
17 Regulatory Assets;

18 e. once investment grade ratings are received from at least two of the three
19 rating agencies, all interest savings gained (annualized) as a result
20 thereof;

21 f. the status of and anticipated decommissioning costs expected to be
22 incurred by Big Rivers for each of the Coleman Station, Reid Station

1 Unit 1, and Station Two (including the total anticipated
2 decommissioning costs of Station Two and Big Rivers' estimated share
3 of such costs); and

4 g. a copy of any awarded proposal(s) for the decommissioning of the
5 Coleman Station, Reid Station Unit 1, and Station Two in the prior year.

6 14. Big Rivers shall periodically explore and evaluate opportunities to
7 mitigate the amount of future regulatory asset amortization expense in the retail
8 rates of the Members, including the potential use of Equity Headroom.

9 15. In any future proceeding before the Commission, the Parties reserve
10 their rights to advocate for the appropriate allocation and manner of recovery of the
11 annual amortization of the Smelter Loss Mitigation Regulatory Assets, which
12 allocation and manner of recovery may vary depending on factors including whether
13 Big Rivers has in fact achieved the investment grade credit ratings that are a
14 material object of this Application. In any appropriate future proceeding before the
15 Commission, the Parties agree and acknowledge that they will stand by their
16 representations in the settlement agreement approved in Case No. 2018-00146 and
17 in this Proceeding. All Parties agree that full recovery of the Smelter Loss Mitigation
18 Regulatory Assets should occur by the later of December 31, 2043, or the expiration
19 of the Member all-requirements contracts.

20 16. The Agreement is not intended to, and does not, have any effect on the
21 Commission's decision that Big Rivers' rates established in Case No. 2013-00199 were
22 fair, just, and reasonable.

1 17. The Parties agree that this Agreement is subject to the acceptance of
2 and approval by the Commission and the RUS, and they agree to act in good faith
3 and to use their best efforts to secure these approvals. Following the execution of this
4 Agreement, Big Rivers will file this Agreement with the Commission and the RUS
5 together with a request that the Commission and the RUS consider and approve this
6 Agreement without modification. If the Commission and RUS approve this
7 Agreement without modification, the Parties each waive any right to appeal or file an
8 action seeking review of or to seek reconsideration of any order of the Commission
9 issued in accordance with this Agreement.

10 18. The Agreement shall in no way be deemed to divest the Commission of
11 jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

12 19. If the Commission does not accept and approve this Agreement in its
13 entirety and without change, or if the Commission imposes conditions on its
14 acceptance and approval that are unacceptable to any Party, then any adversely
15 affected Party may withdraw from this Agreement within the statutory periods
16 provided for rehearing and appeal of the Commission's order by: (i) giving notice of
17 withdrawal to all other Parties; and/or (ii) timely filing for rehearing or appeal. If any
18 Party timely seeks rehearing of or appeals the Commission's order, all Parties will
19 continue to have the right to withdraw until the conclusion of all rehearings and
20 appeals.

1 20. If the Agreement is voided or vacated for any reason after the
2 Commission has approved the Agreement, none of the Parties will be bound by the
3 Agreement.

4 21. If the RUS does not accept and approve this Agreement in its entirety
5 and without change, or if the RUS imposes conditions on its acceptance and approval
6 that are unacceptable to any Party, then any adversely affected Party may withdraw
7 from the Agreement within seven (7) days of that Party's receipt of notification of
8 RUS' non-approval or imposition of change or conditions, by the withdrawing Party
9 giving written notice of its withdrawal to all other Parties. If any Party timely
10 withdraws from the Agreement under this paragraph, then any other Party or Parties
11 will continue to have the right to withdraw for seven (7) days after receiving the notice
12 of withdrawal.

13 22. Upon the later of: (i) the expiration of the statutory periods provided for
14 rehearing and appeal of the Commission's order; (ii) the conclusion of all rehearings
15 and appeals; and (iii) the expiration of the withdrawal period following RUS' non-
16 approval or imposition of changes or conditions, and except as otherwise provided
17 herein, all Parties that have not withdrawn will continue to be bound by the terms of
18 the Agreement as modified by the Commission or RUS.

19 23. Subsequent to obtaining all required Commission and RUS reviews and
20 approvals, Big Rivers shall file with the Commission tariff amendments reflecting
21 the tariff changes attached hereto as Exhibit 2. The Parties recommend that the
22 Commission (i) approve the tariff revisions filed by Big Rivers pursuant to this

1 paragraph, as well as any tariff revisions filed by the Members to accomplish the
2 purposes of this Agreement, including allocating any MRSM credits received for the
3 Rural Class to retail customers on a per customer basis and the new LIC rate design,
4 and (ii) allow the wholesale and retail tariff amendments to become effective upon
5 filing with Commission.

6 24. For purposes of any hearing in the Proceeding, the Parties waive all
7 cross-examination of the other Parties' witnesses except for purposes of supporting
8 this Agreement unless the Commission or RUS disapproves or modifies this
9 Agreement.

10 25. The undersigned for Big Rivers warrants that he or she is authorized to
11 execute this Agreement on behalf of Big Rivers. Counsel for the Attorney General
12 warrants that he or she is authorized to execute this Agreement on behalf of the
13 Attorney General. Counsel for KIUC warrants that he or she has informed, advised,
14 and consulted with the KIUC members participating in this proceeding (Domtar
15 Paper Co., LLC and Kimberly Clark Corporation) in regard to the contents and the
16 significance of this Agreement, and is authorized to execute this Agreement on behalf
17 of those members.

18 26. In the Proceeding, each Party agrees to and will support the
19 reasonableness of this Agreement before the Commission, and to cause its counsel to
20 do the same, and in any appeal from the Commission's adoption and/or enforcement
21 of the Agreement.

1 27. This Agreement shall not be deemed to constitute an admission by any
2 Party that any computation, formula, allegation, assertion, or contention made by
3 any other Party in the Proceeding is true or valid.

4 28. This Agreement shall inure to the benefit of and be binding upon the
5 Parties hereto, their successors, and assigns.

6 29. This Agreement constitutes the complete agreement and understanding
7 among the Parties hereto, and any and all oral statements, representations, or
8 agreements made prior hereto or contemporaneously herewith shall be null and void
9 and shall be deemed to have been merged into this Agreement.

10 30. The terms of this Agreement are based upon the independent analyses
11 of the Parties, and reflect a fair, just, and reasonable resolution of the issues
12 addressed herein; and the Parties request that the Commission approve the
13 Agreement without change or condition.

14 31. This Agreement being a product of negotiation among all Parties, no
15 provision of this Agreement shall be strictly construed in favor of or against any
16 Party.

17 32. This Agreement shall not have any precedential value in this or any
18 other jurisdiction.

19 33. This Agreement may be executed in multiple counterparts.

1 The Attorney General of Kentucky, by and
2 through his Office of Rate Intervention

3

4
5 By: John G. Horne II

6
7 Name: John G. Horne, II
8 Executive Director

9

10
11 Big Rivers Electric Corporation

12

13

14 By: _____

15

16 Name: _____

17

18

19

20 Kentucky Industrial Utility Customers, Inc.

21

22

23 By: _____

24

25 Name: _____

26

27 16476869.1

1 The Attorney General of Kentucky, by and
2 through his Office of Rate Intervention

3

4

5 By: _____

6

7 Name: _____

8

9

10

11 Big Rivers Electric Corporation

12

13

14 By: _____

15

16 Name: Robert W. Berry

17

18

19

20 Kentucky Industrial Utility Customers, Inc.

21

22

23 By: _____

24

25 Name: _____

26

27 16476869.1

1 The Attorney General of Kentucky, by and
2 through his Office of Rate Intervention

3
4

5 By: _____

6
7

8 Name: _____

9
10

11 Big Rivers Electric Corporation

12
13

14 By: _____

15
16

17 Name: _____

18
19

20 Kentucky Industrial Utility Customers, Inc.

21
22

23 By: Michael C. Kurtz

24
25

26 Name: Michael C. Kurtz

27

16476869.1

EXHIBIT 1

Big Rivers Electric Corporation

**Pro Forma 2019 Assuming New TIER Credit
(\$ 000's)**

<u>2019 New TIER Credit Calculation</u>				<u>Rural vs. Large Industrial Allocation of Member Bill Credits</u>				
<u>Line</u>	<u>Description</u>	<u>Net Margins</u> (a)	<u>TIER</u> <u>(Note)</u> (b)	<u>Line</u>	<u>Description</u>	<u>Total</u> (c)	<u>Rural</u> (d)	<u>Large</u> <u>Industrial</u> (e)
1	Unadjusted Pre-New TIER Credit Net Margins	\$ 44,457		1	2019 Total Member Revenue (\$)	\$ 256,280	\$ 195,140	\$ 61,140
2	Add Back: Regulatory Exclusions			2	Less: Economic Development and Non-FAC	(2,500)	-	(2,500)
3	Total Regulatory Exclusions Per Books	492		3	2019 Revenue for MRSRM Purposes (\$)	<u>\$ 253,780</u>	<u>\$ 195,140</u>	<u>\$ 58,640</u>
4	Less: Allowed Regulatory Exclusions	-400		4	2019 Revenue for MRSRM Purposes (%)		<u>76.9%</u>	<u>23.1%</u>
5	Net Regulatory Exclusions Add Back	92		5				
6	Pre-New TIER Credit Net Margins	<u>44,549</u>	2.20	6	2019 TIER Credit to be Billed in 2020 MRSRM	<u>\$ 16,703</u>	<u>\$ 12,843</u>	<u>\$ 3,859</u>
7	Less: Net Margins to Achieve 1.30 TIER	<u>11,143</u>	1.30	7				
8	New TIER Credit	<u>\$ 33,406</u>	0.90	8	2020 Rural Bill Credits (\$)		\$ 12,843	
9				9	Number of Rural Members		<u>118,000</u>	
10	Allocation of New TIER Credit:			10	Annual MRSRM Credit (\$/Member)		<u>\$ 108.84</u>	
11	Additional Smelter Reg Asset Amortization 50%	<u>\$ 16,703</u>		11	Monthly MRSRM Credit (\$/Member)		<u>\$ 9.07</u>	
12	2020 Member Bill Credits 50%	<u>\$ 16,703</u>		12				
				13	2020 Large Industrial Bill Credits (\$)			\$ 3,859
				14	2020 Sales Excluding EDR & Non-FAC (MWh)			<u>950,000</u>
Note:	TIER based on 2019 long-term debt interest expense =	<u>\$ 37,144</u>		15	MRSRM Credit (\$/MWh)			<u>\$ 4.06</u>

Big Rivers Electric Corporation

**Pro Forma 2019 Assuming New TIER Credit and TIER Below 1.30
(\$ 000's)**

<u>2019 New TIER Credit Calculation</u>				<u>Rural vs. Large Industrial Allocation of Member Bill Credits</u>				
<u>Line</u>	<u>Description</u>	<u>Net Margins</u> (a)	<u>TIER</u> <u>(Note)</u> (b)	<u>Line</u>	<u>Description</u>	<u>Total</u> (c)	<u>Rural</u> (d)	<u>Large</u> <u>Industrial</u> (e)
1	Unadjusted Pre-New TIER Credit Net Margins	\$ 10,000		1	2019 Total Member Revenue (\$)	\$ 256,280	\$ 195,140	\$ 61,140
2	Add Back: Regulatory Exclusions			2	Less: Economic Development and Non-FAC	(2,500)	-	(2,500)
3	Total Regulatory Exclusions Per Books	492		3	2019 Revenue for MRSM Purposes (\$)	<u>\$ 253,780</u>	<u>\$ 195,140</u>	<u>\$ 58,640</u>
4	Less: Allowed Regulatory Exclusions	-400		4	2019 Revenue for MRSM Purposes (%)		76.9%	23.1%
5	Net Regulatory Exclusions Add Back	<u>92</u>		5				
6	Pre-New TIER Credit Net Margins	<u>10,092</u>	1.27	6	2019 TIER Credit to be Billed in 2020 MRSM	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
7	Less: Net Margins to Achieve 1.30 TIER	<u>11,143</u>	1.30	7				
8	New TIER Credit	<u>\$ (1,051)</u>	(0.03)	8	2020 Rural Bill Credits (\$)		\$ -	
9				9	Number of Rural Members		<u>118,000</u>	
10	Allocation of New TIER Credit:			10	Annual MRSM Credit (\$/Member)		<u>\$ -</u>	
11	Add'l Smelter Reg Asset Amortization/(Add Back)	n/a		11	Monthly MRSM Credit (\$/Member)		<u>\$ -</u>	
12	2020 Member Bill Credits	n/a		12				
				13	2020 Large Industrial Bill Credits (\$)			\$ -
				14	2020 Sales Excluding EDR & Non-FAC (MWh)			<u>950,000</u>
				15	MRSM Credit (\$/MWh)			<u>\$ -</u>
	Note: TIER based on 2019 long-term debt interest expense =	<u>\$ 37,144</u>						

EXHIBIT 2

Big Rivers Electric Corporation

Table of Contents

Standard Electric Rate Schedules – Terms and Conditions

<u>Title</u>	<u>Sheet Number</u>	<u>Effective Date</u>	
General Index			
SECTION 1 – Standard Rate Schedules	1		
RDS Rural Delivery Service	1		[T]
DSM-01 High Efficiency Lighting Replacement Program DISCONTINUED	3	08-06-2018	
DSM-02 ENERGY STAR® Clothes Washer Replacement Incentive Program DISCONTINUED	4	08-06-2018	
DSM-03 ENERGY STAR® Refrigerator Replacement Incentive Program DISCONTINUED	5	08-06-2018	
DSM-04 Residential High Efficiency Heating, Ventilation and Air Conditioning ("HVAC") Program	7	12-12-2018	
DSM-05 Residential Weatherization Program DISCONTINUED	9	12-21-2017	
DSM-06 Touchstone Energy® New Home Program DISCONTINUED	11	08-06-2018	
DSM-07 Residential and Commercial HVAC & Refrigeration Tune-Up Program DISCONTINUED	13	08-06-2018	
DSM-08 Commercial / Industrial High Efficiency Lighting Replacement Incentive Program	15	12-12-2018	
DSM-09 Commercial / Industrial General Energy Efficiency Program DISCONTINUED	17	08-06-2018	
DSM-10 Residential Weatherization Program – Primary Heating Source Non-Electric DISCONTINUED	19	12-21-2017	
DSM-11 Commercial High Efficiency Heating, Ventilation and Air Conditioning ("HVAC") Program	21	12-12-2018	
DSM-12 High Efficiency Outdoor Lighting Program	23	12-12-2018	
DSM-13 Residential Weatherization A La Carte Program DISCONTINUED	23.01	08-06-2018	
DSM-14 Low-Income Weatherization Support Program – Pilot	23.05	11-13-2019	

DATE OF ISSUE _____
 DATE EFFECTIVE _____

/s/ Robert W. Berry

ISSUED BY: Robert W. Berry,
 President and Chief Executive Officer
 Big Rivers Electric Corporation, 201 Third Street, Henderson, KY 42420

Big Rivers Electric Corporation Table of Contents

Standard Electric Rate Schedules – Terms and Conditions

	<u>Title</u>	<u>Sheet Number</u>	<u>Effective Date</u>	
SECTION 1 – Standard Rate Schedules (<i>continued</i>)				
LIC	Large Industrial Customer	26		[T]
CATV	Cable Television Attachment	31	02-01-2014	
QFP	Cogeneration/Small Power Production Purchase – Over 100 KW	39	02-01-2014	
QFS	Cogeneration/Small Power Production Sales – Over 100 KW	42	02-01-2014	
SET	Supplemental Energy Transaction	50	02-01-2014	
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RRES	Renewable Resource Energy Service	57	02-01-2014	
RA	Rebate Adjustment	59	02-01-2014	
ES	Environmental Surcharge	60	02-01-2014	
FAC	Fuel Adjustment Clause	62	10-30-2016	
MRSM	Member Rate Stability Mechanism	65		[T]
US	Unwind Surcredit	70	02-01-2014	
RER	Rural Economic Reserve Rider	72	02-01-2014	
NSNFP	Non-Smelter Non-FAC PPA	76	02-01-2014	

DATE OF ISSUE _____
 DATE EFFECTIVE _____

/s/ Robert W. Berry

ISSUED BY: Robert W. Berry,
 President and Chief Executive Officer
 Big Rivers Electric Corporation, 201 Third Street, Henderson, KY 42420



Your Touchstone Energy® Cooperative

(Name of Utility)

For All Territory Served By
Cooperative's Transmission System
P.S.C. KY. No. 27

First Revised SHEET NO. 27

CANCELLING P.S.C. KY. No. 27

Original SHEET NO. 27

RATES, TERMS AND CONDITIONS – SECTION 1

STANDARD RATE – LIC – Large Industrial Customer – (continued)

Pursuant to the Commission's Order dated _____, 2020, in Case No. 2020-00064, the Monthly Delivery Point Rate at Big Rivers' Large Industrial Customer delivery points, shall be as outlined below. [N]

For service in calendar year 2020, the Monthly Delivery Point Rate for all Large Industrial Customer delivery points shall consist of: [T]

A Demand Charge of:
All kW of billing demand at \$10.7150 per kW [T]

plus, [T]

An Energy Charge of:
All kWh per month at \$0.038050 per kWh.

For service beginning in the January 2021 service month, the Monthly Delivery Point Rate for all coal mine and oil industry customers and for load served under an Economic Development Rate shall consist of: [N]

A Demand Charge of:
All kW of billing demand at \$10.7150 per kW

plus,

An Energy Charge of:
All kWh per month at \$0.038050 per kWh.

DATE OF ISSUE _____
DATE EFFECTIVE _____

/s/ Robert W. Berry

ISSUED BY: Robert W. Berry,
President and Chief Executive Officer
Big Rivers Electric Corporation, 201 Third Street, Henderson, KY 42420



Your Touchstone Energy® Cooperative

(Name of Utility)

For All Territory Served By
Cooperative's Transmission System
P.S.C. KY. No. 27

First Revised SHEET NO. 28

CANCELLING P.S.C. KY. No. 27

Original SHEET NO. 28

RATES, TERMS AND CONDITIONS – SECTION 1

STANDARD RATE – LIC – Large Industrial Customer – (continued)

For service beginning in the January 2021 service month, the Monthly Delivery Point Rate for all Large Industrial Customer delivery points, *excluding* coal mine and oil industry customers and load served under an Economic Development Rate, shall consist of: [N]

A Demand Charge of:

All kW of billing demand at \$13.4060 per kW

plus,

An Energy Charge of:

All kWh per month at \$0.033267 per kWh.

No separate transmission or ancillary services charges shall apply to these rates.

DATE OF ISSUE _____

DATE EFFECTIVE _____

/s/ Robert W. Berry

ISSUED BY: Robert W. Berry,
President and Chief Executive Officer
Big Rivers Electric Corporation, 201 Third Street, Henderson, KY 42420



Your Touchstone Energy Cooperative

(Name of Utility)

For All Territory Served By Cooperative's Transmission System P.S.C. KY. No. 27

Original SHEET NO. 28.01

CANCELLING P.S.C. KY. No.

SHEET NO.

RATES, TERMS AND CONDITIONS – SECTION 1

STANDARD RATE – LIC – Large Industrial Customer – (continued)

[N]

Charges:

Each month, each Member Cooperative shall pay on behalf of each of its large industrial customers taking service under this rate schedule a demand charge calculated by multiplying the demand charge by the higher of the maximum integrated metered thirty-minute non-coincident peak demand or the established contact demand, if any, plus an energy charge calculated by multiplying the energy charge by the metered consumption of kWh in that month.

The Following adjustment clauses and riders shall apply to service under this tariff.

- Voluntary Price Curtailable Service Rider
Renewable Resource Energy Service
Rebate Adjustment
Environmental Surcharge
Fuel Adjustment Clause
Member Rate Stability Mechanism
Unwind Surcredit
Non-Smelter Non-FAC PPA
Rural Economic Reserve Rider

Billing:

Big Rivers shall bill Member no later than the first working day after the 13th of the month for the previous month's service hereunder for Large Industrial Customers. Member shall pay Big Rivers in immediately available funds on the first working day after the 24th of the month. If Member shall fail to pay any such bill within such prescribed period, Big Rivers may discontinue delivery of electric power and energy hereunder upon five (5) days written notice to Member of its intention to do so. Such discontinuance for non-payment shall not in any way affect the obligation of Member to pay the take-or-pay obligation of a particular Large Industrial Customer.

DATE OF ISSUE
DATE EFFECTIVE

/s/ Robert W. Berry

ISSUED BY: Robert W. Berry, President and Chief Executive Officer
Big Rivers Electric Corporation, 201 Third Street, Henderson, KY 42420



(Name of Utility)

For All Territory Served By
Cooperative's Transmission System
P.S.C. KY. No. _____ 27

Third Revised SHEET NO. 65

CANCELLING P.S.C. KY. No. _____ 27

Second Revised SHEET NO. 65

RATES, TERMS AND CONDITIONS – SECTION 2

MRSM – Member Rate Stability Mechanism

Applicability:

Applicable in all territory served by Big Rivers' Member Cooperatives.

Availability:

Available pursuant to Section 3 – Special Rules, Terms, and Conditions: Discount Adjustment of this tariff for all service under Standard Rate Schedule RDS and Standard Rate Schedule LIC. [T]

Definitions:

Please see Section 4 for definitions common to all tariffs.

For the period through the December 2020 service month:

[T]

Member Rate Stability Mechanism:

Big Rivers originally established an Economic Reserve of \$157 million pursuant to the Commission's Order dated March 6, 2009, in Case No. 2007-00455. Big Rivers shall deposit the transmission revenues it receives from Century-Hawesville into the Economic Reserve through November 30, 2020. The transmission revenues are allocated 79.2% to the Rural class and 20.8% to the Large Industrial class. The MRSM credit will draw from the applicable accounts containing transmission revenues to provide a credit to each Member during a month. The credit owed to the Large Industrial class shall be allocated to each Member based on kWh sales within the Large Industrial class, and the credit owed to the Rural class shall be based on the number of retail customers served by each Member; in each case, however, such change shall be effective only in coordination with the effective date of each Member's corresponding tariff revision.



DATE OF ISSUE _____
DATE EFFECTIVE _____

/s/ Robert W. Berry

ISSUED BY: Robert W. Berry,
President and Chief Executive Officer
Big Rivers Electric Corporation, 201 Third Street, Henderson, KY 42420



Your Touchstone Energy Cooperative

(Name of Utility)

For All Territory Served By Cooperative's Transmission System P.S.C. KY. No. 27

Second Revised SHEET NO. 66

CANCELLING P.S.C. KY. No. 27

First Revised SHEET NO. 66

RATES, TERMS AND CONDITIONS – SECTION 2

MRSM – Member Rate Stability Mechanism – (continued)

For the period beginning with the January 2021 service month:

[N]

Member Rate Stability Mechanism:

Pursuant to the Commission's Order dated ..., 2020, in Case No. 2020-00064, beginning with calendar year 2020, once Big Rivers completes its year-end financial statements after the end of a calendar year, Big Rivers shall record a member rate credit liability equal to 50% of Adjusted Net Margins in excess of a 1.30 Times Interest Earned Ratio ("TIER") for that calendar year ("TIER Credit").

Adjusted Net Margins shall equal Big Rivers' calendar year Net Margins, before the TIER Credit, and after excluding expenses related to "promotional advertising, political advertising, or institutional advertising" as defined in 807 KAR 5:016, lobbying costs, and donations, or to one-time charges related to the amortization of equity headroom. Big Rivers shall, however, include in the calculation of Adjusted Net Margins economic development expenses, promotional advertising expenses, and Touchstone Energy dues in a cumulative annual amount not to exceed four hundred thousand (\$400,000).

The TIER Credit will be allocated to the Rural class and the Large Industrial class based on Member revenues during the calendar year, excluding revenue associated with sales under an economic development rate and sales to which Big Rivers' Fuel Adjustment Clause is inapplicable.

The TIER Credit will be credited to Members through the MRSM in equal amounts over the following twelve (12) consecutive months. The credit each month within the Large Industrial class shall be applied to each Member based on kWh sales excluding sales under an economic development rate and sales to which Big Rivers' Fuel Adjustment Clause is inapplicable. The credit each month within the Rural class shall be applied to each Member based on the number of retail customers serviced by each Member.

If Big Rivers is able to fully amortize the balance of the regulatory assets that the Commission authorized Big Rivers to amortize in Case No. 2020-00064, then the TIER Credit shall equal 100% of Adjusted Net Margins in excess of a 1.30 TIER.

DATE OF ISSUE
DATE EFFECTIVE

/s/ Robert W. Berry

ISSUED BY: Robert W. Berry, President and Chief Executive Officer, Big Rivers Electric Corporation, 201 Third Street, Henderson, KY 42420



(Name of Utility)

For All Territory Served By
Cooperative's Transmission System
P.S.C. KY. No. 27

Third Revised SHEET NO. 67

CANCELLING P.S.C. KY. No. 27

Second Revised SHEET NO. 67

RATES, TERMS AND CONDITIONS – SECTION 2

MRSM – Member Rate Stability Mechanism – (continued)

For the period beginning with the January 2021 service month (continued):

[N]

Smelter Loss Mitigation Regulatory Assets:

Pursuant to the Commission's Order dated _____, 2020, in Case No. 2020-00064, beginning with calendar year 2020, once Big Rivers completes its year-end financial statements after the end of a calendar year, Big Rivers shall record an amortization expense equal to 50% of Adjusted Net Margins in excess of a 1.30 TIER for that calendar year, to be applied against its Smelter Loss Mitigation Regulatory Assets. Big Rivers shall prioritize its amortization of its Smelter Loss Mitigation Regulatory Assets – as defined in, and as authorized by, the Commission's Order in Case No. 2020-00064 – in the following order so as to reduce the specific regulatory assets until fully recovered:

1. Focused Management Audit Expenses,
2. Wilson Station Deferred Depreciation,
3. Coleman Station Deferred Depreciation,
4. Reid Station Unit 1 Regulatory Asset,
5. Station Two Regulatory Asset, *and*
6. Coleman Station Regulatory Asset.

DATE OF ISSUE _____
DATE EFFECTIVE _____

/s/ Robert W. Berry

ISSUED BY: Robert W. Berry,
President and Chief Executive Officer
Big Rivers Electric Corporation, 201 Third Street, Henderson, KY 42420



(Name of Utility)

For All Territory Served By
Cooperative's Transmission System
P.S.C. KY. No. 27

Third Revised SHEET NO. 68

CANCELLING P.S.C. KY. No. 27

Second Revised SHEET NO. 68

RATES, TERMS AND CONDITIONS – SECTION 2

MRSM – Member Rate Stability Mechanism – (continued)

Tariff Sheet CANCELLED

Reserved for Future Use

[T]
↓

DATE OF ISSUE _____
DATE EFFECTIVE _____

/s/ Robert W. Berry

ISSUED BY: Robert W. Berry,
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BIG RIVERS ELECTRIC CORPORATION
ELECTRONIC APPLICATION OF
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1 **Item 6) Refer to Mathews Direct Testimony, page 9, lines 7 and 10. Refer also**
2 **to Exhibit Mathews-4.**

3 **a. Provide the breakdown for the Green Station Regulatory Asset**
4 **balance of \$81.5 million and explain why Green Station is not included in**
5 **Exhibit Mathew 4.**

6 **b. Provide the breakdown for the total balance of the Smelter Loss**
7 **Mitigation (SLM) Regulatory Assets of \$187.9 million, separated by station.**

8

9 **Response)**

10 **a. Exhibit Mathews-4 reflects only information related to those Smelter**
11 **Loss Mitigation Regulatory Assets that Big Rivers is required to report annually**
12 **pursuant to the Settlement Agreement, Stipulation, and Recommendation among Big**
13 **Rivers, KIUC and the Attorney General dated May 28, 2020, and the Final Order in**

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1 Case No. 2020-00064.¹ Big Rivers provides this required SLM information through
2 Exhibit Mathews-4 as part of its annual MRSM filing.

3 The Green Station Regulatory Asset was created to defer the remaining net
4 book value and decommissioning costs of the coal-related assets retired as part of the
5 Green Station conversion to natural gas, and was not established until after the
6 Commission authorized it on June 11, 2021.² Because it falls outside the scope of the
7 reporting requirements, it has not historically been included in Exhibit Mathew-4.

8 A breakdown of the Green Station Regulatory Asset follows:

Coal Related Assets Net Book Write Off	66,822,839.69
RegAsset-Def ARO Dep & Acc Expense (Sebree Landfill)	16,652,644.33
Cost to Decommission Asset	13,899,140.65
Monthly Reg Asset Amortization	-15,871,059.50
TOTAL	<u>\$81,503,565.17</u>

9

¹ *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Approval to Modify Its MRSM Tariff, Cease Deferring Depreciation Expenses, Establish Regulatory Assets, Amortize Regulatory Assets, Amortize Regulatory Assets, and Other Appropriate Relief, Case No. 2020-00064, Order, (June 25, 2020).*

² *In the Matter of: Electronic Application of Big Rivers Electric Corporation for a Certificate of Public Convenience and Necessity Authorizing the Conversion of the Green Station Units to Natural Gas-Fired Unites and an Order Approving the Establishment of a Regulatory Asset, Case No. 2021-00079, Order (June 11, 2021).*

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1 b. The total balance of the SLM Regulatory Assets as of January 1, 2025
2 was approximately \$187.9 million, as stated on page 9 of Talina R. Mathews direct
3 testimony. Please refer to Exhibit Mathews-4, Line 1 labeled "1/1/2025 Balance" for
4 a detailed breakdown by station of the outstanding balance as of January 1, 2025.
5 The Station Two Decommission regulatory asset balance was \$51.4 million as of
6 January 1, 2025. The Coleman Station Decommission regulatory asset balance was
7 \$ 136.5 million as of January 1, 2025.

8

9

10 **Witness)** Talina R. Mathews

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1 *Item 7) Refer to the Direct Testimony of Manny Zeringue (Zeringue Direct*
2 *Testimony), page 7. Explain how BREC plans to cover decommissioning costs*
3 *without impacting member rates, given that the significant Henderson*
4 *Municipal Power and Light outstanding balance remains unpaid due to*
5 *ongoing legal disputes.*

6

7 **Response)** Big Rivers is making every effort to ensure that Henderson Municipal
8 Power and Light (HMPL) pays their share of Station Two decommissioning costs and
9 our Member-Owners' rates are not impacted. The HMPL portion of the
10 decommissioning cost is not recorded in the SLM Regulatory Assets. It is in a
11 separate account receivable account on the general ledger. Big Rivers expects to fully
12 recover the balance owed from HMPL.

13

14

15 **Witness)** Talina R. Mathews

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1 **Item 8)** *Refer to Zeringue Direct Testimony, Exhibit Zeringue-3. Provide it*
2 *in Excel spreadsheet format with all formulas, columns, and unprotected*
3 *rows, and fully accessible.*

4

5 **Response)** Please see the Exhibit Zeringue-3 in Excel spreadsheet format attached
6 to this response.

7

8

9 **Witness)** Manny Zeringue

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1 **Item 9) Refer to the Direct Testimony of Mark W. Bertram (Bertram Direct**
2 **Testimony), page 4. Explain how the future capital expenses will be**
3 **integrated into BREC's TIER calculations and the MRSM credit mechanism**
4 **as the compliance deadline approaches regarding the estimated \$48.72**
5 **million cost to close the Coleman legacy ponds between 2028 and 2033.**

6

7 **Response)** Big Rivers requested and the Commission approved the accounting
8 treatment for the Coleman ash pond closures (Project 13-2 of Big Rivers 2020
9 Environmental Compliance Plan) in Case No. 2019-00435.¹ Under the approved
10 treatment, an Asset Retirement Obligation (“ARO”) for the Coleman legacy ponds,
11 and all ARO-related depreciation and accretion expense will be deferred as a

¹ *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Approval of Its 2020 Environmental Compliance Plan, Authority to Recover Costs through a Revised Environmental Surcharge and Tariff, the Issuance of Surcharge and Tariff, the Issuance of a Certificate of Public Convenience and Necessity for certain Projects, and Appropriate Accounting and other Relief, Case No. 2019-00435, Order (Aug. 6, 2020)*

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1 regulatory asset until Big Rivers begins recovering the actual closure costs through
2 the Environmental Surcharge Mechanism (“ESM”).

3 Consistent with the method approved for the Green Station and Station Two
4 ash pond closures,² the Commission authorized Big Rivers to recover Coleman closure
5 costs through non-levelized amortization of the actual ash pond closure spending-to-
6 date over a rolling 10-year period once expenditures begin.

7 Big Rivers established the Asset Retirement Obligation for the Coleman ash
8 pond closures in November 2024. Because the regulatory asset defers ARO-related
9 depreciation and accretion expense, there will be no impact to margins—and
10 therefore no effect on TIER calculations or the TIER-based credit under the Member
11 Rate Stability Mechanism (“MRSM”)—until actual closure spending begins. At that
12 time, the amortization of the Coleman spend-to-date will flow through the ESM. Big
13 Rivers estimates approximately 84% will be recovered through Big Rivers’

² *In the Matter of: Application of Big Rivers Electric Corporation for Authority to Establish Regulatory Assets for Expenses Related to the Coal Combustion Residuals Rule*, Case No. 2015-00333, Order (Jan. 5, 2016).

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1 Environmental Surcharge Mechanism and the remaining 16% will reduce margins.
2 As a result, the MRSM TIER calculation will reflect no change until expenditures
3 occur, and even then, the ESM design prevents material impacts to margins or the
4 MRSM credit.

5

6

7 **Witness)** Talina R. Mathews