

**ORIGINAL**



Your Touchstone Energy® Cooperative 

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

**In the Matter of:**

**APPLICATION OF BIG RIVERS                    )**  
**ELECTRIC CORPORATION FOR A                )** **Case No. 2012-00535**  
**GENERAL ADJUSTMENT IN RATES            )**

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

**Volume 3 of 4**

**FILED:       February 28, 2013**

**ORIGINAL**

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC  
ATTORNEYS AT LAW

RECEIVED

FEB 28 2013

PUBLIC SERVICE  
COMMISSION

Ronald M. Sullivan  
Jesse T. Mountjoy  
Frank Stainback  
James M. Miller  
Michael A. Fiorella  
Allen W. Holbrook  
R. Michael Sullivan  
Bryan R. Reynolds\*  
Tyson A. Kamuf  
Mark W. Starnes  
C. Ellsworth Mountjoy

February 28, 2013

Mr. Jeff DeRouen  
Executive Director  
Public Service Commission of Kentucky  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, KY 40602-0615

\*Also Licensed in Indiana

*In The Matter Of: Application of Big Rivers Electric Corporation For A  
General Adjustment In Rates - Case No. 2012-00535*

Dear Mr. DeRouen:

Enclosed for filing are an original and ten (10) copies of (i) the response of Big Rivers Electric Corporation to the Public Service Commission Staff's Second Request for Information and the intervenor's first requests for information; (ii) a petition for confidential treatment for certain of the responses; and (iii) a Motion for Deviation. Please note that since the Commission has not ruled on the petition to intervene filed by Ben Taylor and the Sierra Club, Big Rivers is not responding to their information requests or sending them copies of the responses to the information requests that Big Rivers is responding to.

Copies of the responses, the petition, and the motion have been served on those parties listed on the attached service list by Federal Express or hand delivery.

Sincerely,



Tyson Kamuf

cc: Service List  
Billie J. Richert

Telephone (270) 926-4000  
Telecopier (270) 683-6694

100 St. Ann Building  
PO Box 727  
Cynthiana, Kentucky  
42302-0727

www.westkylaw.com

Service List  
PSC Case No. 2012-00535

Jennifer Black Hans  
Lawrence W. Cook  
Dennis G. Howard, II  
Assistant Attorneys General  
1024 Capital Center Dr.  
Suite 200  
Frankfort, KY 40601

Mr. David Brevitz  
3623 SW Woodvalley Terrace  
Topeka, KS 66614

Mr. Bion C. Ostrander  
1121 S.W. Chetopa Trail  
Topeka, KS 66615

Mr. Larry Holloway  
830 Romine Ridge  
Osage City, KS 66523

Michael L. Kurtz, Esq.  
Kurt J. Boehm, Esq.  
Boehm, Kurtz & Lowry  
36 E. Seventh St., Suite 1510  
Cincinnati, Ohio 45202

Lane Kollen  
J. Kennedy and Associates, Inc.  
570 Colonial Park Dr., Suite 305  
Roswell, Georgia 30075

Russell L. Klepper  
Energy Services Group, LLC  
316 Maxwell Road, Suite 400  
Alpharetta, Georgia 30009

David C. Brown, Esq.  
Stites & Harbison, PLLC  
400 W. Market Street, Suite 1800  
Louisville, KY 40202

Donald P. Seberger, Esq.  
Special Counsel  
Rio Tinto Alcan  
8770 West Bryn Mawr Avenue  
Chicago, Illinois 60631

Gregory Starheim  
President & CEO  
Kenergy Corp.  
6402 Old Corydon Road  
P.O. Box 18  
Henderson, Kentucky 42419-0018

J. Christopher Hopgood, Esq. .  
318 Second Street  
Henderson, Kentucky 42420

Burns Mercer  
Meade County RECC  
1351 Hwy. 79  
P.O. Box 489  
Brandenburg, Kentucky 40108

Thomas C. Brite, Esq.  
Brite & Hopkins, PLLC  
83 Ballpark Road  
P.O. Box 309  
Hardinsburg, KY 40143-0309

G. Kelly Nuckols  
President and CEO  
Jackson Purchase Energy Corporation  
2900 Irvin Cobb Drive  
P.O. Box 4030  
Paducah, KY 42002-4030

Melissa D. Yates  
Denton & Keuler, LLP  
555 Jefferson Street  
Suite 301  
Paducah, KY 42001

David O'Brien Suetholz  
Neal B. Hayes  
Kircher Suetholz & Grayson PSC  
515 Park Avenue  
Louisville, KY 40208



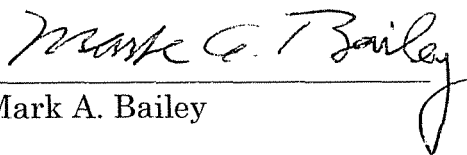
**BIG RIVERS ELECTRIC CORPORATION**

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION  
FOR A GENERAL ADJUSTMENT IN RATES**

**CASE NO. 2012-00535**

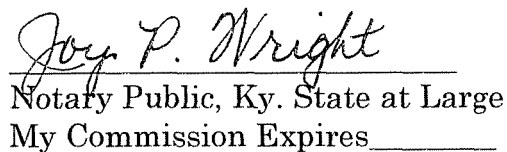
**VERIFICATION**

I, Mark A. Bailey, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

  
Mark A. Bailey

COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by Mark A. Bailey on this  
the 27 day of February, 2013.

  
Notary Public, Ky. State at Large  
My Commission Expires \_\_\_\_\_

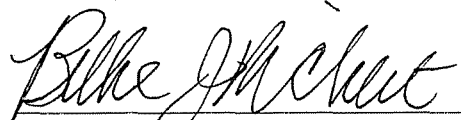
Notary Public, Kentucky State-At-Large  
My Commission Expires: July 3, 2014  
ID 421951

**BIG RIVERS ELECTRIC CORPORATION**

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

**VERIFICATION**


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



Billie J. Richert

COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this  
the 27 day of February, 2013.



Notary Public, Ky. State at Large  
My Commission Expires \_\_\_\_\_

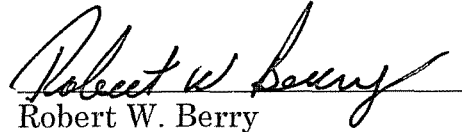
Notary Public Kentucky State-At-Large  
My Commission Expires: July 3, 2014  
ID 421951

**BIG RIVERS ELECTRIC CORPORATION**

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

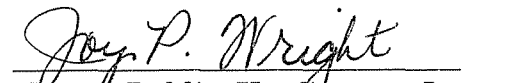
**VERIFICATION**

I, Robert W. Berry, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

  
Robert W. Berry

COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by Robert W. Berry on this  
the 27 day of February, 2013.

  
Notary Public, Ky. State at Large  
My Commission Expires \_\_\_\_\_

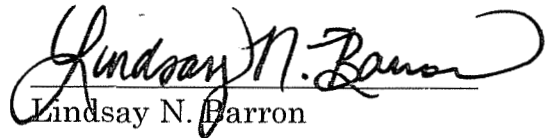
Notary Public, Kentucky State-At-Large  
My Commission Expires: July 3, 2014  
ID 421951

**BIG RIVERS ELECTRIC CORPORATION**

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

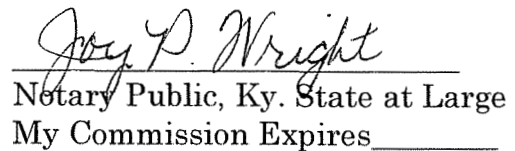
**VERIFICATION**

I, Lindsay N. Barron, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

  
Lindsay N. Barron

COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by Lindsay N. Barron on  
this the 27 day of February, 2013.

  
Notary Public, Ky. State at Large  
My Commission Expires \_\_\_\_\_

Notary Public, Kentucky State-At-Large  
My Commission Expires: July 3, 2014  
ID 421951

**BIG RIVERS ELECTRIC CORPORATION**

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

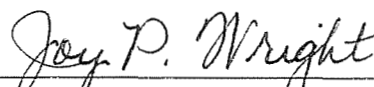
**VERIFICATION**

I, David G. Crockett, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

  
David G. Crockett

COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by David G. Crockett on this  
the 27 day of February, 2013.

  
Notary Public, Ky. State at Large  
My Commission Expires \_\_\_\_\_

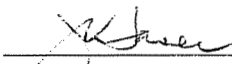
Notary Public, Kentucky State-At-Large  
My Commission Expires: July 3, 2014  
ID 421951

**BIG RIVERS ELECTRIC CORPORATION**

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

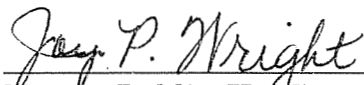
**VERIFICATION**

I, James V. Haner, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

  
\_\_\_\_\_  
James V. Haner

COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by James V. Haner on this  
the 27 day of February, 2013.

  
\_\_\_\_\_  
Notary Public, Ky. State at Large  
My Commission Expires \_\_\_\_\_

Notary Public Kentucky State-At-Large  
My Commission Expires: July 3, 2014  
ID 421951

**BIG RIVERS ELECTRIC CORPORATION**

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

**VERIFICATION**

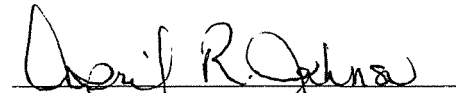
I, Travis A. Siewert, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Travis A. Siewert

COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by Travis A. Siewert on this  
the 26<sup>th</sup> day of February, 2013.



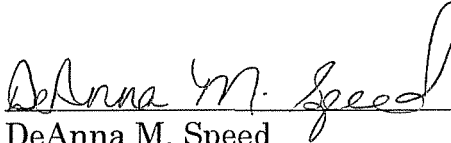
Notary Public, Ky State at Large  
My Commission Expires 8-9-2014

**BIG RIVERS ELECTRIC CORPORATION**

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

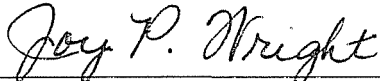
**VERIFICATION**

I, DeAnna M. Speed, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

  
DeAnna M. Speed

COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by DeAnna M. Speed on this  
the 27 day of February, 2013.

  
Notary Public, Ky. State at Large  
My Commission Expires \_\_\_\_\_

Notary Public Kentucky State-At-Large  
My Commission Expires: July 3, 2014  
ID 421951



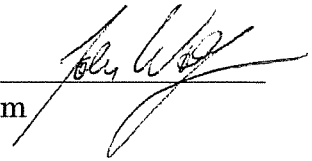
**BIG RIVERS ELECTRIC CORPORATION**

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

**VERIFICATION**

I, John Wolfram, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

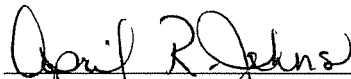
\_\_\_\_\_  
John Wolfram



COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by John Wolfram on this the  
26<sup>th</sup> day of February, 2013.

\_\_\_\_\_  
Notary Public, Ky. State at Large  
My Commission Expires 8-9-2014

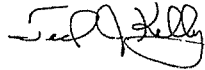


BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

I, Ted J. Kelly, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



\_\_\_\_\_  
Ted J. Kelly

STATE OF MISSOURI                    )  
COUNTY OF JACKSON                )

SUBSCRIBED AND SWORN TO before me by Ted J. Kelly on this the 27 day of February, 2013.




PAULA M. ANNAN  
My Commission Expires  
January 19, 2015  
Jackson County  
Commission #11992872

Paula M Annan  
Notary Public  
State of Missouri  
My Commission Expires 1-19-15

**ORIGINAL**



Your Touchstone Energy® Cooperative 

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

**In the Matter of:**

**APPLICATION OF BIG RIVERS            )  
ELECTRIC CORPORATION FOR A        )  
GENERAL ADJUSTMENT IN RATES    )    Case No. 2012-00535**

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

**Volume 3 of 4**

**FILED:       February 28, 2013**

**ORIGINAL**

**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 151) Please refer to Speed Direct at page 12, line 9: Provide**  
2 **details of volume and price of off-system sales related to the**  
3 **production cost model included in the Big Rivers financial model used**  
4 **in this case. Information should include input and output**  
5 **spreadsheets, etc. in electronic format compatible with Microsoft**  
6 **Office programs.**

7

8 **Response)** Please see the Microsoft Excel file titled "PSC 1-57 – Financial  
9 Forecast (2013-2016) Filed – CONFIDENTIAL.xlsx" provided on the  
10 CONFIDENTIAL CD accompanying the response to the Commission Staff's  
11 initial request for information item 57. The off-system sales volumes can be  
12 found in the above referenced file on the PCM worksheet, row 10. The off-  
13 system sales price can be found in the above referenced file on the PCM  
14 worksheet, row 77.

15

16 **Witness)** Travis A. Siewert



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 152) Please refer to Speed Direct at page 13, line 10: Provide**  
2 **HMP&L general and administrative costs allocated to Big Rivers cost**  
3 **estimate provided to Big Rivers' budget department and included in**  
4 **the Big Rivers' financial model used in this case.**

5

6 **Response)** The HMP&L general and administrative cost estimates allocated  
7 to Big Rivers reflected in the financial model used in this case are:

8       2013 Budget               - \$ [REDACTED]  
9       2014 Financial Plan - \$ [REDACTED]  
10       2015 Financial Plan - \$ [REDACTED]  
11       2016 Financial Plan - \$ [REDACTED]

12

13       The numbers are being provided pursuant to a petition for  
14 confidentiality.

15

16 **Witness)** DeAnna M. Speed



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 153)** *Please refer to Speed Direct at page 14, line 3: Provide Big*  
2 *Rivers' calculation of its share of the costs related to the dispatch*  
3 *and operation of HMP&L's Station Two generating station included in*  
4 *the Big Rivers' financial model used in this case. Information should*  
5 *include spreadsheets, etc. in electronic format compatible with*  
6 *Microsoft Office programs.*

7

8 **Response)** Please reference the Monthly Resource Report tab of the file  
9 titled "PSC 1-57 - Big Rivers 2013-2016 PCM - CONFIDENTIAL.xlsx"  
10 provided on the CONFIDENTIAL CD in response to the Commission Staff's  
11 initial request for information item 57.

12

13 **Witness)** Travis A. Siewert





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 154) *Please refer to the Speed testimony at page 18, line 21.***  
2 ***Provide documents and presentation materials associated with Board***  
3 ***of Directors' consideration of the 2013 budget. Include all supporting***  
4 ***work papers and documents.***

5

6 **Response)** A copy of the presentation material associated with Board of  
7 Directors' consideration of the 2013 budget is provided as an attachment to  
8 this response pursuant to a petition for confidential treatment. Please  
9 reference PSC 1-57 for supporting work papers and documents.

10

11 **Witness)** DeAnna Speed




# Big Rivers Electric Corporation

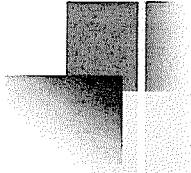
## 2013 Budget 2014-2016 Financial Plan

Date Presented: November 16, 2012

Case No. 2012-00535  
Attachment to Response for AG 1-154  
Witness: DeAnna Speed  
Page 1 of 23



Your Touchstone Energy<sup>®</sup> Cooperative 



# North Star

**Cost per kWh** (A divided by B)

A = Total Cost of Electric Service Minus Non-Member Revenues

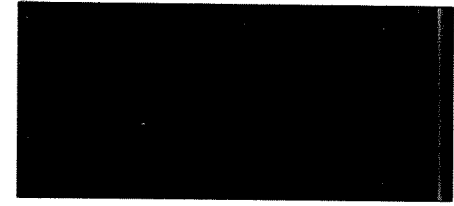
B = Smelter and Non-Smelter Member kWh

North Star per Financial Plan

2013:	[REDACTED]
2014:	[REDACTED]
2015:	[REDACTED]
2016:	[REDACTED]


North Star per October 2008 Unwind Model

2013:	[REDACTED]
2014:	[REDACTED]



Case No. 2012-00535  
Attachment to Response for AG 1-154  
Witness: DeAnna Speed  
Page 2 of 23



Your Touchstone Energy<sup>®</sup> Cooperative 



## Mission, Vision and Values

### Mission

- Big Rivers will safely deliver low cost, reliable wholesale power, and the cost-effective shared services desired by our Members

### Vision

- Big Rivers will be viewed as one of the top G&Ts in the country, and will provide the services our Members desire in meeting future challenges

### Values

- Safety
- Integrity
- Excellence
- Member and Community Service
- Respect for the Employee
- Teamwork
- Environmentally Conscious


Case No. 2012-00535

Attachment to Response for AG 1-154

Witness: DeAnna Speed

Page 3 of 23



Your Touchstone Energy<sup>3</sup> Cooperative 

# Noteworthy Assumptions (\$ in Thousands)

All \$ in 000s

- 1 The Member (including Smelter) base rate revenue is based on the PSC Order received in November 2011. General Rate base wholesale revenue increase of 29% for Rurals, 18% for Large Industrials and 16% for the Smelter is effective August 21, 2013. One hundred percent of the subsidy between the Rurals and other rate classes has been removed. (No assumption related to outcome of 2012 Rehearing on 2011 Rate Case.)
- 2 The Smelter(s) are at the ceiling of the TIER Adjustment Charge in 2013 (\$2.95). Century ceases operation effective August 20, 2013, per their notification letter. Alcan remains under existing contract structure. Alcan is slightly below the ceiling of their TIER Adjustment Charge in 2014 (\$2.94), below the ceiling in 2015 (\$2.37), and at the ceiling in 2016 (\$3.55).
- 3 Wilson Station is layed up beginning August 21, 2013. Labor reduction is effective December 1, 2013.

4 Off-System sales:

	2013	2014	2015	2016
\$/MWh (average)				
MWh				

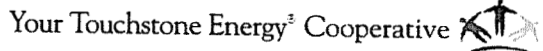
5 Total MWh sales:

	2013	2014	2015	2016
MWh				

6 Big Rivers' MWh net generation:

	2013	2014	2015	2016
MWh				

Case No. 2012-00535  
 Attachment to Response for AG 1-154  
 Witness: DeAnna Speed  
 Page 4 of 23



# Noteworthy Assumptions (\$ in Thousands)

continued

7 **Market purchases:**

	2013	2014	2015	2016
\$/MWh (average)				
MWh				

- 8 Economic Reserve depletes and Rural Economic Reserve (RER) starts in 2015. RER depletes in 2018.
- 9 Environmental Compliance Plan (ECP) assumes HAPS/MATS are viable.
- 10 Environmental Surcharge mechanism changes as approved by the KPSC in the ECP Case is effective (includes ECP expense amortization beginning in 2013 and depreciation, property tax & insurance beginning in 2014).
- 11 HMP&L Excess Energy calculation does not consider the ruling from the arbitration.
- 12 2.25% wage increase for non-bargaining employees in January, for Production bargaining employees in September and for Transmission bargaining employees in October each year 2013-2015; 2% for all employees in 2016.
- 13 Headcount of 627 employees January-November 2013, 535 in December 2013 due to lay up of Wilson. Year end headcount for 2014-2016 is 536. Labor dollars include "churn" of 16 employees in 2013 and 14 employees each year 2014-2016. (Average number of employees in 2012 is 611).
- 14 Severance package cost of \$4,600 related to the Wilson lay-up is deferred and amortized over a 60 month period for both rate recovery and accounting purposes beginning 9/1/13.
- 15 City's MW share of Station Two is based on the unapproved Capacity Reservation and Allocation letter received from HMP&L in April: 115 MW through 5/31/13, 120 MW through 5/31/14, 125 MW for the remaining planning period.


Case No. 2012-00535

Attachment to Response for AG 1-154

Witness: DeAnna Speed

Page 5 of 23



Your Touchstone Energy<sup>®</sup> Cooperative 

## Noteworthy Assumptions (\$ in Thousands)

continued

16 2012 Depreciation Study preliminary rates are reflected.

17 Capital Expenditures for 2013-2016, excluding City's share of Station Two and including capitalized interest:

	2013	2014	2015	2016
Env. Compliance				
Base CAPEX				
Total \$				

18 Refinance the \$58.8m PC Bonds in March 2013, at 6.0% and a level debt service.

19 ECP borrowing at 3.0% with draws matched to spending.

20 MISO administrative fees:

	2013	2014	2015	2016
\$	4,026	2,426	2,438	2,464

No assumption for HMP&L's share of MISO expenses each year.

21 Rate case expenditures of \$1,586 are deferred and amortized over a 36 month period for both rate and accounting purposes (amortization begins 9/1/13).


Case No. 2012-00535

Attachment to Response for AG 1-154

Witness: DeAnna Speed

Page 6 of 23



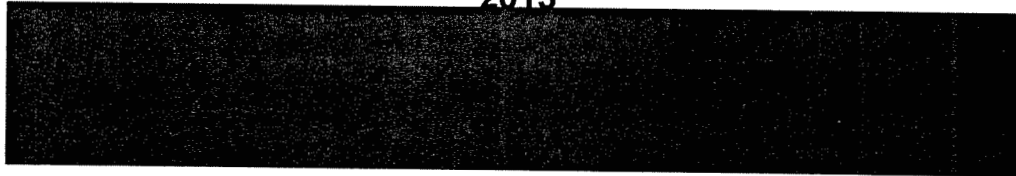
Your Touchstone Energy<sup>®</sup> Cooperative 



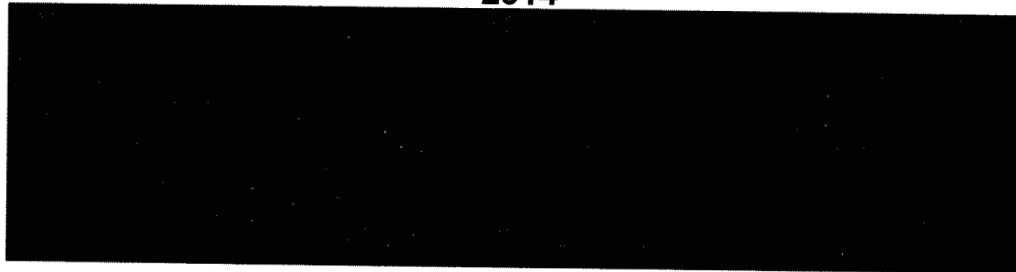
# Outage Schedule – 2013-2014

Start	End	Number of Days	Unit/Outage
-------	-----	-------------------	-------------

2013




2014



Case No. 2012-00535  
Attachment to Response for AG 1-154  
Witness: DeAnna Speed  
Page 7 of 23

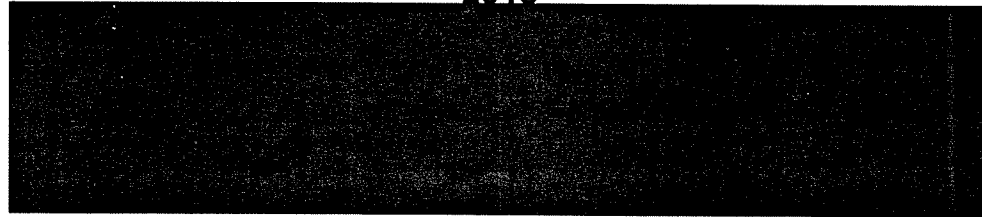


Your Touchstone Energy® Cooperative 

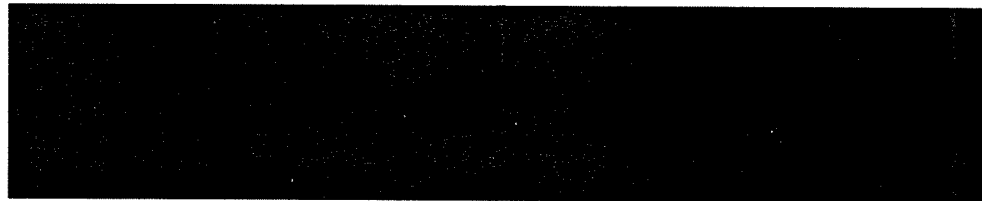
# Outage Schedule – 2015-2016

<u>Start</u>	<u>End</u>	<u>Number of Days</u>	<u>Unit/Outage</u>
--------------	------------	---------------------------	--------------------

2015




2016



Case No. 2012-00535  
Attachment to Response for AG 1-154  
Witness: DeAnna Speed  
Page 8 of 23




Your Touchstone Energy<sup>s</sup> Cooperative 

# Planned Outage and Routine Fixed Departmental Expense (FDE)

	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Financial Plan		
						2014	2015	2016
Planned Outage	7,987	4,724	22,664	7,953				
Routine	33,725	36,443	37,705	33,083				
<b>Total Production FDE</b>	<b>41,712</b>	<b>41,167</b>	<b>60,369</b>	<b>41,036</b>				

Case No. 2012-00535  
 Attachment to Response for AG 1-154  
 Witness: DeAnna Speed  
 Page 9 of 23



Your Touchstone Energy<sup>3</sup> Cooperative 

**BIG RIVERS ELECTRIC CORPORATION**  
**STATEMENT OF OPERATIONS**

in \$000s

	2012 Budget	2012 Forecast (8+4)	2013 Budget	2014 Financial Plan	2015 Financial Plan	2016 Financial Plan
ELECTRIC ENERGY REVENUES	614,725	556,113				
OTHER OPERATING REVENUE AND INCOME	4,012	4,861	3,696	3,700	3,696	3,695
TOTAL OPER REVENUES & PATRONAGE CAPITAL	618,737	560,974				
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	54,962	49,286				
OPERATION EXPENSE-PRODUCTION-FUEL	240,841	222,227				
OPERATION EXPENSE-OTHER POWER SUPPLY	126,165	109,264				
OPERATION EXPENSE-TRANSMISSION	10,723	9,798				
OPERATION EXPENSE-RTO/ISO	2,471	2,261				
CONSUMER SERVICE & INFORMATIONAL EXPENSE	724	554				
OPERATION EXPENSE-SALES	1,102	854				
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	25,926	28,132				
TOTAL OPERATION EXPENSE	462,914	422,376				
MAINTENANCE EXPENSE-PRODUCTION	58,890	40,914				
MAINTENANCE EXPENSE-TRANSMISSION	3,933	4,559				
MAINTENANCE EXPENSE-GENERAL PLANT	102	155				
TOTAL MAINTENANCE EXPENSE	62,925	45,628				
DEPRECIATION & AMORTIZATION EXPENSE	41,911	41,272	42,314	44,908	46,847	47,799
TAXES	1	4	1	1	1	1
INTEREST ON LONG-TERM DEBT	44,647	45,028	46,304	47,162	47,088	46,729
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(678)	(789)	(772)	(2,102)	(499)	(367)
OTHER INTEREST EXPENSE	0	55	0	0	0	0
OTHER DEDUCTIONS	416	261	577	591	596	444
TOTAL COST OF ELECTRIC SERVICE	612,136	553,835				
OPERATING MARGINS	6,601	7,139				
INTEREST INCOME	62	889	2,019	1,950	1,881	1,815
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0
OTHER CAPITAL CREDITS & PAT DIVIDENDS	33	59	1,271	2,706	2,628	2,544
EXTRAORDINARY ITEMS	0	0	0	0	0	0
NET PATRONAGE CAPITAL OR MARGINS	6,696	8,087				
North Star	0.050925	0.047904				
TIER	1.15	1.18				

Budget does not reflect incentive pay estimate.

**BIG RIVERS ELECTRIC CORPORATION**  
**STATEMENT OF OPERATIONS**

in \$000s

	2013 Budget												2012 Forecast	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	(8+4)
ELECTRIC ENERGY REVENUES														
OTHER OPERATING REVENUE AND INCOME	312	308	308	308	308	308	308	308	308	308	308	304	3,696	4,861
TOTAL OPER REVENUES & PATRONAGE CAPITAL														
OPERATION EXPENSE-PRODUCTION-EXCL FUEL														
OPERATION EXPENSE-PRODUCTION-FUEL														
OPERATION EXPENSE-OTHER POWER SUPPLY														
OPERATION EXPENSE-TRANSMISSION														
OPERATION EXPENSE-RTO/ISO														
CONSUMER SERVICE & INFORMATIONAL EXPENSE														
OPERATION EXPENSE-SALES														
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL														
TOTAL OPERATION EXPENSE														
MAINTENANCE EXPENSE-PRODUCTION														
MAINTENANCE EXPENSE-TRANSMISSION														
MAINTENANCE EXPENSE-GENERAL PLANT														
TOTAL MAINTENANCE EXPENSE														
DEPRECIATION & AMORTIZATION EXPENSE	3,440	3,442	3,446	3,452	3,466	3,479	3,487	3,493	3,642	3,647	3,658	3,662	42,314	41,272
TAXES	0	0	0	1	0	0	0	0	0	0	0	0	1	4
INTEREST ON LONG-TERM DEBT	3,802	3,494	3,929	3,837	3,944	3,802	3,936	3,936	3,821	3,973	3,865	3,965	46,304	45,028
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(2)	(6)	(22)	(46)	(40)	(60)	(80)	(41)	(60)	(103)	(135)	(177)	(772)	(789)
OTHER INTEREST EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER DEDUCTIONS	46	38	48	46	45	64	44	44	43	47	46	66	577	261
TOTAL COST OF ELECTRIC SERVICE														
OPERATING MARGINS														
INTEREST INCOME	171	170	170	169	169	168	168	168	168	168	166	164	2,019	889
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	1,238	25	0	0	0	0	0	0	0	0	0	0
EXTRAORDINARY ITEMS	0	0	0	0	0	0	0	8	0	0	0	0	1,271	59
NET PATRONAGE CAPITAL OR MARGINS														


## Cash Position \* (in Thousands of \$)

	Budget	Financial Plan		
	2013	2014	2015	2016
Beginning Balance	101,423	82,849	80,952	82,870
Cash Receipts	548,617	492,318	513,575	529,089
Cash Disbursements	(537,518)	(460,633)	(450,328)	(457,648)
Debt Service	(29,673)	(33,582)	(61,329)	(62,784)
Ending Balance	82,849	80,952	82,870	91,527

\* General Fund and Temporary Investments

Case No. 2012-00535  
 Attachment to Response for AG 1-154  
 Witness: DeAnna Speed  
 Page 12 of 23



Your Touchstone Energy<sup>®</sup> Cooperative 

# Electric Energy Revenue – 2013

(\$ in Thousands)

	2013			2012 Budget	2012 Forecast (8+4)
	MWH	\$	\$/MWH	\$/MWH	\$/MWH
<b>MEMBER REVENUE:</b>					
<b>GROSS:</b>					
Rurals	2,409,829	143,329	59.48	53.10	50.57
Industrials	943,027	46,238	49.03	45.89	43.18
	<u>3,352,856</u>	<u>189,567</u>	<u>56.54</u>	<u>51.02</u>	<u>48.40</u>
<b>LESS MRSM:</b>					
Rurals	2,409,829	19,648	8.15	8.74	6.06
Industrials	943,027	7,131	7.56	8.64	6.10
	<u>3,352,856</u>	<u>26,779</u>	<u>7.99</u>	<u>8.71</u>	<u>6.07</u>
<b>NET MEMBER REVENUE:</b>					
Rurals	2,409,829	123,681	51.32	44.36	44.51
Industrials	943,027	39,107	41.47	37.25	37.08
	<u>3,352,856</u>	<u>162,788</u>	<u>48.55</u>	<u>42.31</u>	<u>42.34</u>
<b>SMELTER REVENUE:</b>					
Smelters					
<b>MARKET REVENUE:</b>					
Market Sales					
<b>ELECTRIC ENERGY REVENUE</b>					

Case No. 2012-00535  
 Attachment to Response for AG 1-154  
 Witness: DeAnna Speed  
 Page 13 of 23

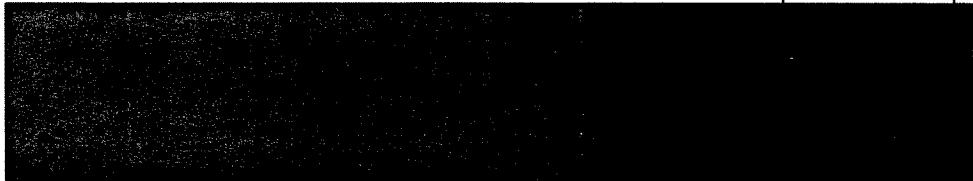


Your Touchstone Energy<sup>®</sup> Cooperative

# Electric Energy Revenue – 2014

(\$ in Thousands)


	2014			2013
	MWH	\$	\$/MWH	\$/MWH
<b>MEMBER REVENUE:</b>				
<b>GROSS:</b>				
Rurals	2,448,796	181,796	74.24	59.48
Industrials	943,699	55,090	58.38	49.03
	<u>3,392,495</u>	<u>236,886</u>	<u>69.83</u>	<u>56.54</u>
<b>LESS MRSM:</b>				
Rurals	2,448,796	24,621	10.05	8.15
Industrials	943,699	8,671	9.19	7.56
	<u>3,392,495</u>	<u>33,292</u>	<u>9.81</u>	<u>7.99</u>
<b>NET MEMBER REVENUE:</b>				
Rurals	2,448,796	157,175	64.18	51.32
Industrials	943,699	46,419	49.19	41.47
	<u>3,392,495</u>	<u>203,594</u>	<u>60.01</u>	<u>48.55</u>
<b>SMELTER REVENUE:</b>				
Smelter(s)	3,159,206	191,192	60.52	52.03
<b>MARKET REVENUE:</b>				
Market Sales				



**ELECTRIC ENERGY REVENUE**

Case No. 2012-00535  
 Attachment to Response for AG 1-154  
 Witness: DeAnna Speed  
 Page 14 of 23



Your Touchstone Energy<sup>3</sup> Cooperative 




# Electric Energy Revenue – 2015

(\$ in Thousands)

	2015			2014
	MWH	\$	\$/MWH	\$/MWH
<b>MEMBER REVENUE:</b>				
<b>GROSS:</b>				
Rurals	2,479,657	189,906	76.59	74.24
Industrials	943,699	57,150	60.56	58.38
	<u>3,423,356</u>	<u>247,056</u>	<u>72.17</u>	69.83
<b>LESS MRSM:</b>				
Rurals	2,479,657	27,629	11.14	10.05
Industrials	943,699	5,911	6.26	9.19
	<u>3,423,356</u>	<u>33,540</u>	<u>9.80</u>	9.81
<b>NET MEMBER REVENUE:</b>				
Rurals	2,479,657	162,277	65.44	64.18
Industrials	943,699	51,239	54.30	49.19
	<u>3,423,356</u>	<u>213,516</u>	<u>62.37</u>	60.01
<b>SMELTER REVENUE:</b>				
Smelter	3,159,206	199,689	63.21	60.52
<b>MARKET REVENUE:</b>				
Market Sales				
<b>ELECTRIC ENERGY REVENUE</b>				

Case No. 2012-00535  
 Attachment to Response for AG 1-154  
 Witness: DeAnna Speed  
 Page 15 of 23



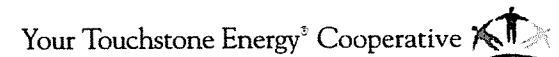
Your Touchstone Energy<sup>3</sup> Cooperative 

# Electric Energy Revenue – 2016

(\$ in Thousands)

	2016			2015
	MWH	\$	\$/MWH	\$/MWH
<b>MEMBER REVENUE:</b>				
<b>GROSS:</b>				
Rurals	2,519,437	198,316	78.71	76.59
Industrials	944,107	59,181	62.68	60.56
	<u>3,463,544</u>	<u>257,497</u>	<u>74.34</u>	<u>72.17</u>
<b>LESS MRSM:</b>				
Rurals	2,519,437	30,064	11.93	11.14
Industrials	944,107	0	0.00	6.26
	<u>3,463,544</u>	<u>30,064</u>	<u>8.68</u>	<u>9.80</u>
<b>NET MEMBER REVENUE:</b>				
Rurals	2,519,437	168,252	66.78	65.44
Industrials	944,107	59,181	62.68	54.30
	<u>3,463,544</u>	<u>227,433</u>	<u>65.66</u>	<u>62.37</u>
<b>SMELTER REVENUE:</b>				
Smelter	3,167,862	205,773	64.96	63.21
<b>MARKET REVENUE:</b>				
Market Sales				
<b>ELECTRIC ENERGY REVENUE</b>				

Case No. 2012-00535  
 Attachment to Response for AG 1-154  
 Witness: DeAnna Speed  
 Page 16 of 23



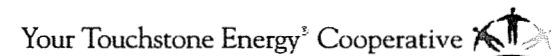
# Production - Variable Costs – 2013

(in Thousands of \$)

	2013 Budget							2012 (8+4)
	Wilson	Green	Coleman	Station Two	Reid Steam	Reid CT	Total	Total
Generation MWh (Net)								10,282,686
Heat Rate								
MMbtu Burn (Coal)								111,248,380
\$/Mmbtu (Coal)								2.18
Total Fuel Cost								246,978
Fuel Cost (Cents / kWh)								2.40
Non-Fuel VO Cost								26,071
Non-Fuel VO (Cents / kWh)								0.25
Total Variable Cost (Fuel & Non-Fuel)								273,049
Total Variable (Cents / kWh)								2.66

\*Station Two Variable Costs are included in Other Power Supply Expense as Purchased Power.

Case No. 2012-00535  
 Attachment to Response for AG 1-154  
 Witness: DeAnna Speed  
 Page 17 of 23



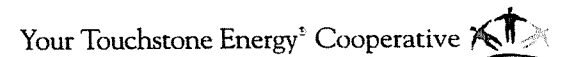
# Production - Variable Costs – 2014

(in Thousands of \$)

	2014 Financial Plan						2013 Budget
	Wilson	Green	Coleman	Station Two	Reid Steam	Reid CT	Total
Generation MWh (Net)							Total
Heat Rate							
MMbtu Burn (Coal)							
\$/Mmbtu (Coal)							
Total Fuel Cost							
Fuel Cost (Cents / kWh)							
Non-Fuel VO Cost							
Non-Fuel VO (Cents / kWh)							
Total Variable Cost (Fuel & Non-Fuel)							
Total Variable (Cents / kWh)							

\*Station Two Variable Costs are included in Other Power Supply Expense as Purchased Power.

Case No. 2012-00535  
 Attachment to Response for AG 1-154  
 Witness: DeAnna Speed  
 Page 18 of 23



# Production - Variable Costs – 2015

(in Thousands of \$)

2014 Financial Plan
<u>Total</u>

	2015 Financial Plan						
	<u>Wilson</u>	<u>Green</u>	<u>Coleman</u>	<u>Station Two</u>	<u>Reid Steam</u>	<u>Reid CT</u>	<u>Total</u>
Generation MWh (Net)							
Heat Rate							
MMbtu Burn (Coal)							
\$/Mmbtu (Coal)							
Total Fuel Cost							
Fuel Cost (Cents / kWh)							
Non-Fuel VO Cost							
Non-Fuel VO (Cents / kWh)							
Total Variable Cost (Fuel & Non-Fuel)							
Total Variable (Cents / kWh)							

\*Station Two Variable Costs

Case No. 2012-00535

Attachment to Response for AG 1-154

Witness: DeAnna Speed

Page 19 of 23



Your Touchstone Energy<sup>®</sup> Cooperative

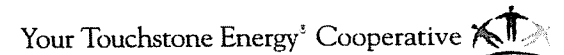
# Production - Variable Costs – 2016

(in Thousands of \$)

	2016 Financial Plan						2015 Financial Plan
	<u>Wilson</u>	<u>Green</u>	<u>Coleman</u>	<u>Station Two</u>	<u>Reid Steam</u>	<u>Reid CT</u>	<u>Total</u>
Generation MWh (Net)							<u>Total</u>
Heat Rate							
MMbtu Burn (Coal)							
\$/Mmbtu (Coal)							
Total Fuel Cost							
Fuel Cost (Cents / kWh)							
Non-Fuel VO Cost							
Non-Fuel VO (Cents / kWh)							
Total Variable Cost (Fuel & Non-Fuel)							
Total Variable (Cents / kWh)							

\*Station Two Variable Costs are included in Other Power Supply Expense as Purchased Power.

Case No. 2012-00535  
 Attachment to Response for AG 1-154  
 Witness: DeAnna Speed  
 Page 20 of 23



# Operation Expense-Other Power Supply

(in Thousands of \$)

	Financial Plan									
	2012 <u>Budget</u>	2012 Forecast <u>(8+4)</u>	2013 <u>Budget</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>				
<b>PURCHASED POWER:</b>										
SEPA	9,615	8,615								
HMP&L Station Two Excess Energy	549	301								
Market Purchases	45,186	36,271								
Member Passthrough	(3,695)	(2,483)								
Subtotal	51,655	42,704								
<b>OTHER POWER SUPPLY COSTS:</b>										
HMP&L Station Two										
Depreciation	2,598	3,183					3,341	3,462	3,611	3,696
Labor	7,720	8,038	7,571	7,278	7,361	7,540				
Fuel	40,585	34,057								
Variable Operation Expense	6,306	5,072								
Property Insurance	382	382	399	440	461	485				
Property Tax	253	177	190	191	193	194				
O&M Non-Labor	12,416	11,743								
Power Supply Reservation	4,250	3,908								
Subtotal	74,510	66,560								
<b>Total Operation Expense - Other Power Supply</b>	<b>126,165</b>	<b>109,264</b>								

Case No. 2012-00535  
 Attachment to Response for AG 1-154  
 Witness: DeAnna Speed  
 Page 21 of 23



## Labor and Labor Overheads (\$ in Thousands)


	Budget				Financial Plan					
	2012		2013		2014		2015		2016	
	\$	Headcount	\$	Headcount	\$	Headcount	\$	Headcount	\$	Headcount
Production	46,015	441	45,775	437	36,203	351	36,996	351	37,951	351
Transmission	3,083	34	3,286	33	3,234	33	3,321	33	3,410	33
Support	19,583	158	19,737	157	18,900	152	19,476	152	19,932	152
<b>Total*</b>	<b>68,681</b>	<b>633</b>	<b>68,798</b>	<b>627</b>	<b>58,337</b>	<b>536</b>	<b>59,793</b>	<b>536</b>	<b>61,293</b>	<b>536</b>

\* Dollars reflect Big Rivers' share of labor/labor overhead expense.  
Headcount in 2013 reflects staffing prior to Wilson lay-up. Staffing at 12/31/13 will be 535.

"Churn" of 16 employees in 2013 and 14 employees in all other years is assumed in the labor dollar calculations.

Case No. 2012-00535  
Attachment to Response for AG 1-154  
Witness: DeAnna Speed  
Page 22 of 23



Your Touchstone Energy<sup>®</sup> Cooperative 

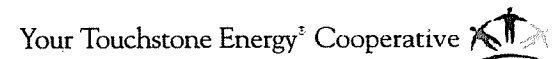


# Capital Expenditures \* (in Thousands of \$)

	Financial Plan					
	2012 Budget	2012 Forecast (8+4)	2013 Budget	2014	2015	2016
Production	52,359	27,756				
Transmission	12,459	9,270				
Environmental Compliance Projects	14,112	479				
Administration	2,259	1,657				
IT	2,116	2,046				
<b>Total Capital Expenditures</b>	<b>83,305</b>	<b>41,208</b>				

\*Big Rivers' share, includes capitalized interest.

Case No. 2012-00535  
 Attachment to Response for AG 1-154  
 Witness: DeAnna Speed  
 Page 23 of 23





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 155)** *Please refer to the Speed testimony at page 18, line 21.*  
2 *Provide documents and presentation materials associated with Board*  
3 *of Directors' consideration of the 2014-2016 financial plans. Include*  
4 *all supporting work papers and documents.*

5

6 **Response)** Please see response to AG 1-154.

7

8 **Witness)** DeAnna Speed



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 156)** *Please provide coincident peak demands on a monthly*  
2 *basis for the rurals, large industrials, and each smelter for the years*  
3 *2010, 2011 and 2012, as well as the hour and date of each*  
4 *coincident peak.*

5

6 **Response)** Please see the attached documents provided with a Petition for  
7 Confidential Treatment on the CONFIDENTIAL CDs accompanying these  
8 responses.

9

10 **Witness)** Lindsay N. Barron



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 157)** *Please provide non-coincident peak demands on a monthly*  
2 *basis for the rurals, large industrials, and each smelter for the years*  
3 *2010, 2011 and 2012, as well as the hour and date of each non-*  
4 *coincident peak.*

5

6 **Response)** Please see response to AG 1-156.

7

8 **Witness)** Lindsay N. Barron





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 158)** *Please provide monthly energy use for the rurals, large*  
2 *industrials and each smelter for the years 2010, 2011 and 2012.*

3

4 **Response)** Please see the responses to AG 1-128 and AG 1-156.

5

6 **Witness)** Lindsay N. Barron



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 159)** *Please provide all workpapers associated with Exhibit*  
2 *Wolfram-3, in electronic spreadsheet format.*

3

4 **Response)** Please see the response to AG 1-2.

5

6 **Witness)** John Wolfram



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 160) Please refer to Exhibit Wolfram-5, page 1: Please explain**  
2 **why the witness used "Coincident Peak" allocation for Rural Delivery**  
3 **Point Service and "Non-Coincident Peak" allocation for Large**  
4 **Industrial Customer Delivery Point Service.**

5

6 **Response)** Under the existing Commission-approved tariffs, the RDS rate is  
7 billed on a coincident peak basis, and the LIC rate is billed on a non-  
8 coincident peak basis. Big Rivers is not proposing to change the billing  
9 basis for either tariff in the instant filing.

10

11 **Witness)** John Wolfram



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 161) Please refer to Wolfram Direct at page 18, line 14: Provide**  
2 **details of activities and backup cost estimates related to all non-**  
3 **recurring labor expenses related to lay-up of Wilson plant.**

4

5 **Response)** The non-recurring labor expenses in the budget related to the  
6 Wilson plant stem from the timing of the lay-up. The fully forecast test  
7 period begins on September 1, 2013, but the proposed reductions in  
8 personnel are not anticipated to be complete until December 2013. Because  
9 the budget included labor at the Wilson plant in September, October and  
10 November of 2013, and because those costs will not be incurred on an on-  
11 going basis after the proposed rates become effective, the amounts  
12 calculated in Reference Schedule 1.10 of Exhibit Wolfram-2 are removed  
13 from the test period. The calculations are provided in Reference Schedule  
14 1.10 and are supported by the labor and labor-related data in the "Big  
15 Rivers 2013 – 2016 Budget" file provided in response to PSC 1-57.

16

17 **Witness)** John Wolfram





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 162) Provide copies of Big Rivers' RUS Financial and Operating**  
2 **Report Electric Power Supply, RUS Form 12 or its successor, including**  
3 **all schedules, for the years ending December 31, 2009; December 31,**  
4 **2010; December 31, 2011; and December 31, 2012 (when and if**  
5 **available).**

6  
7 **Response)** Big Rivers' RUS Financial and Operating Report Electric Power  
8 Supply, including all schedules, for the years ending December 31, 2009;  
9 December 31, 2010; and December 31, 2011 are attached to this response.  
10 Big Rivers' Preliminary RUS Financial and Operating Report Electric Power  
11 Supply for the year ending December 31, 2012 is also attached to this  
12 response. The Final RUS Financial and Operating Report Electric Power  
13 Supply for the year ending December 31, 2012, including all schedules, will  
14 be provided when available. Portions of this document are provided  
15 pursuant to a petition for confidentiality.

16  
17 **Witness)** Billie J. Richert



Preliminary

201 Third Street  
P.O. Box 24  
Henderson, KY 42419-0024  
270-827-2561  
www.bigrivers.com

February 1, 2013

Mr. Victor T. Vu  
Director, Power Supply Division  
USDA/RUS  
1400 Independence Avenue, SW, Stop 1568  
Washington, DC 20250 1568

RE: **PRELIMINARY RUS** Financial and Operating Report Electric Power Supply

Dear Mr. Vu:

For your information, enclosed are the preliminary Operating Reports, Parts A, B, C, D, F and I for the year ending December 31, 2012.

If you have any questions, please contact Donna Windhaus, Manager General Accounting, at (270) 844-6167.

Sincerely,  
BIG RIVERS ELECTRIC CORPORATION

Billie J. Richert, CPA, CITP  
Vice President Accounting, Rates, and CFO

BJR/msb  
Enclosures

February 1, 2013

Page 2 of 2

C: Big Rivers' Board of Directors  
Chairman – Kentucky Public Service Commission  
James M. Miller, Esq. – Sullivan, Mountjoy, Stainback & Miller, P.S.C.  
Mr. Gregory Starheim – Kenergy  
Mr. Burns Mercer – Meade County R.E.C.C.  
Mr. G. Kelly Nuckols – Jackson Purchase Energy Corporation  
Ms. Kelli McClellan – EP-MN-WS3C – US. Bank Corporate Trust Services  
Mr. Philip G. Kane Jr. – U. S. Bank National Association  
Ms. Suk-Ling Ng – U. S. Bank National Association  
Mr. John List - NRUCFC  
Mr. Mark Glotfelty – Goldman, Sachs & Co.  
Mr. Jeffrey Childs – CoBank, ACB  
Mr. Fil Agusti – Steptoe & Johnson, LLP  
Mr. Ryan Baynes – Midwest ISO  
Mr. Jeremy Jenkins – Alcan Primary Products  
Mr. Tim Martin – Century Aluminum  
Mr. Doug Nelson – Wadell & Reed  
Joseph P. Charles – KPMG LLP  
Kevin Lyons – KPMG LLP  
Email only: Farhat.Mustafa@dexia-us.com  
Email only: [tbruckman@ambac.com](mailto:tbruckman@ambac.com)  
Email only: documentmanagement@ambac.com

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 21 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

<b>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY</b>	<b>BORROWER DESIGNATION</b> KY0062
	<b>PERIOD ENDED</b> December -2012
<b>INSTRUCTIONS - See help in the online application</b>	<b>BORROWER NAME</b> Big Rivers Electric Corporation
<b>CERTIFICATION</b>	
<p>We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.</p> <p>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</p> <p><b>ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII</b> (check one of the following)</p> <p><input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects.      <input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part A Section C of this report.</p> <p><i>Mark A. Bailey</i>      11/30/13 SIGNATURE OF PRESIDENT AND CEO      DATE</p>	

RUS Financial and Operating Report Electric Power Supply

Revision Date 2010

*Kralim Mary*

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b> <b>PART A - FINANCIAL</b>	BORROWER DESIGNATION KY0062  PERIOD ENDED Dec-12
--	--

INSTRUCTIONS - See help in the online application.

**SECTION A. STATEMENT OF OPERATIONS**

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	558,372,354.13	563,385,131.72	614,725,050.00	47,925,748.49
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	3,616,877.57	4,957,104.01	4,011,500.00	361,084.00
<b>4. Total Operation Revenues &amp; Patronage Capital (1 thru 3)</b>	<b>561,989,231.70</b>	<b>568,342,235.73</b>	<b>618,736,550.00</b>	<b>48,286,832.49</b>
5. Operating Expense - Production - Excluding Fuel	50,410,485.54	48,054,670.68	54,962,438.00	3,943,267.47
6. Operating Expense - Production - Fuel	226,229,049.99	226,368,922.34	240,841,163.00	21,249,081.05
7. Operating Expense - Other Power Supply	112,261,892.16	111,465,356.58	126,165,163.00	8,645,660.67
8. Operating Expense - Transmission	9,183,058.45	10,118,765.89	10,722,952.00	1,034,389.25
9. Operating Expense - RTO/ISO	2,529,531.67	2,262,434.76	2,470,652.00	193,126.93
10. Operating Expense - Distribution	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Accounts	0.00	297,191.47	0.00	297,191.47
12. Operating Expense - Customer Service & Information	631,534.63	886,167.75	723,774.00	255,808.72
13. Operating Expense - Sales	185,003.78	191,205.48	1,101,600.00	44,997.07
14. Operating Expense - Administrative & General	26,557,241.89	26,428,744.85	25,925,640.00	2,622,045.28
<b>15. Total Operation Expense (5 thru 14)</b>	<b>427,987,798.11</b>	<b>426,073,459.80</b>	<b>462,913,382.00</b>	<b>38,285,567.91</b>
16. Maintenance Expense - Production	42,896,418.40	41,169,861.77	58,889,721.00	3,284,826.73
17. Maintenance Expense - Transmission	4,680,625.01	4,607,997.64	3,933,069.00	301,844.41
18. Maintenance Expense - RTO/ISO	0.00	0.00	0.00	0.00
19. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
20. Maintenance Expense - General Plant	140,534.11	184,301.57	101,538.00	31,439.55
<b>21. Total Maintenance Expense (16 thru 20)</b>	<b>47,717,577.52</b>	<b>45,962,160.98</b>	<b>62,924,328.00</b>	<b>3,618,110.69</b>
22. Depreciation and Amortization Expense	35,406,805.68	41,090,390.70	41,910,892.00	3,425,585.83
23. Taxes	98,389.00	3,810.88	885.00	0.00
24. Interest on Long-Term Debt	45,715,143.94	45,032,787.47	44,647,132.00	3,798,588.59
25. Interest Charged to Construction - Credit	<548,206.00>	<766,677.00>	<678,117.00>	<44,584.00>
26. Other Interest Expense	59,249.64	147,499.02	0.00	46,672.91
27. Asset Retirement Obligations	0.00	0.00	0.00	0.00
28. Other Deductions	220,434.26	546,328.23	415,812.00	121,400.56
<b>29. Total Cost Of Electric Service (15 + 21 thru 28)</b>	<b>556,657,192.15</b>	<b>558,089,760.08</b>	<b>612,134,314.00</b>	<b>49,251,342.49</b>
<b>30. Operating Margins (4 less 29)</b>	<b>5,332,039.55</b>	<b>10,252,475.65</b>	<b>6,602,236.00</b>	<b>&lt;964,510.00&gt;</b>
31. Interest Income	150,516.18	963,130.32	61,860.00	213,475.84
32. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
33. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
34. Other Non-operating Income (Net)	9,288.48	0.00	0.00	0.00
35. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
36. Other Capital Credits and Patronage Dividends	108,536.38	61,485.01	33,000.00	2,810.97
37. Extraordinary Items	0.00	0.00	0.00	0.00
<b>38. Net Patronage Capital Or Margins (30 thru 37)</b>	<b>5,600,380.59</b>	<b>11,277,090.98</b>	<b>6,697,096.00</b>	<b>&lt;748,223.19&gt;</b>

RUS Financial and Operating Report Electric Power Supply Part A - Financial

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART A - FINANCIAL**

BORROWER DESIGNATION  
KY0062

PERIOD ENDED  
Dec-12

**Preliminary**

INSTRUCTIONS - See help in the online application.

**SECTION B. BALANCE SHEET**

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	1,999,408,055.99	33. Memberships	75.00
2. Construction Work in Progress	50,813,642.99	34. Patronage Capital a. Assigned and Assignable b. Retired This year c. Retired Prior years d. Net Patronage Capital (a-b-c)	0.00
3. Total Utility Plant (1 + 2)	2,050,221,698.98		
4. Accum. Provision for Depreciation and Amort.	962,994,277.56		
5. Net Utility Plant (3 - 4)	1,087,227,421.42		
6. Non-Utility Property (Net)	0.00	35. Operating Margins - Prior Years	<241,898,352.19>
7. Investments in Subsidiary Companies	0.00	36. Operating Margin - Current Year	10,313,960.66
8. Invest. in Assoc. Org. - Patronage Capital	3,682,912.51	37. Non-Operating Margins	639,960,667.52
9. Invest. in Assoc. Org. - Other - General Funds	43,840,793.00	38. Other Margins and Equities	<5,494,663.80>
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0.00	39. Total Margins & Equities (33 + 34d thru 38)	402,881,687.19
11. Investments in Economic Development Projects	10,000.00	40. Long-Term Debt - RUS (Net)	210,359,050.37
12. Other Investments	5,333.85	41. Long-Term Debt - FFB - RUS Guaranteed	0.00
		42. Long-Term Debt - Other - RUS Guaranteed	0.00
13. Special Funds	180,633,438.55	43. Long-Term Debt - Other (Net)	634,958,421.53
14. Total Other Property And Investments (6 thru 13)	228,172,477.91	44. Long-Term Debt - RUS - Econ. Devel. (Net)	0.00
15. Cash - General Funds	7,311.28	45. Payments - Unapplied	0.00
16. Cash - Construction Funds - Trustee	0.00	46. Total Long-Term Debit (40 thru 44-45)	845,317,471.90
17. Special Deposits	598,486.43	47. Obligations Under Capital Leases - Noncurrent	0.00
18. Temporary Investments	110,165,436.23	48. Accumulated Operating Provisions and Asset Retirement Obligations	21,571,186.78
19. Notes Receivable (Net)	0.00	49. Total Other NonCurrent Liabilities (47 + 48)	21,571,186.78
20. Accounts Receivable - Sales of Energy (Net)	44,758,033.34	50. Notes Payable	0.00
21. Accounts Receivable - Other (Net)	2,345,619.29	51. Accounts Payable	33,012,925.09
22. Fuel Stock	34,145,612.19		
23. Renewable Energy Credits	0.00	52. Current Maturities Long-Term Debt	79,926,462.99
24. Materials and Supplies - Other	24,957,072.86	53. Current Maturities Long-Term Debt - Rural Development	0.00
25. Prepayments	4,175,473.96	54. Current Maturities Capital Leases	0.00
26. Other Current and Accrued Assets	1,276,192.74	55. Taxes Accrued	967,205.68
27. Total Current And Accrued Assets (15 thru 26)	222,429,238.32	56. Interest Accrued	4,925,038.44
28. Unamortized Debt Discount & Extraor. Prop. Losses	4,163,614.81	57. Other Current and Accrued Liabilities	9,987,629.09
29. Regulatory Assets	704,087.08	58. Total Current & Accrued Liabilities (50 thru 57)	128,819,261.29
30. Other Deferred Debits	3,981,081.51		
31. Accumulated Deferred Income Taxes	0.00	59. Deferred Credits	148,088,313.89
32. Total Assets And Other Debits (5+14+27 thru 31)	1,546,677,921.05	60. Accumulated Deferred Income Taxes	0.00
		61. Total Liabilities and Other Credits (39 + 46 + 49 + 58 thru 60)	1,546,677,921.05

RUS Financial and Operating Report Electric Power Supply Part A - Financial

Revision Date 2010

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY**

**2012**

INSTRUCTIONS - See help in the online application.

**Part B SE - Sales of Electricity**

Sale No.	Name of Company or Public Authority (a)	RUS Borrower Designation (b)	Statistical Classification (c)	Renewable Energy Program Name (d)	Primary Renewable Fuel Type (e)	Average Monthly Billing Demand (MW) (f)	Actual Average Monthly NCP Demand (g)	Actual Average Monthly CP Demand (h)
<b>Ultimate Consumer(s)</b>								
<b>Distribution Borrowers</b>								
1	Jackson Purchase Energy Corp	KY0020	RQ			124	137	123
2	Kenergy Corporation	KY0065	IF					
3	Kenergy Corporation	KY0065	LF					
4	Kenergy Corporation	KY0065	RQ			359	372	355
5	Meade County Rural ECC	KY0018	RQ			87	96	86
<b>G&amp;T Borrowers</b>								
6	PowerSouth Energy Coop	AL0042	OS					
<b>Others</b>								
7	ADM Investor Services		OS					
8	Henderson Municipal Power & Light		OS					
9	Louisville Gas & Electric		OS					
10	Midwest Independent Trans. Sys. Op.		OS					
11	PJM Interconnection		OS					
12								
<b>Total for Ultimate Consumer(s)</b>						0	0	0
<b>Total for Distribution Borrowers</b>						570	605	564
<b>Total for G&amp;T Borrowers</b>						0	0	0
<b>Total for Others</b>						0	0	0
<b>Grand Total</b>						570	605	564

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY**

*Preliminary*

INSTRUCTIONS - See help in the online application.

**Part B SE - Sales of Electricity**

Sale No.	Electricity Sold (MWh) (j)	Revenue Demand Charges (l)	Revenue Energy Charges (k)	Revenue Other Charges (i)	Revenue Total (j + k + l) (m)
1	668,863.581	14,140,485.00	19,735,292.88		33,875,777.88
2	206,140.432		6,549,580.41		6,549,580.41
3	7,424,472.644		360,208,260.50		360,208,260.50
4	2,148,250.281	42,979,815.65	58,406,005.99		101,385,821.64
5	465,661.930	9,883,714.50	13,748,137.13		23,631,851.63
6					
7					
8					
9					
10					
11					
12			0.00		
	0	0	0	0	0



UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

BORROWER DESIGNATION  
KY0062

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY**

PERIOD NAME  
Dec-12

*Preliminary*

INSTRUCTIONS - See help in the online application.

**PART B PP - Purchased Power**

Purchase No.	Name of Company or Public Authority (a)	RUS Borrower Designation (b)	Statistical Classification (c)	Renewable Energy Program Name (d)	Primary Renewable Energy Type (e)	Average Monthly Billing Demand (MW) (f)	Average Monthly NCP Demand (g)	Average Monthly CP Demand (h)
	<b>Distribution Borrowers</b>							
	<b>G&amp;T Borrowers</b>							
	<b>Others</b>							
1	Cargill Power Markets		OS					
2	Henderson Municipal Power & Light		RQ					
3	Louisville Gas & Electric		OS					
4	Midwest Independent Trans. Sys. Op.		OS					
5	Southeastern Power Admin.		LF					
6								
<b>Total for Distribution Borrowers</b>						0	0	0
<b>Total for G&amp;T Borrowers</b>						0	0	0
<b>Total for Others</b>						0	0	0
<b>Grand Total</b>						0	0	0

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

BORROWER DESIGNATION  
KY0062

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY**

PERIOD NAME  
Dec-12

*Preliminary*

INSTRUCTIONS - See help in the online application.

**PART B PP - Purchased Power**

Purchase No.	Electricity Purchased (MWh) (l)	Electricity Received (MWh) (j)	Electricity Delivered (MWh) (k)	Demand Charges (l)	Energy Charges (m)	Other Charges (n)	Total (l + m + n) (o)
1							
2							
3							
4							
5							
6					0.00		
	0.000				0.00		0.00
	0.000				0.00		0.00

RUS Financial and Operating Report Electric Power Supply

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART C - SOURCES AND DISTRIBUTION OF ENERGY

BORROWER DESIGNATION  
KY0062

PERIOD ENDED  
Dec-12

INSTRUCTIONS - See help in the online application.

SOURCES OF ENERGY (a)	NO. OF PLANTS (b)	CAPACITY (kW) (c)	NET ENERGY RECEIVED BY SYSTEM (MWh) (d)	COST (\$) (e)
<b>Generated in Own Plant (Details on Parts D and F IC)</b>				
1. Fossil Steam	4	1,489,000	9,136,472.042	385,384,561.70
2. Nuclear				
3. Hydro				
4. Combined Cycle				
5. Internal Combustion	1	70,000	6,639.270	1,177,585.96
6. Other				
<b>7. Total in Own Plant (1 thru 6)</b>	<b>5</b>	<b>1,559,000</b>	<b>9,143,111.312</b>	<b>386,562,147.66</b>
<b>Purchased Power</b>				
<b>8. Total Purchased Power</b>				
<b>Interchanged Power</b>				
9. Received Into System (Gross)				
10. Delivered Out of System (Gross)				
<b>11. Net Interchange (9 minus 10)</b>				
<b>Transmission For or By Others - (Wheeling)</b>				
12. Received Into System			0.000	
13. Delivered Out of System			0.000	
<b>14. Net Energy Wheeled (12 minus 13)</b>			<b>0.000</b>	
<b>15. Total Energy Available for Sale (7 + 8 + 11 + 14)</b>				
<b>Distribution of Energy</b>				
<b>16. Total Sales</b>				
17. Energy Furnished to Others Without Charge				
18. Energy Used by Borrower (Excluding Station Use)				
<b>19. Total Energy Accounted For (16 thru 18)</b>				
<b>Losses</b>				
<b>20. Energy Losses - MWh (15 minus 19)</b>				
<b>21. Energy Losses - Percentage ((20 divided by 15) * 100)</b>			<b>1.74 %</b>	

RUS Financial and Operating Report Electric Power Supply - Part C - Sources and Distribution of Energy

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
**FINANCIAL AND OPERATING REPORT**  
**ELECTRIC POWER SUPPLY**  
**PART D - STEAM PLANT**

BORROWER DESIGNATION  
KY0062  
PLANT  
COLEMAN  
PERIOD ENDED  
Dec-12

INSTRUCTIONS - See help in the online application.

**SECTION A. BOILERS/TURBINES**

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION					OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE (j) (k)	
1.	1	14	929,004.2	0.000	27,263.4			7,930.3	138.9	0.0	714.8
2.	2	6	1,005,539.0	0.000	18,992.1			8,501.2	63.3	0.0	219.5
3.	3	4	1,055,763.9	0.000	31,081.0			8,641.5	0.0	0.0	142.5
4.											
5.											
6.	<b>Total</b>	24	2,990,307.1	0.000	77,336.5			25,073.0	202.2	0.0	1,076.8
7.	Average BTU		11,317	0	1,000						
8.	Total BTU(10 <sup>6</sup> )		33,841,305	0	77,337			33,918,642			
9.	Total Del. Cost (\$)		78,905,096.94	2,265.59	250,715.92						

**SECTION A. BOILERS/TURBINES (CONT.)**

**SECTION B. LABOR REPORT**

**SECTION C. FACTORS & MAX. DEMAND**

NO.	UNIT NO. (1)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
2.	2	160,000	1,150,211.000		2.	No. Employees Part-Time		2.	Plant Factor (%)	80.51
3.	3	165,000	1,218,405.000		3.	Total Empl. - Hrs. Worked		3.	Running Plant Capacity Factor (%)	84.59
4.					4.	Oper. Plant Payroll (\$)		4.	15 Minute Gross Maximum Demand (kW)	492,950
5.					5.	Maint. Plant Payroll (\$)		5.	Indicated Gross Maximum Demand (kW)	
6.	<b>Total</b>	485,000	3,429,854.000	9,889	6.	Other Accts. Plant Payroll (\$)				
7.	Station Service (MWh)		312,648.180		7.	<b>Total Plant Payroll (\$)</b>				
8.	Net Generation (MWh)		3,117,205.820	10,881						
9.	Station Service (%)		9.12							

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	1,717,704.96		
2.	Fuel, Coal	501.1	82,341,624.17		2.43
3.	Fuel, Oil	501.2	2,265.59		
4.	Fuel, Gas	501.3	250,715.92		3.24
5.	Fuel, Other	501.4			
6.	<b>Fuel Sub Total (2 thru 5)</b>	501	82,594,605.68	26.50	2.44
7.	Steam Expenses	502	5,554,308.12		
8.	Electric Expenses	505	2,036,169.74		
9.	Miscellaneous Steam Power Expenses	506	1,906,807.84		
10.	Allowances	509	38,959.50		
11.	Rents	507	0.00		
12.	<b>Non-Fuel Sub Total (1 + 7 thru 11)</b>		11,253,950.16	3.61	
13.	<b>Operation Expense (6 + 12)</b>		93,848,555.84	30.11	
14.	Maintenance, Supervision and Engineering	510	1,512,902.79		
15.	Maintenance of Structures	511	1,229,166.23		
16.	Maintenance of Boiler Plant	512	6,382,429.19		
17.	Maintenance of Electric Plant	513	1,126,536.50		
18.	Maintenance of Miscellaneous Plant	514	1,519,261.98		
19.	<b>Maintenance Expense (14 thru 18)</b>		11,770,296.69	3.78	
20.	<b>Total Production Expense (13 + 19)</b>		105,618,852.53	33.88	
21.	Depreciation	403.1	5,534,497.53		
22.	Interest	427	6,977,048.11		
23.	<b>Total Fixed Cost (21 + 22)</b>		12,511,545.64	4.01	
24.	<b>Power Cost (20 + 23)</b>		118,130,398.17	37.90	

RUS Financial and Operating Report Electric Power Supply - Part D - Steam Plant

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
**FINANCIAL AND OPERATING REPORT**  
**ELECTRIC POWER SUPPLY**  
**PLANT D - STEAM PLANT**

BORROWER DESIGNATION  
KY0062  
PLANT  
REID  
PERIOD ENDED  
Dec-12

**Prohibit**

INSTRUCTIONS - See help in the online application.

**SECTION A. BOILERS/TURBINES**

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION					OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE	
										Scheduled (j)	Unsched (k)
1.	1	6	28,599.6	34.405	.0			571.2	7,690.1	.0	522.7
2.											
3.											
4.											
5.											
6.	<b>Total</b>	6	28,599.6	34.405	.0			571.2	7,690.1	.0	522.7
7.	<b>Average BTU</b>		12,206	138,000	0						
8.	<b>Total BTU(10<sup>6</sup>)</b>		349,087	4,748	0		353.835				
9.	<b>Total Del. Cost (\$)</b>		872,499.36	110,069.50	0.00						

**SECTION A. BOILERS/TURBINES (CONT.)**

**SECTION B. LABOR REPORT**

**SECTION C. FACTORS & MAX. DEMAND**

NO.	UNIT NO. (1)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	1	72,000	29,068.000		1	No. Employees Full-Time (Inc. Superintendent)	17	1.	Load Factor (%)	5.73
2.					2.	No. Employees Part-Time		2.	Plant Factor (%)	4.60
3.					3.	Total Empl. - Hrs. Worked		3.	Running Plant Capacity Factor (%)	70.68
4.					4.	Oper. Plant Payroll (\$)		4.	15 Minute Gross Maximum Demand (kW)	57,776
5.					5.	Maint. Plant Payroll (\$)		5.	Indicated Gross Maximum Demand (kW)	
6.	<b>Total</b>	72,000	29,068.000	12,173						
7.	Station Service (MWh)		19,823.000		6.	Other Accts. Plant Payroll (\$)				
8.	Net Generation (MWh)		9,245.000	38,273	7.	<b>Total Plant Payroll (\$)</b>				
9.	Station Service (%)		68.20							

**SECTION D. COST OF NET ENERGY GENERATED**

NO	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	275,299.46		
2.	Fuel, Coal	501.1	1,140,073.63		3.27
3.	Fuel, Oil	501.2	110,069.50		23.18
4.	Fuel, Gas	501.3	0.00		0
5.	Fuel, Other	501.4			0
6.	<b>Fuel Sub Total (2 thru 5)</b>	501	1,250,143.13	135.22	3.53
7.	Steam Expenses	502	542,946.63		
8.	Electric Expenses	505	272,553.94		
9.	Miscellaneous Steam Power Expenses	506	261,557.62		
10.	Allowances	509	5,468.67		
11.	Rents	507	0.00		
12.	<b>Non-Fuel Sub Total (1 + 7 thru 11)</b>		1,357,826.32	146.87	
13.	<b>Operation Expense (6 + 12)</b>		2,607,969.45	282.10	
14.	Maintenance, Supervision and Engineering	510	246,159.88		
15.	Maintenance of Structures	511	120,928.05		
16.	Maintenance of Boiler Plant	512	775,249.31		
17.	Maintenance of Electric Plant	513	216,839.04		
18.	Maintenance of Miscellaneous Plant	514	182,997.71		
19.	<b>Maintenance Expense (14 thru 18)</b>		1,542,173.99	166.81	
20.	<b>Total Production Expense (13 + 19)</b>		4,150,143.44	448.91	
21.	Depreciation	403.1	447,509.35		
22.	Interest	427	718,612.93		
23.	<b>Total Fixed Cost (21 + 22)</b>		1,166,122.28	126.14	
24.	<b>Power Cost (20 + 23)</b>		5,316,265.72	575.04	

RUS Financial and Operating Report Electric Power Supply - Part D - Steam Plant

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PLANT D - STEAM PLANT

BORROWER DESIGNATION  
KY0062  
PLANT  
GREEN  
PERIOD ENDED  
Dec-12

**Preliminary**

INSTRUCTIONS - See help in the online application.

**SECTION A. BOILERS/TURBINES**

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION					OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE	
										Scheduled (j)	Unsched (k)
1.	1	8	1,475,386.7	212.999	.0			8,007.3	603.5	.0	173.2
2.	2	8	1,236,496.9	216.391	.0			6,828.9	1,318.1	.0	637.0
3.											
4.											
5.											
6.	<b>Total</b>	16	2,711,883.6	429.390	.0			14,836.2	1,921.6	.0	810.2
7.	<b>Average BTU</b>		11,810	138,000	0						
8.	<b>Total BTU(10<sup>6</sup>)</b>		32,027,345	59,256	0		32,086,601				
9.	<b>Total Del..Cost (\$)</b>		67,662,564.97	1,355,316.46	0.00						

**SECTION A. BOILERS/TURBINES (CONT.)**

**SECTION B. LABOR REPORT**

**SECTION C. FACTORS & MAX. DEMAND**

NO.	UNIT NO. (1)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	1	250,000	1,769,282.530		1.	No. Employees Full-Time (Inc. Superintendent)	114	1.	Load Factor (%)	73.58
2.	2	242,000	1,456,898.770		2.	No. Employees Part-Time		2.	Plant Factor (%)	74.65
3.					3.	<b>Total Empl. - Hrs. Worked</b>		3.	Running Plant Capacity Factor (%)	88.28
4.					4.	Oper. Plant Payroll (\$)		4.	15 Minute Gross Maximum Demand (kW)	499,181
5.					5.	Maint. Plant Payroll (\$)		5.	Indicated Gross Maximum Demand (kW)	
6.	<b>Total</b>	492,000	3,226,181.300	9,946	6.	Other Accts. Plant Payroll (\$)				
7.	<b>Station Service (MWh)</b>		309,595.765		7.	<b>Total Plant Payroll (\$)</b>				
8.	<b>Net Generation (MWh)</b>		2,916,585.535	11,001						
9.	<b>Station Service (%)</b>		9.60							

**SECTION D. COST OF NET ENERGY GENERATED**

NO	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	1,592,416.84		
2.	Fuel, Coal	501.1	70,228,455.10		2.19
3.	Fuel, Oil	501.2	1,355,316.46		22.87
4.	Fuel, Gas	501.3	0.00		0
5.	Fuel, Other	501.4			
6.	<b>Fuel Sub Total (2 thru 5)</b>	501	71,583,771.56	24.54	2.23
7.	Steam Expenses	502	12,484,072.80		
8.	Electric Expenses	505	3,281,025.64		
9.	Miscellaneous Steam Power Expenses	506	1,361,695.64		
10.	Allowances	508	20,697.07		
11.	Rents	507	0.00		
12.	<b>Non-Fuel Sub Total (1 + 7 thru 11)</b>		18,739,907.99	6.43	
13.	<b>Operation Expense (6 + 12)</b>		90,323,679.55	30.97	
14.	Maintenance, Supervision and Engineering	510	1,577,077.26		
15.	Maintenance of Structures	511	1,141,279.38		
16.	Maintenance of Boiler Plant	512	7,823,111.66		
17.	Maintenance of Electric Plant	513	1,298,038.61		
18.	Maintenance of Miscellaneous Plant	514	907,969.30		
19.	<b>Maintenance Expense (14 thru 18)</b>		12,747,476.21	4.37	
20.	<b>Total Production Expense (13 + 19)</b>		103,071,155.76	35.34	
21.	Depreciation	403.1	7,984,436.78		
22.	Interest	427	8,032,504.36		
23.	<b>Total Fixed Cost (21 + 22)</b>		16,016,941.14	5.49	
24.	<b>Power Cost (20 + 23)</b>		119,088,096.90	40.83	

RUS Financial and Operating Report Electric Power Supply - Part D - Steam Plant

Revision Date 2010

Case No. 2012-00535  
Attachment for Response to AG 1-162  
Witness: Billie J. Richert  
Page 13 of 106

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PLANT D - STEAM PLANT

BORROWER DESIGNATION  
KY0062  
PLANT  
WILSON  
PERIOD ENDED  
Dec-12

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION					OPERATING HOURS				
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE		
								Scheduled (j)	Unsched (k)			
1.	1	15	2,728,242.9	481.654	.0			8,046.9	21.2	335.7	380.2	
2.												
3.												
4.												
5.												
6.	<b>Total</b>	15	2,728,242.9	481.654	.0			8,046.9	21.2	335.7	380.2	
7.	Average BTU		11,944	138,000	0							
8.	Total BTU(10 <sup>6</sup> )		32,586,133	66,468	0		32,652,601					
9.	Total Del. Cost (\$)		66,082,314.23	1,508,014.86	0.00							

SECTION A. BOILERS/TURBINES (CONT.)

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAX DEMAND

NO.	UNIT NO. (1)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	1	440,000	3,317,746.280		1	No. Employees Full-Time (Inc. Superintendent)	107	1	Load Factor (%)	81.77
2.					2	No. Employees Part-Time		2	Plant Factor (%)	85.84
3.					3	<b>Total Empl. - Hrs. Worked</b>		3	Running Plant Capacity Factor (%)	93.70
4.					4	Oper. Plant Payroll (\$)		4	15 Minute Gross Maximum Demand (kW)	461,911
5.					5	Maint. Plant Payroll (\$)		5	Indicated Gross Maximum Demand (kW)	
6.	<b>Total</b>	440,000	3,317,746.280	9,842	6	Other Accts. Plant Payroll (\$)				
7.	Station Service (MWh)		224,310.593		7	<b>Total Plant Payroll (\$)</b>				
8.	Net Generation (MWh)		3,093,435.687	10,555						
9.	Station Service (%)		6.76							

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	2,014,988.18		
2.	Fuel, Coal	501.1	69,041,281.02		2.12
3.	Fuel, Oil	501.2	1,508,014.86		22.69
4.	Fuel, Gas	501.3	0.00		0
5.	Fuel, Other	501.4			0
6.	<b>Fuel Sub-Total (2 thru 5)</b>	501	70,549,295.88	22.81	2.16
7.	Steam Expenses	502	9,865,479.43		
8.	Electric Expenses	505	1,271,925.11		
9.	Miscellaneous Steam Power Expenses	506	3,462,852.07		
10.	Allowances	509	51,036.45		
11.	Rents	507	0.00		
12.	<b>Non-Fuel Sub-Total (1 + 7 thru 11)</b>		16,666,281.24	5.39	
13.	<b>Operation Expense (6 + 12)</b>		87,215,577.12	28.19	
14.	Maintenance, Supervision and Engineering	510	1,465,467.88		
15.	Maintenance of Structures	511	1,086,907.68		
16.	Maintenance of Boiler Plant	512	10,850,340.05		
17.	Maintenance of Electric Plant	513	818,286.37		
18.	Maintenance of Miscellaneous Plant	514	644,694.20		
19.	<b>Maintenance Expense (14 thru 18)</b>		14,865,696.18	4.81	
20.	<b>Total Production Expense (13 + 19)</b>		102,081,273.30	33.00	
21.	Depreciation	403.1	19,164,686.57		
22.	Interest	427	21,603,841.04		
23.	<b>Total Fixed Cost (21 + 22)</b>		40,768,527.61	13.18	
24.	<b>Power Cost (20 + 23)</b>		142,849,800.91	46.18	

RUS Financial and Operating Report Electric Power Supply - Part D - Steam Plant

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
**FINANCIAL AND OPERATING REPORT**  
**ELECTRIC POWER SUPPLY**  
**PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION  
KY0062  
PLANT  
REID  
PERIOD ENDED  
Dec-12

INSTRUCTIONS - See help in the online application.

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENERATION (MWh) (k)	BTU PER kWh (l)
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE			
								Sche. (i)	Unsched (j)			
1.	1	70,000	.000	128,387			243.1	8,394.9	.0	146.0	7,650.580	
2.												
3.												
4.												
5.												
6.	<b>Total</b>	70,000	.000	128,387			243.1	8,394.9	.0	146.0	7,650.580	16,781
7.	Average BTU		0	1,000			Station Service (MWh)				1,011.310	
8.	Total BTU(10 <sup>6</sup> )		0	128,387		128,387	Net Generation (MWh)				6,639.270	19,338
9.	Total Del..Cost (\$)		0.00	390,603.76			Station Service % of Gross				13.22	

**SECTION B. LABOR REPORT**

**SECTION C. FACTORS & MAXIMUM DEMAND**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1	No. Employees Full-Time (Inc. Superintendent)	0	5.	Maint. Plant Payroll (\$)		1.	Load Factor (%)	1.36
2.	No. Employees Part-Time					2.	Plant Factor (%)	1.24
3.	Total Empl. - Hrs. Worked		6.	Other Accounts. Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)	44.96
4.	Oper. Plant Payroll (\$)		7.	Total Plant Payroll (\$)		4.	15 Minute Gross Maximum Demand (kW)	63,895
						5.	Indicated Gross Maximum Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	546	0.00		
2.	Fuel, Oil	547.1	0.00		
3.	Fuel, Gas	547.2	391,106.09		3.05
4.	Fuel, Other	547.3			
5.	Energy for Compressed Air	547.4			
6.	<b>Fuel Sub-Total (2 thru 5)</b>	547	391,106.09	58.91	3.05
7.	Generation Expenses	548	36,704.97		
8.	Miscellaneous Other Power Generation Expenses	549	0.00		
9.	Rents	550	0.00		
10.	<b>Non-Fuel Sub-Total (1 + 7 thru 9)</b>		36,704.97	5.53	
11.	<b>Operation Expense (6+ 10)</b>		427,811.06	64.44	
12.	Maintenance, Supervision and Engineering	551	0.00		
13.	Maintenance of Structures	552	0.00		
14.	Maintenance of Generating and Electric Plant	553	244,218.70		
	Maintenance of Miscellaneous Other Power Generating Plant	554	0.00		
16.	<b>Maintenance Expense (12 thru 15)</b>		244,218.70	36.78	
17.	<b>Total Production Expense (11 + 16)</b>		672,029.76	101.22	
18.	Depreciation	403,1,411.10	296,463.60		
19.	Interest	427	209,092.60		
20.	<b>Total Fixed Cost (18+ 19)</b>		505,556.20	76.15	
21.	<b>Power Cost (17 + 20)</b>		1,177,585.96	177.37	

REMARKS (including Unscheduled Outages)



UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART I - LINES AND STATIONS	BORROWER DESIGNATION KY0062
	PERIOD ENDED Dec-12

INSTRUCTIONS - See help in the online application.

SECTION A. EXPENSE AND COSTS			
ITEM	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
<b>Transmission Operation</b>			
1. Supervision and Engineering	560	265,236.07	360,606.37
2. Load Dispatching	561	3,966,746.03	
3. Station Expenses	562		773,021.44
4. Overhead Line Expenses	563	975,572.46	
5. Underground Line Expenses	564	0.00	
6. Miscellaneous Expenses	566	257,940.64	412,848.95
7. Subtotal (1 thru 6)		5,465,495.20	1,546,476.76
8. Transmission of Electricity by Others	565	3,082,092.77	
9. Rents	567	0.00	24,701.16
10. Total Transmission Operation (7 thru 9)		8,547,587.97	1,571,177.92
<b>Transmission Maintenance</b>			
11. Supervision and Engineering	568	239,482.77	244,791.15
12. Structures	569		22,426.14
13. Station Equipment	570		1,554,891.28
14. Overhead Lines	571	1,805,125.97	
15. Underground Lines	572	0.00	
16. Miscellaneous Transmission Plant	573	296,086.71	445,193.62
17. Total Transmission Maintenance (11 thru 16)		2,340,695.45	2,267,302.19
18. Total Transmission Expense (10 + 17)		10,888,283.42	3,838,480.11
19. RTO/ISO Expense - Operation	575	2,262,434.76	
20. RTO/ISO Expense - Maintenance	576	0.00	
21. Total RTO/ISO Expense (19 + 20)		2,262,434.76	
22. Distribution Expense - Operation	580-589	0.00	0.00
23. Distribution Expense - Maintenance	590-598	0.00	0.00
24. Total Distribution Expense (22 + 23)		0.00	0.00
25. Total Operation And Maintenance (18 + 21 + 24)		13,150,718.18	3,838,480.11
<b>Fixed Costs</b>			
26. Depreciation - Transmission	403.5	1,841,075.42	2,803,948.92
27. Depreciation - Distribution	403.6	0.00	0.00
28. Interest - Transmission	427	2,732,553.43	3,230,273.58
29. Interest - Distribution	427	0.00	0.00
30. Total Transmission (18 + 26 + 28)		15,461,912.27	9,872,702.61
31. Total Distribution (24 + 27 + 29)		0.00	0.00
32. Total Lines And Stations (21 + 30 + 31)		17,724,347.03	9,872,702.61

SECTION B. FACILITIES IN SERVICE				SECTION C. LABOR AND MATERIAL SUMMARY		
TRANSMISSION LINES		SUBSTATIONS		1. Number of Employees		
VOLTAGE (kV)	MILES	TYPE	CAPACITY (kVA)	ITEM	LINES	STATIONS
1.69 kV	833.20	13. Distr. Lines	0	52		
2.345 kV	68.40			2. Oper. Labor	1,555,833.83	936,457.33
3.138 kV	14.40			3. Maint. Labor	1,326,548.86	1,468,675.31
4.161 kV	149.60	14. Total (12 + 13)	1,265.60	4. Oper. Material	8,254,188.90	634,720.59
5.		15. Step up at Generating Plants	1,879,800	5. Maint. Material	1,014,146.59	798,626.88
6.				SECTION D. OUTAGES		
7.		16. Transmission	3,540,000	1. Total		66,290.60
8.		17. Distribution	0			
9.		2. Avg. No. Dist. Cons. Served				112,887.00
10.						
11.		18. Total (15 thru 17)				5,419,800
12. Total (1 thru 11)	1,265.60					

RUS Financial and Operating Report Electric Power Supply - Part I - Lines and Stations

Revision Date 2010

# Big Rivers

ELECTRIC CORPORATION

201 Third Street  
P.O. Box 24  
Henderson, KY 42419-0024  
270-827-2561  
www.bigrivers.com

May 3, 2010

Mr. Victor T. Vu  
Director, Power Supply Division  
USDA/RUS  
1400 Independence Avenue, SW, Stop 1568  
Washington, DC 20250-1568

RE: RUS Form 12

Dear Victor:

Enclosed is the original signed Certification page of the electronically submitted Annual Operating Reports, Form 12a, b, c, h, and i for the year ending December 31, 2009.

A copy of this Form 12 filing has been mailed to each of the parties listed below.

If you have any questions, please let me know.


Sincerely,

**BIG RIVERS ELECTRIC CORPORATION**



**C. William Blackburn**  
Sr. Vice President Financial & Energy Services and CFO

jab  
Enclosures

Case No. 2012-00535  
Attachment for Response to AG 1-162  
Witness: Billie J. Richert  
Your Touchstone Energy<sup>®</sup> Cooperative  17 of 106

**Victor T. Vu**  
**May 3, 2010**  
**Page 2 of 2**

**C: Big Rivers' Board of Directors**  
**Chairman – Kentucky Public Service Commission**  
**Mr. Jeff Cline – Kentucky Public Service Commission**  
**Mr. James M. Miller, Esq. – Sullivan, Mountjoy, Stainback & Miller, P.S.C.**  
**Mr. Sandy Novick – Kenergy**  
**Mr. Burns Mercer – Meade County R.E.C.C.**  
**Mr. G. Kelly Nuckols – Jackson Purchase Energy Corporation**  
**Mr. Enrico Strini WP-MN-WS3C – U.S. Bank National Association**  
**Mr. Philip G. Kane Jr. – U. S. Bank National Association**  
**Ms. Suk-Ling Ng – U.S. Bank National Association**  
**Mr. John List - NRUCFC.**  
**Mr. Nathan Burns – Reliant Energy**  
**Mr. Mark Glotfelty – Goldman, Sachs & Co**  
**Mr. Jeffrey Childs – CoBank, ACB**  
**Mr. Fil Agusti – Steptoe & Johnson, LLP**  
**Ms. Connie Vergara – Dexia Credit Local, New York**  
**Mr. Dennis M. Pitheray – Global Utilities - AMBAC**  
**Mr. Ryan Baynes – Midwest ISO**

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0012. The time required to complete this information collection is estimated to average 23 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

BORROWER DESIGNATION KX0062

**OPERATING REPORT - FINANCIAL**

PERIOD ENDED  
December, 2009

INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.

BORROWER NAME

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

Big Rivers Electric Corporation

**CERTIFICATION**

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

**ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.**

**DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII**  
(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Form 12a Section C of this report.

Mark A. Bailey

5/3/10  
DATE

RUS Form 12

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0063		
OPERATING REPORT - FINANCIAL		PERIOD ENDED December, 2009		
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.		This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.		
SECTION A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	THIS MONTH (d)
1. Electric Energy Revenues	204,519,279	326,729,694	344,905,707	44,378,978
2. Income From Leased Property (Net)	29,347,945	15,888,834	15,584,941	
3. Other Operating Revenue and Income	10,239,393	14,603,910	11,862,836	1,033,968
4. TOTAL OPER. REVENUES & PATRONAGE CAPITAL (1 thru 3)	244,106,617	357,222,438	372,353,484	45,412,946
5. Operating Expense - Production - Excluding Fuel		22,381,368	23,820,063	4,651,759
6. Operating Expense - Production - Fuel		80,654,643	97,125,847	16,872,561
7. Operating Expense - Other Power Supply	112,760,848	115,826,139	106,825,730	10,314,356
8. Operating Expense - Transmission	7,222,057	8,256,704	7,793,533	752,066
9. Operating Expense - Distribution				
10. Operating Expense - Customer Accounts				
11. Operating Expense - Customer Service & Information	697,008	716,704	764,743	75,645
12. Operating Expense - Sales	723,821	551,735	1,484,262	219,971
13. Operating Expense - Administrative & General	17,477,145	24,190,595	19,372,489	4,049,141
14. TOTAL OPERATION EXPENSE (5 thru 13)	138,880,879	252,577,888	257,186,765	36,935,499
15. Maintenance Expense - Production		24,400,170	24,962,101	4,518,231
16. Maintenance Expense - Transmission	4,002,384	5,225,597	4,804,847	910,160
17. Maintenance Expense - Distribution				
18. Maintenance Expense - General Plant	208,636	170,492	186,219	24,452
19. TOTAL MAINTENANCE EXPENSE (15 thru 18)	4,211,020	29,796,259	29,953,167	5,452,843
20. Depreciation and Amortization Expense	5,303,401	18,464,743	18,573,721	2,942,087
21. Taxes	1,071,941	1,831,667	600,533	87,636
22. Interest on Long-Term Debt	75,192,513	60,027,927	61,656,180	4,316,793
23. Interest Charged to Construction - Credit	(482,404)	(133,263)	(503,103)	(14,191)
24. Other Interest Expense	7,798	3,453	3,915	
25. Asset Retirement Obligations				
26. Other Deductions	4,870,100	2,168,814	2,366,120	15,379
27. TOTAL COST OF ELECTRIC SERVICE (14 + 19 thru 26)	229,045,248	364,737,388	369,837,298	49,736,046
28. OPERATING MARGINS (4 less 27)	15,061,369	(7,514,870)	2,516,186	(4,323,100)
29. Interest Income	11,962,932	316,407	288,890	57,137
30. Allowance For Funds Used During Construction				
31. Income (Loss) from Equity Investments				
32. Other Non-operating Income (Net)		13,042		2,378
33. Generation & Transmission Capital Credits				
34. Other Capital Credits and Patronage Dividends	791,430	537,417	546,763	2,855
35. Extraordinary Items		537,978,261		(6,785,882)
36. NET PATRONAGE CAPITAL OR MARGINS (28 thru 35)	27,815,731	531,330,257	3,351,829	(11,046,712)

RUS Form 12a

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

BORROWER DESIGNATION KY0062

**OPERATING REPORT - FINANCIAL**

PERIOD ENDED December, 2009

INSTRUCTIONS - Submit an original and two copies to RUS or file electronically.  
For detailed instructions, see RUS Bulletin 1717B-3.

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

**SECTION B. BALANCE SHEET**

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	1,931,216,388	32. Memberships	75
2. Construction Work in Progress	55,256,847	33. Patronage Capital	
3. TOTAL UTILITY PLANT (1 + 2)	1,986,373,235	a Assigned and Assignable	
4. Accum. Provision for Depreciation and Amort.	908,099,500	b Retired This year	
5. NET UTILITY PLANT (3 - 4)	1,078,273,735	c Retired Prior years	
6. Non-Utility Property (Net)		d Net Patronage Capital	
7. Investments in Subsidiary Companies		34. Operating Margins - Prior Years	(244,639,283)
8. Invest. in Assoc. Org. - Patronage Capital	3,576,487	35. Operating Margin - Current Year	(6,977,454)
9. Invest. in Assoc. Org. - Other - General Funds	684,993	36. Non-Operating Margins	636,124,626
10. Invest. in Assoc. Org. - Other - Nongeneral Funds		37. Other Margins and Equities	(5,116,423)
11. Investments in Economic Development Projects	10,000	38. TOTAL MARGINS & EQUITIES (32 + 33d thru 37)	379,391,541
12. Other Investments	5,334	39. Long-Term Debt - RUS (Net)	692,267,261
13. Special Funds	243,878,495	40. Long-Term Debt - FFB - RUS Guaranteed	
14. TOTAL OTHER PROPERTY AND INVESTMENTS (6 thru 13)	248,155,309	41. Long-Term Debt - Other - RUS Guaranteed	
15. Cash - General Funds	243,539	42. Long-Term Debt - Other (Net)	142,100,000
16. Cash - Construction Funds - Trustee		43. Long-Term Debt - RUS - Econ. Devel. (Net)	
17. Special Deposits	571,739	44. Payments - Unapplied	
18. Temporary Investments	59,886,883	45. TOTAL LONG-TERM DEBT (39 thru 43 - 44)	836,367,261
19. Notes Receivable (Net)		46. Obligations Under Capital Leases - Noncurrent	
20. Accounts Receivable - Sales of Energy (Net)	39,902,095	47. Accumulated Operating Provisions and Asset Retirement Obligations	17,211,550
21. Accounts Receivable - Other (Net)	5,281,595	48. TOTAL OTHER NONCURRENT LIABILITIES (46 + 47)	17,211,550
22. Fuel Stock	37,829,644	49. Notes Payable	
23. Materials and Supplies - Other	20,412,538	50. Accounts Payable	34,019,328
24. Prepayments	5,013,952	51. Current Maturities Long-Term Debt	14,184,484
25. Other Current and Accrued Assets	2,312,955	52. Current Maturities Long-Term Debt - Rural Development	
26. TOTAL CURRENT AND ACCRUED ASSETS (15 thru 25)	171,454,940	53. Current Maturities Capital Leases	
27. Unamortized Debt Discount & Extraor. Prop. Losses	927,459	54. Taxes Accrued	454,658
28. Regulatory Assets		55. Interest Accrued	9,097,432
29. Other Deferred Debits	6,672,014	56. Other Current and Accrued Liabilities	9,409,622
30. Accumulated Deferred Income Taxes		57. TOTAL CURRENT & ACCRUED LIABILITIES (49 thru 56)	67,165,524
31. TOTAL ASSETS AND OTHER DEBITS (5 + 14 + 26 thru 30)	1,505,483,457	58. Deferred Credits	207,347,581
		59. Accumulated Deferred Income Taxes	
		60. TOTAL LIABILITIES AND OTHER CREDITS (38 + 45 + 48 + 57 thru 59)	1,505,483,457

USDA-RUS <b>FINANCIAL AND STATISTICAL REPORT</b>  <i>INSTRUCTIONS - See RUS Bulletin 1717B-3</i>		BORROWER DESIGNATION KY0082  PERIOD ENDED December, 2009
<b>SECTION C. Notes to Financial Statements</b>		
<b>Footnote to RUS Form 12a</b>		
Financial Ratios:		2009
Margins For Interest Ratio (MFI)		9.87
<b>Footnote to RUS Form 12b SE</b>		
Kenergy "IF" Contract termination date is March 31, 2011.		

USDA-RUS

**OPERATING REPORT**

BORROWER DESIGNATION  
KY0082

PERIOD ENDED  
December, 2008

INSTRUCTIONS - See RUS Bulletin 1717B-3

**OPERATING REPORT SALES OF ELECTRICITY**

Sale No.	Name Of Company or Public Authority (a)	Statistical Classification (b)	RUS Borrower Designation (c)	Average Monthly Billing Demand (MW) (d)	Actual Average Monthly MCP Demand (e)	Actual Average Monthly CP Demand (f)
1	Ultimate Consumer(s)					
2	Jackson Purchase Energy Corp	RQ	KY0020	124	125	121
3	Mazade County Rural E C C (KY0018)	RQ	KY0018	89	87	85
4	Kenergy Corporation (KY0085)	RQ	KY0085	349	353	354
5	Kenergy Corporation (KY0085)	IF	KY0085			
6	Kenergy Corporation (KY0085)	LF	KY0085			
7	Kenergy Corporation (KY0085)	RQ	KY0085			
8	Alabama Electric Coop, Inc (AL0042)	OS	AL0042			
9	Associated Electric Coop, Inc	OS	MO0073			
10	East Kentucky Power Coop, Inc	OS	KY0056			
11	Oglethorpe Power Corporation	OS	GA0109			
12	Cargill-Allent LLC	OS				
13	Constellation Power Source Inc	OS				
14	Eagle Energy Partners	OS				
15	Henderson Munic Power & Light	OS				
16	LG&E Energy Marketing, Inc	OS				
17	Midwest Independent Transmission	OS				
18	PJM Interconnection (PA)	OS				
19	Southern Company Services	OS				
20	Tenaska Power Services	OS				
21	Tennessee Valley Authority	OS				
22	The Energy Authority	OS				
23	Wester Energy	OS				
	Total for Ultimate Consumer(s)					
	Total for Distribution Borrowers			562	576	580
	Total for G&T Borrowers			0	0	0
	Total for Other			0	0	0
	Grand Total			562	576	580



USDA-RUS

OPERATING REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-3

BORROWER DESIGNATION

KY0092

PERIOD ENDED

December, 2009

OPERATING REPORT SALES OF ELECTRICITY

Site No	Electricity Sold (MWh) (a)	Revenue Demand Charges (b)	Revenue Energy Charges (c)	Revenue Other Charges (d)	Revenue Total (a + b + c + d)
1					
2	654,774	11,048,833	15,048,317		26,096,150
3	455,735	7,848,630	11,167,824		19,064,484
4	2,048,623	35,532,083	44,283,064		79,815,177
5	53,835		1,845,587		1,845,587
6	575,388		31,143,437		31,143,437
7	2,885,481		133,378,627		133,378,627
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					

USDA-RUS

**OPERATING REPORT**

INSTRUCTIONS - See RUS Bulletin 1717B-3

BORROWER DESIGNATION

KY0092

PERIOD ENDED

December, 2009

**OPERATING REPORT SALES OF ELECTRICITY**

State No	Comments
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	

USDA-RUS

**OPERATING REPORT**

INSTRUCTIONS - See RUS Bulletin 1717B-3

BORROWER DESIGNATION

KY0002

PERIOD ENDED

December, 2008

**OPERATING REPORT PURCHASED POWER**

Purchase No.	Name Of Company or Public Authority (a)	Statistical Classification (b)	RUS Borrower Designation (c)	Average Monthly Billing Demand (MW) (d)	Actual Average Monthly RCP Demand (e)	Actual Average Monthly CP Demand (f)
1	Associated Electric Coop, Inc (MO0073)	OS	MO0073			
2	East Kentucky Power Coop, Inc (KY0059)	OS	KY0059			
3	Southern Illinois Power Coop (IL0050)	OS	IL0050			
4	Central-Aliant LLC	OS				
5	Constellation Energy Commodities Group	OS				
6	Dominar Paper Co. (KY)	SF				
7	Ecob Energy Partners	OS				
8	Henderson Munic Power & Light	RQ				
9	LG&E Energy Marketing, Inc	RQ				
10	Midwest Independent Transmission System Operator (IN)	OS				
11	PJM Interconnection (PA)	OS				
12	Rollant Energy Services, Inc	SF				
13	Alcan Aluminum (KY)	OS				
14	Southeastern Power Admin	LF				
15	Southern Co. Services-Network Service	OS				
16	The Energy Authority	OS				
	Total for Distribution Borrowers			0	0	0
	Total for G&T Borrowers			0	0	0
	Total for Other			0	0	0
	Grand Total			0	0	0

USDA-RUS

**OPERATING REPORT**

INSTRUCTIONS - See RUS Bulletin 1717B-3

BORROWER DESIGNATION

KY0082

PERIOD ENDED

December, 2009

**OPERATING REPORT PURCHASED POWER**

Purchase No	Electricity Purchased (kWh) (a)	Electricity Received (kWh) (b)	Electricity Delivered (kWh) (c)	Demanded Charges (\$) (d)	Energy Charges (\$) (e)	Other Charges (\$) (f)	Total (g + h + i) (m)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
		0	0	0		0	0
		0	0	0		0	0
		0	0	0		0	0
		0	0	0		0	0

USDA-RUS

**OPERATING REPORT**

INSTRUCTIONS - See RUS Bulletin 17178-3

BORROWER DESIGNATION

KY0052

PERIOD ENDED

December, 2009

OPERATING REPORT PURCHASED POWER	
Purchase No	Comments
1	
2	
3	
4	
6	
8	
7	
8	
8	
10	
11	
12	
13	
14	
15	
16	

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

**OPERATING REPORT  
SOURCES AND DISTRIBUTION OF ENERGY**

BORROWER DESIGNATION  
KY0062

PERIOD ENDED  
December, 2009

INSTRUCTIONS - Submit an original and two copies to RUS or file electronically.  
For detailed instructions, see RUS Bulletin 1717B-3.

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

SOURCES OF ENERGY (a)	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kW) (c)	NET ENERGY RECEIVED BY SYSTEM (MWh) (d)	COST (\$) (e)
<b>GENERATED IN OWN PLANT (Details on Forms 12d, e, f, and g)</b>				
1. Fossil Steam	4	1,489,000	3,714,668	190,484,131
2. Nuclear	0	0	0	0
3. Hydro	0	0	0	0
4. Combined Cycle	0	0	0	0
5. Internal Combustion	1	70,000	877	676,101
6. Other	0	0	0	0
7. TOTAL in Own Plant (Sum of lines 1 thru 6)	5	1,559,000	3,715,545	191,160,232
<b>PURCHASED POWER</b>				
8. TOTAL PURCHASED POWER				
<b>INTERCHANGED POWER</b>				
9. Received Into System (Gross)				
10. Delivered Out of System (Gross)				
11. Net Interchange (Line 9 minus 10)				
<b>TRANSMISSION FOR OR BY OTHERS - (WHEELING)</b>				
12. Received Into System				
13. Delivered Out of System				
14. Net Energy Wheeled (Line 12 minus 13)			0	0
15. TOTAL Energy Available for Sale (Sum of lines 7 + 8 + 11 + 14)				
<b>DISTRIBUTION OF ENERGY</b>				
16. TOTAL Sales				
17. Energy Furnished to Others Without Charge			0	
18. Energy Used by Borrower (Excluding Station Use)			0	
19. TOTAL Energy Accounted For (Sum of lines 16 thru 18)				
<b>LOSSES</b>				
20. Energy Losses - MWh (Line 15 minus 19)				
21. Energy Losses - Percentage ((Line 20 divided by line 15) * 100)			1.16 %	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>OPERATING REPORT -          STEAM PLANT</b>	<b>BORROWER DESIGNATION</b> KY0062
	<b>PLANT</b> Coleman
	<b>PERIOD ENDED</b> December, 2009
<b>INSTRUCTIONS -</b> Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.	<i>This data will be used to review your financial situation. Your response is          required (7 U.S.C. 901 et. seq.) and may be confidential.</i>

SECTION A. BOILERS/TURBINES											
LINE NO.	UNIT NO.	TIMES STARTED	FUEL CONSUMPTION					OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	Scheduled (j)	Unsched. (k)
1.	1	2	422,346.40	0.00	7,125.00			3,953			80
2.	2	5	381,715.10		7,271.40			2,840	37		156
3.	3	5	414,836.60		11,723.30			2,824			209
4.											
5.											
6.	TOTAL	12	1,218,898	0.00	26,119.70	0.00		11,617	37	0	445
7.	Average BTU		11,529		1,000.01						
8.	Total BTU (10 <sup>6</sup> )		14,052,676.00		26,120.00			24,078,796			
9.	Total Del. Cost (\$)		32,475,100		149,729.00						

SECTION A. BOILERS/TURBINES (CONT.)					SECTION B. LABOR REPORT			SECTION C. FACTORS & MAX. DEMAND		
LINE NO.	UNIT NO.	SIZE (kW)	GROSS GEN. (MWh)	BTU PER kWh	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	1	160,000	487,978.00		1.	No. Employees Full-Time (Inc. Superintendent)	105	1.	Load Factor (%)	31.80%
2.	2	160,000	434,176.00		2.	No. Employees Part-Time		2.	Plant Factor (%)	32.92%
3.	3	165,000	476,498.00		3.	Total Empl. - Hrs. Worked	92,182	3.	Running Plant Capacity Factor (%)	74.48%
4.					4.	Oper. Plant Payroll (\$)	1,657,504	4.	15 Minute Gross Maximum Demand (kW)	502,026
5.					5.	Maint. Plant Payroll (\$)	1,052,948	5.	Indicated Gross Maximum Demand (kW)	
6.	TOTAL	485,000	1,398,652.00	10,066	6.	Other Accrs. Plant Payroll (\$)				
7.	Station Service (MWh)		138,915.00		7.	Total Plant Payroll (\$)	2,709,452			
8.	Net Generation (MWh)		1,259,737.00	11,175.00						
9.	Station Service (%)		9.93							

SECTION D. COST OF NET ENERGY GENERATED					
LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$)	MILLS/NET kWh	\$/10 <sup>6</sup> BTU
			(a)	(b)	(c)
1.	Operation, Supervision and Engineering	500	637,258		
2.	Fuel, Coal	501.1	33,584,054		2.38
3.	Fuel, Oil	501.2			
4.	Fuel, Gas	501.3	149,729		5.73
5.	Fuel, Other	501.4			
6.	FUEL SUB-TOTAL (2 thru 5)	501	33,703,783	26.75	2.39
7.	Steam Expenses	502	3,074,251		
8.	Electric Expenses	505	773,420		
9.	Miscellaneous Steam Power Expenses	506	857,126		
10.	Allowances	509			
11.	Rents	507			
12.	NON-FUEL SUB-TOTAL (1 - 7 thru 11)		5,542,053	4.35	
13.	OPERATION EXPENSE (6 - 12)		39,245,836	31.15	
14.	Maintenance, Supervision and Engineering	510	647,994		
15.	Maintenance of Structures	511	776,967		
16.	Maintenance of Boiler Plant	512	2,486,254		
17.	Maintenance of Electric Plant	513	243,308		
18.	Maintenance of Miscellaneous Plant	514	98,734		
19.	MAINTENANCE EXPENSE (14 thru 18)		4,253,237	3.37	
20.	TOTAL PRODUCTION EXPENSE (13 - 19)		43,499,073	34.53	
21.	Depreciation	403.1, 411.10	2,038,671		
22.	Interest	427	6,743,607		
23.	TOTAL FIXED COST (21 - 22)		8,782,278	6.96	
24.	POWER COST (20 + 23)		52,279,351	41.50	

RUS Form 12d

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>OPERATING REPORT -          STEAM PLANT</b>	<b>BORROWER DESIGNATION</b> XY0062  <b>PLANT</b> Reid  <b>PERIOD ENDED</b> December, 2009
<b>INSTRUCTIONS</b> - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.	<i>This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.</i>

SECTION A. BOILERS/TURBINES											
LINE NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION				TOTAL (g)	OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)		IN SERVICE (h)	ON STANDBY (i)	SCHEDULED (j)	UNSCHEDULED (k)
1.	1	3	1,823.00	33.39				41	3,328		674
2.											
3.											
4.											
5.											
6.	<b>TOTAL</b>		1,823	33.39	0.00	0.00		41	3,328	0	674
7.	Average BTU		12,301	137,976.44							
8.	Total BTU (10 <sup>6</sup> )		22,242.00	6,607			26,649				
9.	Total Del. Cost (\$)		(131,090)	64,268.00							

SECTION A. BOILERS/TURBINES (CONT.)					SECTION B. LABOR REPORT			SECTION C. FACTORS & MAX. DEMAND		
LINE NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	1	72,000	1,887.00		1.	No. Employees Full-Time (Inc. Superintendent)	17	1.	Load Factor (%)	0.304
2.					2.	No. Employees Part-Time		2.	Plant Factor (%)	0.309
3.					3.	Total Empl. - Hrs. Worked	14,925	3.	Running Plant Capacity Factor (%)	63.928
4.					4.	Oper. Plant Payroll (\$)	502,188	4.	15 Minute Gross Maximum Demand (kW)	71,700
5.					5.	Mainl. Plant Payroll (\$)	200,442	5.	Indicated Gross Maximum Demand (kW)	
6.	<b>TOTAL</b>	72,000	1,887.00	14,228	6.	Other Accts. Plant Payroll (\$)				
7.	Station Service (MWh)		1,128.00		7.	Total Plant Payroll (\$)	702,630			
8.	Net Generation (MWh)		(6,242.00)	(6,392.03)						
9.	Station Service (%)		430.73							

SECTION D. COST OF NET ENERGY GENERATED					
LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	196,066		
2.	Fuel, Coal	501.1	(76,602)		(3.44)
3.	Fuel, Oil	501.2	64,268		13.95
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	<b>FUEL SUB-TOTAL (2 thru 5)</b>	501	(12,334)	1.97	(.45)
7.	Steam Expenses	502	214,241		
8.	Electric Expenses	505	123,856		
9.	Miscellaneous Steam Power Expenses	506	142,047		
10.	Allowances	509			
11.	Rents	507			
12.	<b>NON-FUEL SUB-TOTAL (1 + 7 thru 11)</b>		685,908	(109.90)	
13.	<b>OPERATION EXPENSE (6 + 12)</b>		673,574	(107.92)	
14.	Maintenance, Supervision and Engineering	510	113,620		
15.	Maintenance of Structures	511	47,993		
16.	Maintenance of Boiler Plant	512	382,702		
17.	Maintenance of Electric Plant	513	313,866		
18.	Maintenance of Miscellaneous Plant	514	24,292		
19.	<b>MAINTENANCE EXPENSE (14 thru 18)</b>		882,473	(141.39)	
20.	<b>TOTAL PRODUCTION EXPENSE (13 + 19)</b>		1,556,047	(249.32)	
21.	Depreciation	403.1, 411.10	162,662		
22.	Interest	427	911,907		
23.	<b>TOTAL FIXED COST (21 + 22)</b>		1,094,469	(175.36)	
24.	<b>POWER COST (20 + 23)</b>		2,650,516	(424.68)	

RUS Form 12d



UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>OPERATING REPORT -          STEAM PLANT</b>	<b>BORROWER DESIGNATION</b> KY0062
	<b>PLANT</b> Green
	<b>PERIOD ENDED</b> December, 2009
<b>INSTRUCTIONS -</b> Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.	
<i>This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.</i>	

SECTION A. BOILERS/TURBINES											
LINE NO.	UNIT NO.	TIMES STARTED	FUEL CONSUMPTION				TOTAL	OPERATING HOURS			
			COAL (1000 Lbs.)	OIL (1000 Gals.)	GAS (1000 C.F.)	OTHER		IN SERVICE	ON STANDBY	Scheduled	Unsched
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1.	1	5	728,855.20	251.72				3,903		49	81
2.	2	6	754,801.90	81.99				3,943			90
3.											
4.											
5.											
6.	<b>TOTAL</b>	<b>11</b>	<b>1,483,657</b>	<b>333.71</b>	<b>0.00</b>	<b>0.00</b>		<b>7,846</b>	<b>0</b>	<b>49</b>	<b>171</b>
7.	<b>Average BTU</b>		<b>11,716</b>	<b>138,000.03</b>							
8.	<b>Total BTU (10<sup>6</sup>)</b>		<b>17,382,837.00</b>	<b>46,852</b>			<b>17,429,689</b>				
9.	<b>Total Del. Cost (\$)</b>		<b>28,232,837</b>	<b>695,218.00</b>							

SECTION A. BOILERS/TURBINES (CONT.)					SECTION B. LABOR REPORT			SECTION C. FACTORS & MAX. DEMAND		
LINE NO.	UNIT NO.	SIZE (kW)	GROSS GEN. (MWh)	BTU PER kWh	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	1	250,000	851,199.00		1.	No. Employees Full-Time (Inc. Superintendent)	108	1.	Load Factor (%)	40.000
2.	2	242,000	863,240.00		2.	No. Employees Part-Time		2.	Plant Factor (%)	39.785
3.					3.	Total Empl. - Hrs. Worked	94,816	3.	Running Plant	
4.					4.	Oper. Plant Payroll (\$)	2,255,405	4.	Capacity Factor (%)	88.838
5.					5.	Maint. Plant Payroll (\$)	1,325,551	5.	15 Minute Gross	
6.	<b>TOTAL</b>	<b>492,000</b>	<b>1,714,439.00</b>	<b>10,166</b>	6.	Other Accrs. Plant Payroll (\$)		6.	Maximum Demand (kW)	489,300
7.	<b>Station Service (MWh)</b>		<b>159,128.00</b>		7.	<b>Total Plant Payroll (\$)</b>	<b>3,580,956</b>	7.	<b>Indicated Gross</b>	
8.	<b>Net Generation (MWh)</b>		<b>2,955,311.00</b>	<b>11,205.04</b>				8.	<b>Maximum Demand (kW)</b>	
9.	<b>Station Service (%)</b>		<b>9.28</b>							

SECTION D. COST OF NET ENERGY GENERATED					
LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$)	MILLS/NET kWh	3/10 <sup>6</sup> BTU
			(a)	(b)	(c)
1.	Operation, Supervision and Engineering	500	966,631		
2.	Fuel, Coal	501.1	28,050,871		
3.	Fuel, Oil	501.2	695,218		
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	<b>FUEL SUB-TOTAL (2 thru 5)</b>	<b>501</b>	<b>29,745,789</b>	<b>19.13</b>	
7.	Steam Expenses	502	6,471,480		
8.	Electric Expenses	505	802,491		
9.	Miscellaneous Steam Power Expenses	506	836,312		
10.	Allowances	509			
11.	Rents	507			
12.	<b>NON-FUEL SUB-TOTAL (1 + 7 thru 11)</b>		<b>9,076,914</b>	<b>5.84</b>	
13.	<b>OPERATION EXPENSE (6 + 12)</b>		<b>38,822,703</b>	<b>24.96</b>	
14.	Maintenance, Supervision and Engineering	510	590,963		
15.	Maintenance of Structures	511	366,137		
16.	Maintenance of Boiler Plant	512	3,312,882		
17.	Maintenance of Electric Plant	513	644,944		
18.	Maintenance of Miscellaneous Plant	514	145,628		
19.	<b>MAINTENANCE EXPENSE (14 thru 18)</b>		<b>4,858,154</b>	<b>3.12</b>	
20.	<b>TOTAL PRODUCTION EXPENSE (13 + 19)</b>		<b>43,680,857</b>	<b>28.08</b>	
21.	Depreciation	403, 411, 10	3,110,067		
22.	Interest	427	12,105,092		
23.	<b>TOTAL FIXED COST (21 + 22)</b>		<b>15,215,159</b>	<b>9.78</b>	
24.	<b>POWER COST (20 + 23)</b>		<b>58,896,016</b>	<b>37.87</b>	

RUS Form 12d

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>OPERATING REPORT -          STEAM PLANT</b>	<b>BORROWER DESIGNATION</b> KY0062  <b>PLANT</b> Wilson  <b>PERIOD ENDED</b> December, 2009
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.	This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

SECTION A. BOILERS/TURBINES												
LINE NO.	UNIT NO.	TIMES STARTED	FUEL CONSUMPTION					OPERATING HOURS				
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	SCHEDULED (j)	UNSCHE- DUL (k)	
1.	1	8	889,130.30	472.00					2,367		1,462	204
2.												
3.												
4.												
5.												
6.	<b>TOTAL</b>	8	889,130	472.00	0.00	0.00			2,367	0	1,462	204
7.	Average BTU		11,561	138,000.00								
8.	Total BTU (10 <sup>6</sup> )		10,279,235.00	65,126				10,344,371				
9.	Total Del. Cost (\$)		19,236,170	870,807.00								

SECTION A. BOILERS/TURBINES (CONT.)					SECTION B. LABOR REPORT			SECTION C. FACTORS & MAX. DEMAND		
LINE NO.	UNIT NO.	SIZE (kW) (l)	GROSS GEN. (MWh) (m)	BTU PER kWh (n)	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	1	440,000	987,417.60		1.	No. Employees Full-Time (Inc. Superintendent)	105	1.	Load Factor (%)	24.19%
2.					2.	No. Employees Part-Time		2.	Plant Factor (%)	25.62%
3.					3.	Total Empl. - Hrs. Worked	92,183	3.	Running Plant Capacity Factor (%)	94.81%
4.					4.	Oper. Plant Payroll (\$)	1,887,660	4.	15 Minute Gross Maximum Demand (kW)	466,000
5.					5.	Maint. Plant Payroll (\$)	1,582,418	5.	Indicated Gross Maximum Demand (kW)	
6.	<b>TOTAL</b>	440,000	987,417.60	10,476	6.	Other Accs. Plant Payroll (\$)				
7.	Station Service (MWh)		81,557.00		7.	Total Plant Payroll (\$)	3,472,078			
8.	Net Generation (MWh)		905,860.60	11,419.30						
9.	Station Service (%)		8.25							

SECTION D. COST OF NET ENERGY GENERATED					
LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	562,452		
2.	Fuel, Coal	501.1	16,097,434		1.56
3.	Fuel, Oil	501.2	870,607		13.36
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	<b>FUEL SUB-TOTAL (2 thru 5)</b>	501	16,967,841	18.72	1.64
7.	Steam Expenses	502	4,557,864		
8.	Electric Expenses	505	725,820		
9.	Miscellaneous Steam Power Expenses	506	1,228,161		
10.	Allowances	509			
11.	Rents	507			
12.	<b>NON-FUEL SUB-TOTAL (7 thru 11)</b>		7,064,297	7.70	
13.	<b>OPERATION EXPENSE (6 - 12)</b>		24,032,218	26.52	
14.	Maintenance, Supervision and Engineering	510	235,979		
15.	Maintenance of Structures	511	418,821		
16.	Maintenance of Boiler Plant	512	7,683,689		
17.	Maintenance of Electric Plant	513	5,795,196		
18.	Maintenance of Miscellaneous Plant	514	244,463		
19.	<b>MAINTENANCE EXPENSE (14 thru 18)</b>		14,368,248	15.86	
20.	<b>TOTAL PRODUCTION EXPENSE (13 - 19)</b>		38,400,385	42.38	
21.	Depreciation	403.1, 411.10	7,384,916		
22.	Interest	427	30,872,546		
23.	<b>TOTAL FIXED COST (21 + 22)</b>		38,257,862	42.21	
24.	<b>POWER COST (20 + 23)</b>		76,658,248	84.59	

RUS Form 12d

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>OPERATING REPORT -          INTERNAL COMBUSTION PLANT</b>	BORROWER DESIGNATION <div style="text-align: right;">KY0062</div> PLANT <div style="text-align: right;">Reid</div> PERIOD ENDED <div style="text-align: right;">December, 2009</div>
--	---

INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3. This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS												
LINE NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENERATION (MWh) (k)	BTU PER kWh (l)
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE Sche. (i) Unsche. (j)			
1.	1	70,000	123.68				25	3,859		149	1,204	
2.												
3.												
4.												
5.												
6.	<b>TOTAL</b>	70,000	123.68	0.00	0.00		25	3,859	0	149	1,204	34,350.44
7.	Average BTU		130,001.56				STATION SERVICE (MWh)				327.00	
8.	Total BTU (10 <sup>6</sup> )		17,069.00				NET GENERATION (MWh)				876.70	19,469.00
9.	Total Del. Cost (\$)		249,463.00				STATION SERVICE % OF GROSS				27.16	

SECTION B. LABOR REPORT					SECTION C. FACTORS & MAXIMUM DEMAND			
LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	No. Emp. Full Time (incl. Superintendent)		5.	Mainl. Plant Payroll (\$)		1.	Load Factor (%)	0.204
2.	No. Emp. Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	0.204
3.	Total Emp. - Hrs. Worked					3.	Running Plant Capacity Factor (%)	68.784
4.	Oper. Plant Payroll (\$)		7.	TOTAL Plant Payroll (\$)		4.	15 Min. Gross Max. Demand (kW)	70,000
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED					
LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	546	0		
2.	Fuel, Oil	547.1	249,463		14.61
3.	Fuel, Gas	547.2	0		0.00
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
6.	<b>FUEL SUBTOTAL (2 thru 5)</b>	547	249,463	284.54	14.61
7.	Generation Expenses	548	12,196		
8.	Miscellaneous Other Power Generation Expenses	549	0		
9.	Rents	550	0		
10.	<b>NON-FUEL SUBTOTAL (1 + 7 thru 9)</b>		12,196	13.91	
11.	<b>OPERATION EXPENSE (6 + 10)</b>		261,659	298.45	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	38,158		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	<b>MAINTENANCE EXPENSE (12 thru 15)</b>		38,158	43.52	
17.	<b>TOTAL PRODUCTION EXPENSE (11 + 16)</b>		299,817	341.98	
18.	Depreciation	553, 512	86,815		
19.	Interest	554, 513	289,469		
20.	<b>TOTAL FIXED COST (18 + 19)</b>		376,284	429.20	
21.	<b>POWER COST (17 + 20)</b>		676,101	771.18	

REMARKS (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>OPERATING REPORT -          ANNUAL SUPPLEMENT</b>	<b>BORROWER DESIGNATION</b> KY0062
	<b>PERIOD ENDED</b> December, 2009
<b>INSTRUCTIONS -</b> Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3	<i>This data will be used to determine your financial situation. Your response is required (7 U.S.C 901 et seq.) and may be confidential.</i>

**SECTION A. UTILITY PLANT**

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Total Intangible Plant (301 thru 303)	66,895				66,895
2. Total Steam Production Plant (310 thru 317)	0	133,029,622	3,293,402	1,538,069,091	1,667,805,311
3. Total Nuclear Production Plant (320 thru 326)	0				0
4. Total Hydro Production Plant (330 thru 337)	0				0
5. Total Other Production Plant (340 thru 347)	0			7,927,719	7,927,719
6. Total Production Plant (2 thru 5)	0	133,029,622	3,293,402	1,545,996,810	1,675,733,030
7. Land and Land Rights (350)	13,096,494	314,317			13,409,811
8. Structures and Improvements (352)	6,536,641	5,029	1,432		6,540,238
9. Station Equipment (353)	107,922,449	120,432	2,438		108,040,443
10. Other Transmission Plant (354 thru 359.1)	84,116,266	5,081,451	30,743		89,166,974
11. Total Transmission Plant (7 thru 10)	211,670,850	5,521,229	34,613		217,157,466
12. Land and Land Rights (360)	0				0
13. Structures and Improvements (361)	0				0
14. Station Equipment (362)	0				0
15. Other Distribution Plant (363 thru 374)	0				0
16. Total Distribution Plant (12 thru 15)	0				0
17. Total General Plant (389 thru 399.1)	17,240,341	1,127,713	167,155		18,200,899
18. Electric Plant in Service (1 - 6 - 11 + 16 + 17)	228,978,086	139,678,564	3,485,170	1,545,996,810	1,912,158,290
19. Electric Plant Purchased or Sold (102)	0				0
20. Electric Plant Leased to Others (104)	1,535,003,705	12,784,054	1,790,849	(1,545,996,810)	0
21. Electric Plant Held for Future Use (105)	475,968				475,968
22. Completed Construction Not Classified (106)	19,129,242	352,888			19,482,130
23. Acquisition Adjustments (114)	0				0
24. Other Utility Plant (118)	0				0
25. Nuclear Fuel Assemblies (120.1 thru 120.4)	0				0
26. Total Utility Plant in Service (18 thru 25)	1,783,587,001	152,815,506	5,286,119	0	1,931,116,388
27. Construction Work in Progress (107)	8,185,240	47,071,607			55,256,847
28. Total Utility Plant (26 - 27)	1,791,772,241	199,887,113	5,286,119	0	1,986,373,235

**SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT**

ITEM	COMP. RATE (%) (a)	BALANCE BEGINNING OF YEAR (b)	ANNUAL ACCRUALS (c)	RETIREMENTS LESS NET SALVAGE (d)	ADJUSTMENTS AND TRANSFERS (e)	BALANCE END OF YEAR (f)
1. Depr. of Steam Prod. Plant (108.1)	1.79	751,228,973	26,690,154	4,500,655		773,418,472
2. Depr. of Nuclear Prod. Plant (108.2)		0				0
3. Depr. of Hydraulic Prod. Plant (108.3)		0				0
4. Depr. of Other Prod. Plant (108.4)	2.40	5,228,941	189,972			5,418,913
5. Depr. of Transmission Plant (108.5)	2.46	98,963,180	5,416,220	166,875		104,212,525
6. Depr. of Distribution Plant (108.6)		0				0
7. Depr. of General Plant (108.7)		5,871,523	401,545	158,307		6,114,761
8. Retirement Work in Progress (108.8)		(134,098)		(10,423)		(123,675)
9. Total Depr. for Elec. Plant in Serv. (1-8)		861,158,519				889,040,996
10. Depr. of Plant Leased to Others (109)		0				0
11. Depr. of Plant Held for Future Use (110)		0				0
12. Amort. of Elec. Plant in Service (111)	1.86	17,915,076	1,727,124	583,696		19,058,504
13. Amort. of Leased Plant (112)		0				0
14. Amort. of Plant Held for Future Use		0				0
15. Amort. of Acquisition Adj. (115)		0				0
16. Depr. & Amort. Other Plant (119)		0				0
17. Amort. of Nuclear Fuel (120.3)		0				0
18. Total Prov. for Depr. & Amort. (9 - 17)		879,073,595	34,425,015	5,399,110		908,099,500

RUS Form 12h

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>OPERATING REPORT -          ANNUAL SUPPLEMENT</b>	BORROWER DESIGNATION KY0062
	PERIOD ENDED December, 2009

INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3. *This data will be used to determine your financial situation. Your response is required (7 U.S.C 901 et seq.) and may be confidential.*

**SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT (Continued)**

19. Amount of Annual Accrual Charged to Expense \$ 33,430,761	20. Amount of Annual Accrual Charged to Other Accounts \$ 994,254	21. Book Cost of Property Retired \$ 5,286,120
22. Removal Cost of Property Retired \$ 121,839	23. Salvage Material from Property Retired \$ 8,949	24. Renewal and Replacement Cost \$ 8,723,425

**SECTION C. NONUTILITY PLANT**

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. NONUTILITY PROPERTY (121)					
2. PROVISION FOR DEPR. & AMORT. (122)					

**SECTION D. DEMAND AND ENERGY AT POWER SOURCES**

MONTH	PEAK DEMAND (MW) (a)	MONTHLY PEAKS			ENERGY OUTPUT (MWh) (e)
		DATE (b)	TIME (c)	TYPE OF READING (d)	
1. JANUARY	673	01/16/2009	7	Coincident	489,303
2. FEBRUARY	547	02/20/2009	7	Coincident	445,772
3. MARCH	545	03/03/2009	7	Coincident	461,206
4. APRIL	443	04/06/2009	20	Coincident	440,459
5. MAY	444	05/27/2009	19	Coincident	449,189
6. JUNE	611	06/22/2009	17	Coincident	339,038
7. JULY	1,312	07/09/2009	18	Coincident	648,997
8. AUGUST	1,355	08/10/2009	17	Coincident	931,871
9. SEPTEMBER	1,255	09/11/2009	17	Coincident	917,023
10. OCTOBER	1,191	10/19/2009	7	Coincident	877,265
11. NOVEMBER	1,250	11/30/2009	20	Coincident	843,783
12. DECEMBER	1,340	12/16/2009	7	Coincident	978,850
13. ANNUAL PEAK	1,355			ANNUAL TOTAL	7,822,754

**SECTION E. DEMAND AND ENERGY AT DELIVERY POINTS**

MONTH	DELIVERED TO RUS BORROWERS		DELIVERED TO OTHERS		TOTAL DELIVERED	
	DEMAND (MW) (a)	ENERGY (MWh) (b)	DEMAND (MW) (c)	ENERGY (MWh) (d)	DEMAND (MW) (e)	ENERGY (MWh) (f)
1. JANUARY						
2. FEBRUARY						
3. MARCH						
4. APRIL						
5. MAY						
6. JUNE						
7. JULY						
8. AUGUST						
9. SEPTEMBER						
10. OCTOBER						
11. NOVEMBER						
12. DECEMBER						
13. PEAK OR TOTAL						

RUS Form 12b

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-3

BORROWER DESIGNATION

KY0002

PERIOD ENDED

December, 2009

SECTION F: Part I INVESTMENTS

No	DESCRIPTION (a)	INCLUDED (b) (c)	EXCLUDED (d) (e)	INCOME OR LOSS (f) (g)	RURAL DEVELOPMENT (h)
<b>2</b>	<b>Investments in Associated Organizations</b>				
	United Utility Supply Capital	31,773			
	KY Assn for Electric Coops Capital Credit	15,038			
	Jackson Purchase Capital Credit		3,611		
	Kernery Capital Credit		18,633		
	Maysda County Capital Credit		528		
	Rural Cooperatives Credit Union Deposit	5			
	Touchstone Energy (NRECA) Capital Credit	1,742			
	CoBank Capital Credit		3,475,487		
	NRUCFC		2,039		
	Cooperative Membership Fees	2,280			
	ACEE Power Marketing Membership Fees	578,000			
	Federated Rural Electric Insurance Exchange Capital Credit	4,713	28,778		
	National Renewables Cooperative Organization Capital Credit		584		
	<b>Totals</b>	<b>733,519</b>	<b>3,527,961</b>		
<b>3</b>	<b>Investments in Economic Development Projects</b>				
	Breckinridge Co. Development Corp Stock	5,000			X
	Hancock Co. Industrial Foundation Stock	5,000			X
	<b>Totals</b>	<b>10,000</b>			
<b>4</b>	<b>Other Investments</b>				
	Southern States Coop Capital Credit	5,334			X
	<b>Totals</b>	<b>5,334</b>			
<b>6</b>	<b>Special Funds</b>				
	Other Special Funds - Deferred Compensation		89,835		
	Other Special Funds - Economic Reserve	24,852,034	122,789,733		
	Other Special Funds - Rural Economic Reserve	271,849	60,305,689		
	Other Special Funds - Transition Reserve	62,168	34,972,918		
	Other Special Funds - Station Two O & M Fund	150,000	260,000		
	Other Special Funds - RUS Counsel - Unwind	101,228			
	Other Special Funds - Maritime Communications Escrow		58,742		
	<b>Totals</b>	<b>25,437,277</b>	<b>218,441,218</b>		
<b>8</b>	<b>Cash - General</b>				
	General Fund		1,738		
	Right Of Way Fund		849		
	Cash-Oracle A/P Clearing		237,132		
	Working Fund	3,725			
	<b>Totals</b>	<b>3,725</b>	<b>239,914</b>		
<b>7</b>	<b>Special Deposits</b>				
	TVA Transmission Reservation	571,739			
	<b>Totals</b>	<b>571,739</b>			
<b>8</b>	<b>Temporary Investments</b>				
	Fidelity-US Treasury Only (82014)		89,701,883		
	PNC Bank Floaters	185,000			
	<b>Totals</b>	<b>185,000</b>	<b>89,701,883</b>		
<b>8</b>	<b>Accounts and Notes Receivable - NET</b>				
	Accts Receivable-Employees-Other	447			
	Accts Receivable-Employees-Computer Assist Program	10,843			
	Accts Receivable-Other-Oracle	6,842			
	Accts Receivable-Employees-Computer Assist Program-Oracle	14,195			

USDA-RUS

**FINANCIAL AND STATISTICAL REPORT**

INSTRUCTIONS - See RUS Bulletin 1717B-3

BORROWER DESIGNATION

KY0062

PERIOD ENDED

December, 2008

**SECTION F: Part L INVESTMENTS**

Other Accts Receivable-Misc	3,780,482		
Accts Receivable-HMP&L Site Test Operation	1,204		
Accts Receivable-LG&E Lease	68,814		
Accts Receivable-E.On-US-Unwind	1,073,779		
Accts Receivable HMP&L Litigation	44,985		
Accts Receivable-HMP&L LEM	195,438		
Accts Receivable-Misc LEM	103,688		
<b>Totals</b>	<b>5,281,695</b>		
<b>11 TOTAL INVESTMENTS (1 thru 10)</b>	<b>32,226,169</b>	<b>281,610,876</b>	

USDA-RUS <b>FINANCIAL AND STATISTICAL REPORT</b>  INSTRUCTIONS - See RUS Bulletin 1717B-3				BORROWER DESIGNATION KY0062  PERIOD ENDED December, 2009	
<b>SECTION F: PART II. LOAN GUARANTEES</b>					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (c) (d)	LOAN BALANCE (e) (f)	RURAL DEVELOPMENT (g)
Total					
TOTAL (Included Loan Guarantees Only)					



<b>USDA-RUS</b>  <b>FINANCIAL AND STATISTICAL REPORT</b>  <i>INSTRUCTIONS - See RUS Bulletin 1717B-3</i>		<b>BORROWER DESIGNATION</b> KY0082  <b>PERIOD ENDED</b> December, 2009			
<b>SECTION F: Part III. RATIO</b>					
<b>RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT</b> <small>(Total Of Included Investments (Part I, 11b) and Loan Guarantees - Loan Balances (Part II, 5d) to Total Utility Plant (Form 12a, Section B, Line 3))</small>		1.82 %			
<b>SECTION F: PART IV. LOANS</b>					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (c) (e)	LOAN BALANCE (d) (f)	RURAL DEVELOPMENT (g)
Total					

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>OPERATING REPORT -          ANNUAL SUPPLEMENT</b>	<b>BORROWER DESIGNATION</b> KY0062
	<b>PERIOD ENDED</b> December, 2009
<b>INSTRUCTIONS</b> - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.	<i>This data will be used to determine your financial situation. Your response is required (7 U.S.C 901 et seq.) and may be confidential.</i>

**SECTION G. MATERIALS AND SUPPLIES INVENTORY**

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED & SALVAGED (b)	USED & SOLD (c)	BALANCE END OF YEAR (d)
1. Coal	0	109,618,428	85,122,386	24,496,042
2. Other Fuel	0	23,494,131	10,160,529	13,333,602
3. Production Plant Parts and Supplies	0	20,732,328	1,275,262	17,457,066
4. Station Transformers and Equipment	0			0
5. Line Materials and Supplies	756,008	384,739	398,958	741,789
6. Other Materials and Supplies	0	8,889,729	6,676,046	2,213,683
<b>7. TOTAL (Sum of lines 1 thru 6)</b>	<b>756,008</b>	<b>163,119,355</b>	<b>105,633,181</b>	<b>58,242,182</b>

RUS Form 12h

USDA-RUS

**FINANCIAL AND STATISTICAL REPORT**

INSTRUCTIONS - See RUS Bulletin 1717B-3

BORROWER DESIGNATION

KY0062

PERIOD ENDED

December, 2009

**SECTION K. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS**

No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	RUS (Excludes RUS - Economic Development Loans)	706,451,745	38,168,278	168,888,404	206,822,682
2	National Rural Utilities Cooperative Finance Corporation	0	0	0	0
3	Bank for Cooperatives	0	0	0	0
4	Federal Financing Bank	0	0	0	0
6	RUS - Economic Development Loans	0	0	0	0
8	Payments Unapplied	0			
7	Ohio County Kentucky Bonds-Series 1983	58,600,000	3,455,034	0	3,455,034
8	Ohio County Kentucky Bonds-Series 2001A	83,300,000	9,831,944	0	9,831,944
8	LEM Settlement Promissory Note	0	683,248	15,657,978	16,351,224
10	PMCC Promissory Note	0	572,819	12,360,000	12,832,819
	<b>Total</b>	<b>848,551,745</b>	<b>52,610,423</b>	<b>186,704,380</b>	<b>249,214,803</b>

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0062	
<b>OPERATING REPORT - ANNUAL SUPPLEMENT</b>		PERIOD ENDED December, 2009	
		<i>This data will be used to determine your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.</i>	
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.			
<b>SECTION I. ANNUAL MEETING AND BOARD DATA</b>			
1. Date of Last Annual Meeting 9/17/2009	2. Total Number of Members 3	3. Number of Members Present at Meeting 3	4. Was Quorum Present? Yes
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 6	7. Total Amount of Fees and Expenses for Board Members \$ 178,796	8. Does Manager Have Written Contract? Yes
<b>SECTION J. MAN-HOUR AND PAYROLL STATISTICS</b>			
1. Number of Full Time Employees	598	4. Payroll Expensed	25,803,349
2. Man-Hours Worked - Regular Time	564,816	5. Payroll Capitalized	322,626
3. Man-Hours Worked - Overtime	78,793	6. Payroll Other	782,459

RUS Form 12h

USDA-RUS

**FINANCIAL AND STATISTICAL REPORT**

INSTRUCTIONS - See RUS Bulletin 1717B-3

BORROWER DESIGNATION

KY0052

PERIOD ENDED

December, 2009

**SECTION K. LONG-TERM LEASES**

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
1	Louisville Gas & Electric	Interconnect Facilities-Cloverport Sub	21,111
	Total		21,111

**OPERATING REPORT - LINES AND STATIONS**

PERIOD ENDED  
December, 2009

INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.

This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

**SECTION A. EXPENSE AND COSTS**

ITEM	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
<b>TRANSMISSION OPERATION</b>			
1. Supervision and Engineering	560	500,448	416,728
2. Load Dispatching	561	1,587,750	
3. Station Expenses	562		1,073,841
4. Overhead Line Expenses	563	1,067,037	
5. Underground Line Expenses	564		
6. Miscellaneous Expenses	566	231,518	276,091
7. <b>SUBTOTAL (1 thru 6)</b>		3,386,753	1,766,650
8. Transmission of Electricity by Others	565	3,078,600	
9. Rents	567		24,701
10. <b>TOTAL TRANSMISSION OPERATION (7 thru 9)</b>		6,465,353	1,791,351
<b>TRANSMISSION MAINTENANCE</b>			
11. Supervision and Engineering	568	318,117	370,345
12. Structures	569		10,587
13. Station Equipment	570		1,855,415
14. Overhead Lines	571	2,572,695	
15. Underground Lines	572		
16. Miscellaneous Transmission Plant	573	43,390	55,048
17. <b>TOTAL TRANSMISSION MAINTENANCE (11 thru 16)</b>		2,934,202	2,291,395
18. <b>TOTAL TRANSMISSION EXPENSE (10 + 17)</b>		9,399,555	4,082,746
19. Distribution Expense - Operation	580-589		
20. Distribution Expense - Maintenance	590-598		
21. <b>TOTAL DISTRIBUTION EXPENSE (19 - 20)</b>			
22. <b>TOTAL OPERATION AND MAINTENANCE (18 + 21)</b>		9,399,555	4,082,746
<b>FIXED COSTS</b>			
23. Depreciation - Transmission	403.5	2,559,957	2,856,263
24. Depreciation - Distribution	403.6		
25. Interest - Transmission	427	3,634,616	4,672,297
26. Interest - Distribution	427		
27. <b>TOTAL TRANSMISSION (18 + 23 + 25)</b>		15,594,128	11,610,306
28. <b>TOTAL DISTRIBUTION (21 + 24 + 26)</b>			
29. <b>TOTAL LINES AND STATIONS (27 + 28)</b>		15,594,128	11,610,306

**SECTION B. FACILITIES IN SERVICE**

**SECTION C. LABOR AND MATERIAL SUMMARY**

TRANSMISSION LINES		SUBSTATIONS		1. NUMBER OF EMPLOYEES		
VOLTAGE (kV)	MILES	TYPE	CAPACITY (kVA)	ITEM	LINES	STATIONS
1. 69 KV	826.63	13. Distr. Lines		2. Oper. Labor	2,195,579	1,084,790
2. 145 KV	68.40			3. Maint. Labor	1,249,307	1,703,955
3. 161 KV	349.63	14. TOTAL (12 + 13)	1,259.06	4. Oper. Material		
4. 238 KV	14.40			5. Maint. Material		
5.		15. Stepup at Generating Plants	1,879,800	<b>SECTION D. OUTAGES</b>		
6.		16. Transmission	3,540,000	1. TOTAL		6,036,242.80
7.				2. Avg. No. Dist. Cons. Served		113,944.00
8.		17. Distribution		3. Avg. No. Hours Out Per Cons.		53.90
9.						
10.		18. TOTAL				
11.		(15 thru 17)	5,419,800			
12. TOTAL (1 thru 11)	1,259.06					

Ib



201 Third Street  
P.O. Box 24  
Henderson, KY 42419-0024  
270-827-2561  
www.bigrivers.com

FINAL

April 29, 2011

Mr. Victor T. Vu  
Director, Power Supply Division  
USDA/RUS  
1400 Independence Avenue, SW, Stop 1568  
Washington, DC 20250 1568

RE: RUS Form 12

Dear Mr. Vu:

Enclosed is the original signed Certification page of the electronically submitted Annual Operating Reports, Form 12a, b, c, d, f, h, and i for the year ending December 31, 2010.

A copy of this Form 12 filing has been mailed to each of the parties listed below.

If you have any questions, please let me know.

Sincerely,  
BIG RIVERS ELECTRIC CORPORATION

A handwritten signature in black ink that reads "C. William Blackburn".

C. William Blackburn  
Senior VP Financial & Energy Services and CFO

msb  
Enclosures

Case No. 2012-00535  
Attachment for Response to AG 1-162  
Witness: Billie J. Richert  
Page 46 of 106

**April 29, 2011**

**Page 2 of 2**

**C: Big Rivers' Board of Directors**  
**Chairman - Kentucky Public Service Commission**  
**Jeff Cline - Kentucky Public Service Commission**  
**James M. Miller, Esq. - Sullivan, Mountjoy, Stainback & Miller, P.S.C.**  
**Mr. Sandy Novick - Kenergy**  
**Mr. Burns Mercer - Meade County R.E.C.C.**  
**Mr. G. Kelly Nuckols - Jackson Purchase Energy Corporation**  
**Mr. Enrico Strini WP-MN-WS3C - U.S. Bank National Association**  
**Mr. Philip G. Kane Jr. - U. S. Bank National Association**  
**Ms. Suk-Ling Ng - U. S. Bank National Association**  
**Mr. John List - NRUCFC**  
**Mr. Mark Glotfelty - Goldman, Sachs & Co.**  
**Mr. Jeffrey Childs - CoBank, ACB**  
**Mr. Fil Agusti - Steptoe & Johnson, LLP**  
**Mr. Dennis M. Pidherny - Global Utilities - AMBAC**  
**Mr. Ryan Baynes - Midwest ISO**  
**Mr. Jeremy Jenkins - Alcan Primary Products**  
**Mr. Tim Martin - Century Aluminum**  
**Mr. Doug Nelson, Wadell & Reed**  
**Mr. Chuck Jacobs, RRI Energy Services, LLC**  
**Email only: CRM.StructuredFinance@dexia-us.com**



According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0571-0012. The time required to complete this information collection is estimated to average 21 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

BORROWER DESIGNATION KY0062

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY

PERIOD ENDED December, 2010

BORROWER NAME Big Rivers Electric Corporation

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

#### CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part A Section C of this report.

Mark A. Taylor 4/29/11  
DATE

RUS Financial and Operating Report Electric Power Supply

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b> <b>PART A - FINANCIAL</b>	BORROWER DESIGNATION KY0062
	PERIOD ENDED December, 2010

INSTRUCTIONS - See help in the online application.

**SECTION A. STATEMENT OF OPERATIONS**

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	326,729,694	514,490,437	501,261,209	47,174,666
2. Income From Leased Property (Net)	15,888,814			
3. Other Operating Revenue and Income	14,603,910	12,834,016	7,481,496	152,251
4. Total Operation Revenues & Patronage Capital (1 thru 3)	357,222,418	527,324,453	508,842,705	47,326,917
5. Operating Expense - Production - Excluding Fuel	22,381,368	52,506,942	56,902,941	3,921,117
6. Operating Expense - Production - Fuel	80,654,643	207,748,520	167,029,133	19,006,961
7. Operating Expense - Other Power Supply	115,826,139	99,421,265	116,943,877	8,561,428
8. Operating Expense - Transmission	8,256,704	7,625,518	7,908,802	550,191
9. Operating Expense - RTO/ISO		496,064		494,378
10. Operating Expense - Distribution				
11. Operating Expense - Customer Accounts				
12. Operating Expense - Customer Service & Information	716,704	446,300	728,706	17,299
13. Operating Expense - Sales	551,735	239,803	613,792	50,329
14. Operating Expense - Administrative & General	24,190,595	26,461,943	29,634,145	2,800,334
15. Total Operation Expense (5 thru 14)	252,577,888	394,946,355	379,761,396	35,402,037
16. Maintenance Expense - Production	24,400,170	42,156,863	37,404,868	3,108,770
17. Maintenance Expense - Transmission	5,225,597	4,473,124	4,576,332	242,589
18. Maintenance Expense - RTO/ISO				
19. Maintenance Expense - Distribution				
20. Maintenance Expense - General Plant	170,492	250,361	57,598	78,442
21. Total Maintenance Expense (16 thru 20)	29,796,259	46,880,348	42,038,798	3,429,721
22. Depreciation and Amortization Expense	18,464,743	34,242,192	34,832,349	2,856,800
23. Taxes	1,831,467	262,798	249,228	65,000
24. Interest on Long-Term Debt	60,027,927	47,064,226	48,078,208	4,103,492
25. Interest Charged to Construction - Credit	(133,263)	(683,535)	(575,035)	(102,592)
26. Other Interest Expense	3,453	189,162		21,246
27. Asset Retirement Obligations				
28. Other Deductions	2,168,814	166,380	104,448	67,700
29. Total Cost Of Electric Service (15 + 21 thru 28)	364,737,288	523,067,936	504,489,392	45,843,404
30. Operating Margins (4 less 29)	(7,514,870)	4,256,517	4,353,313	1,483,513
31. Interest Income	316,407	391,494	454,517	57,206
32. Allowance For Funds Used During Construction				
33. Income (Loss) from Equity Investments				
34. Other Non-operating Income (Net)	13,042	2,323,612		620,709
35. Generation & Transmission Capital Credits				
36. Other Capital Credits and Patronage Dividends	537,417	21,292		1,182
37. Extraordinary Items	537,978,261			
38. Net Patronage Capital Or Margins (30 thru 37)	531,330,257	6,990,915	4,807,830	2,162,610

RUS Financial and Operating Report Electric Power Supply - Part A - Financial

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART A - FINANCIAL

BORROWER DESIGNATION

KY0062

PERIOD ENDED

December, 2010

INSTRUCTIONS - See help in the online application.

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	1,946,193,027	33. Memberships	75
2. Construction Work in Progress	54,874,458	34. Patronage Capital	
3. Total Utility Plant (1 + 2)	2,001,067,485	a. Assigned and Assignable	0
4. Accum. Provision for Depreciation and Amortization	909,501,402	b. Retired This year	0
5. Net Utility Plant (3 - 4)	1,091,566,083	c. Retired Prior years	0
6. Non-Utility Property (Net)	0	d. Net Patronage Capital (a - b - c)	0
7. Investments in Subsidiary Companies	0	35. Operating Margins - Prior Years	(251,616,737)
8. Invest. in Assoc. Org. - Patronage Capital	3,595,315	36. Operating Margin - Current Year	4,277,809
9. Invest. in Assoc. Org. - Other - General Funds	684,993	37. Non-Operating Margins	638,837,732
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0	38. Other Margins and Equities	(4,923,484)
11. Investments in Economic Development Projects	10,000	39. Total Margins & Equities (33 + 34d thru 38)	386,575,395
12. Other Investments	5,334	40. Long-Term Debt - RUS (Net)	667,523,045
13. Special Funds	218,166,328	41. Long-Term Debt - FFB - RUS Guaranteed	0
14. Total Other Property And Investments (6 thru 13)	222,461,970	42. Long-Term Debt - Other - RUS Guaranteed	0
15. Cash - General Funds	5,877	43. Long-Term Debt - Other (Net)	162,100,000
16. Cash - Construction Funds - Trustee	0	44. Long-Term Debt - RUS - Econ. Devel. (Net)	0
17. Special Deposits	572,263	45. Payments - Unapplied	0
18. Temporary Investments	48,774,114	46. Total Long-Term Debt (40 thru 44 - 45)	809,623,045
19. Notes Receivable (Net)	0	47. Obligations Under Capital Leases Noncurrent	0
20. Accounts Receivable - Sales of Energy (Net)	43,733,009	48. Accumulated Operating Provisions and Asset Retirement Obligations	19,661,867
21. Accounts Receivable - Other (Net)	778,278	49. Total Other NonCurrent Liabilities (47 + 48)	19,661,867
22. Fuel Stock	17,328,441	50. Notes Payable	10,000,000
23. Renewable Energy Credits		51. Accounts Payable	31,298,484
24. Materials and Supplies - Other	23,217,652	52. Current Maturities Long-Term Debt	7,372,871
25. Prepayments	3,000,688	53. Current Maturities Long-Term Debt - Rural Devel.	0
26. Other Current and Accrued Assets	1,397,509	54. Current Maturities Capital Leases	0
27. Total Current And Accrued Assets (15 thru 26)	154,807,831	55. Taxes Accrued	659,009
28. Unamortized Debt Discount & Extraordinary Property Losses	2,185,564	56. Interest Accrued	11,133,555
29. Regulatory Assets	0	57. Other Current and Accrued Liabilities	9,967,770
30. Other Deferred Debits	1,163,678	58. Total Current & Accrued Liabilities (50 thru 57)	70,431,689
31. Accumulated Deferred Income Taxes	0	59. Deferred Credits	185,893,130
32. Total Assets and Other Debits (5+14+27 thru 31)	1,472,185,126	60. Accumulated Deferred Income Taxes	0
		61. Total Liabilities and Other Credits (39 + 46 + 49 + 58 thru 60)	1,472,185,126

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY</b>	<b>BORROWER DESIGNATION</b> KY0062
<b>INSTRUCTIONS - See help in the online application.</b>	<b>PERIOD ENDED</b> December, 2010
<b>SECTION C. NOTES TO FINANCIAL STATEMENTS</b>	
<b>Footnote to RUS Form 12a</b>	
<b>Footnote to RUS Form 12a</b>	
<b>Financial Ratios: <u>2010</u></b>	
<b>Margins For Interest Ratio (MFI) 1.15</b>	
<b>Footnote to RUS Form 12a</b>	
<b>Kenergy "IF" Contract termination date is March 31, 2011.</b>	
<b>Footnote to RUS Form 12h, Section H</b>	
<b>In June, 2010, \$83.3 million of the Ohio County of Kentucky Note, Series 2001A was refunded with proceeds of the Ohio County of Kentucky Note, Series 2010A.</b>	

<p align="center"> <b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>  <b>RURAL UTILITIES SERVICE</b>  <b>FINANCIAL AND OPERATING REPORT</b>  <b>ELECTRIC POWER SUPPLY</b> </p>	<p align="center"> <b>BORROWER DESIGNATION</b>    <b>KY0062</b> </p>
<p> <b>INSTRUCTIONS - See help in the online application.</b> </p>	<p> <b>PERIOD ENDED</b>  <b>December, 2010</b> </p>
<p align="center"><b>SECTION C. CERTIFICATION LOAN DEFAULT NOTES</b></p>	

<b>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY</b>	<b>BORROWER DESIGNATION KY0062</b>
<b>INSTRUCTIONS - See help in the online application.</b>	<b>PERIOD ENDED December, 2010</b>

**PART B SE - SALES OF ELECTRICITY**

Sale No.	Name Of Company or Public Authority	RUS Borrower Designation	Statistical Classification	Renewable Energy Program Name	Primary Renewable Fuel Type	Average Monthly Billing Demand (MW)	Actual Average Monthly NCP Demand	Actual Average Monthly CP Demand
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Ultimate Consumer(s)							
2	Jackson Purchase Energy Corp	KY0020	RQ			130	140	126
3	Meade County Rural E C C	KY0018	RQ			93	98	89
4	Kenergy Corporation (KY0065)	KY0065	RQ			363	376	372
5	Kenergy Corporation (KY0065)	KY0065	IF					
6	Kenergy Corporation (KY0065)	KY0065	LF					
7	Associated Electric Coop, Inc	MO0073	OS					
8	East Kentucky Power Coop, Inc	KY0059	OS					
9	Oglethorpe Power Corporation	GA0109	OS					
10	PowerSouth Energy Cooperative	AL0042	OS					
11	AmerenUE (MO)		OS					
12	Cargill-Alliant LLC		OS					
13	Constellation Energy Commodities		OS					
14	EDF Trading North America, LLC		OS					
15	Henderson Munic Power & Light		OS					
16	Midwest Independent		OS					
17	PJM Interconnection (PA)		OS					
18	Southern Company Services		OS					
19	Tennessee Power Services		OS					
20	Tennessee Valley Authority		OS					
21	The Energy Authority		OS					
	Total for Ultimate Consumer(s)							
	Total for Distribution Borrowers					588	614	587
	Total for G&T Borrowers					0	0	0
	Total for Other					0	0	0
	Grand Total					588	614	587

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY

BORROWER DESIGNATION  
KY0062

INSTRUCTIONS - See help in the online application.

PERIOD ENDED  
December, 2010

PART B SE - SALES OF ELECTRICITY

Sale No	Electricity Sold (MWh) (i)	Revenue Demand Charges (j)	Revenue Energy Charges (k)	Revenue Other Charges (l)	Revenue Total (j + k + l) (m)
1					
2	716,681	11,593,926	20,909,611		32,503,537
3	509,286	8,249,322	14,928,228		23,177,550
4	2,185,591	37,292,240	58,027,552		95,319,792
5	35,272		1,434,193		1,434,193
6			279,664,932		279,664,932
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					

<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <b>RURAL UTILITIES SERVICE</b> <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b>		<b>BORROWER DESIGNATION</b>  KY0062
<b>INSTRUCTIONS - See help in the online application.</b>		<b>PERIOD ENDED</b> December, 2010
<b>PART B SE - SALES OF ELECTRICITY</b>		
<b>Sale No</b>	<b>Comments</b>	
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		



UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY

BORROWER DESIGNATION  
KY0062

INSTRUCTIONS - See help in the online application.

PERIOD ENDED  
December, 2010

PART B PP - PURCHASED POWER

Purchase No.	Name Of Company or Public Authority (a)	RUS Borrower Designation (b)	Statistical Classification (c)	Renewable Energy Program Name (d)	Primary Renewable Fuel Type (e)	Average Monthly Billing Demand (MW) (f)	Actual Average Monthly NCP Demand (g)	Actual Average Monthly CP Demand (h)
1	Associated Electric Coop, Inc (MO0073)	MO0073	OS					
2	Carpa Alliant LLC		OS					
3	Constellation Energy Commodities Group		OB					
4	East Kentucky Power Coop, Inc (KY0059)	KY0059	OS					
5	EDF Trading North America, LLC (TX)		OS					
6	Henderson Munic Power & Light		RO					
7	Louisville Gas & Electric Co		OS					
8	Midwest Independent Transmission System Operator (IN)		OS					
9	PJM Interconnection (PA)		OS					
10	RRI Energy Services (TX)		SF					
11	Southeastern Power Admin		LF					
12	Southern Illinois Power Coop (IL0050)	IL0050	OS					
13	The Energy Authority		OS					
	Total for Distribution Borrowers					0	0	0
	Total for G&T Borrowers					0	0	0
	Total for Other					0	0	0
	Grand Total					0	0	0

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY</b>	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2010

**PART B PP - PURCHASED POWER**

Purchase No	Electricity Purchased (MWh) (l)	Electricity Received (MWh) (l)	Electricity Delivered (MWh) (l)	Demand Charges (l)	Energy Charges (m)	Other Charges (e)	Total (l + m + e) (e)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
		0	0	0		0	
		0	0	0		0	
		0	0	0		0	
		0	0	0		0	

<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <b>RURAL UTILITIES SERVICE</b> <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b>		<b>BORROWER DESIGNATION</b>  KY0062	
<b>INSTRUCTIONS - See help in the online application.</b>		<b>PERIOD ENDED</b> December, 2010	
<b>PART B PP - PURCHASED POWER</b>			
<b>Purchase No</b>	<b>Comments</b>		
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION RY0062		
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART C - SOURCES AND DISTRIBUTION OF ENERGY		PERIOD ENDED December, 2010		
INSTRUCTIONS - See help in the online application.				
SOURCES OF ENERGY (a)	NO. OF PLANTS (b)	CAPACITY (kW) (c)	NET ENERGY RECEIVED BY SYSTEM (MWh) (d)	COST (\$) (e)
<b>Generated in Own Plant (Details on Parts D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z)</b>				
1. Fossil Steam	4	1,489,000	9,888,514	367,776,994
2. Nuclear	0	0	0	0
3. Hydro	0	0	0	0
4. Combined Cycle	0	0	0	0
5. Internal Combustion	1	70,000	6,998	1,900,102
6. Other	0	0	0	0
7. Total in Own Plant (1 thru 6)	5	1,559,000	9,895,512	369,677,096
<b>Purchased Power</b>				
8. Total Purchased Power				
<b>Interchanged Power</b>				
9. Received into System (Gross)				0
10. Delivered Out of System (Gross)				0
11. Net Interchange (9 - 10)				0
<b>Transmission For or By Others - (Wheeling)</b>				
12. Received into System				
13. Delivered Out of System				
14. Net Energy Wheelled (12 - 13)			0	0
15. Total Energy Available for Sale (7 + 8 + 11 + 14)				
<b>Distribution of Energy</b>				
16. Total Sales				
17. Energy Furnished to Others Without Charge			0	
18. Energy Used by Borrower (Excluding Station Use)			0	
19. Total Energy Accounted For (16 thru 18)				
<b>Losses</b>				
20. Energy Losses - MWh (15 - 19)				
21. Energy Losses - Percentage ((20 / 15) * 100)			1.29 %	

RUS Financial and Operating Report Electric Power Supply - Part C - Sources and Distribution of Energy

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART D - STEAM PLANT

BORROWER DESIGNATION  
KY0062

PLANT  
Coleman

PERIOD ENDED  
December, 2010

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION				TOTAL (g)	OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)		IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE SCHED. (j)	UNSCH. (k)
1	1	13	966,718.00		25,343.60		8,033	307		620	
2	2	16	823,479.90		30,929.50		7,294	389	664	413	
3	3	9	1,030,908.30		34,183.80		6,358	73		328	
4											
5											
6	Total	38	2,801,107	0.00	90,456.90	0.00	23,685	769	664	1,351	
7	Average BTU		11,223		1,000.00						
8	Total BTU (10 <sup>6</sup> )		31,436,019.00		90,457.00		31,527,276				
9	Total Del Cost (\$)		74,269,736		502,473.00						

SECTION A. BOILERS/TURBINES (Continued)

SECTION B. LABOR REPORT

SEC. C. FACTORS & MAX. DEMAND

NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWb (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1	1	160,000	2,072,065.00		1	No Employees Full-Time (Include Superintendent)	109	1	Load Factor (%)	72.92%
2	2	160,000	932,906.00		2	No Employees Part-Time		2	Plant Factor (%)	76.41%
3	3	165,000	2,176,392.00		3	Total Employee Hours Worked	321,502	3	Running Plant Capacity Factor (%)	82.51%
4					4	Operating Plant Payroll (\$)	7,467,931	4	15 Minute Gross Max. Demand (kW)	495,001
5					5	Maintenance Plant Payroll (\$)	4,497,781	5	Indicated Gross Max. Demand (kW)	
6	Total	485,000	5,181,363.00	9,373	6	Other Accts. Plant Payroll (\$)				
7	Station Service (MWh)		299,457.00		7	Total Plant Payroll (\$)	11,965,712			
8	Net Generation (MWh)		2,881,906.00	11,016.10						
9	Station Service (%)		9.47							

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWb (b)	S/10 <sup>6</sup> BTU (c)
1	Operation, Supervision and Engineering	500	1,541,639		
2	Fuel, Coal	501.1	76,472,056		2.43
3	Fuel, Oil	501.2			
4	Fuel, Gas	501.3	502,473		5.55
5	Fuel, Other	501.4			
6	Fuel SubTotal (2 thru 5)	501	76,974,529	26.99	2.44
7	Steam Expenses	502	6,566,348		
8	Electric Expenses	505	1,947,334		
9	Miscellaneous Steam Power Expenses	506	2,040,603		
10	Allowances	509	117,685		
11	Rent	507			
12	Non-Fuel SubTotal (1 + 7 thru 11)		12,313,609	4.26	
13	Operation Expense (6 + 12)		89,188,138	31.26	
14	Maintenance, Supervision and Engineering	510	1,587,444		
15	Maintenance of Structures	511	1,243,736		
16	Maintenance of Boiler Plant	512	8,484,787		
17	Maintenance of Electric Plant	513	1,529,839		
18	Maintenance of Miscellaneous Plant	514	1,995,498		
19	Maintenance Expense (14 thru 18)		14,841,304	5.28	
20	Total Production Expense (13 + 19)		104,029,442	36.36	
21	Depreciation	403.1, 411.10	4,767,639		
22	Interest	427	6,923,789		
23	Total Fixed Cost (21 + 22)		11,691,428	4.08	
24	Power Cost (20 + 23)		115,718,670	40.43	

Remarks

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART D - STEAM PLANT

BORROWER DESIGNATION  
KY0062  
PLANT Green  
PERIOD ENDED December, 2010

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION				TOTAL (g)	OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)		IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE SCHED. (j)	UNSCH. (k)
1.	1	10	1,656,255.50	357.37			8,401		182	177	
2.	2	2	1,694,706.90	95.61			8,682			78	
3.											
4.											
5.											
6.	Total	12	3,352,962	452.98	0.00	0.00	17,083	0	182	255	
7.	Average BTU		11,755	137,999.47							
8.	Total BTU (10 <sup>6</sup> )		39,614,073.00	62,511			39,476,564				
9.	Total Del. Cost (\$)		66,777,911	1,033,842.00							

SECTION A. BOILERS/TURBINES (Continued)

SECTION B. LABOR REPORT

SEC. C. FACTORS & MAX. DEMAND

NO.	UNIT NO. (f)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1	1	250,000	1,931,032.50		1.	No Employees Full-Time (Include Superintendent)	112	1	Load Factor (%)	88.601
2	2	242,000	1,963,238.00		2.	No. Employees Part-Time		2.	Plant Factor (%)	90.361
3					3.	Total Employee Hours Worked	237,599	3.	Running Plant Capacity Factor (%)	92.691
4					4.	Operating Plant Payroll (\$)	7,423,606	4.	15 Minute Gross Max. Demand (kW)	501,733
5					5.	Maintenance Plant Payroll (\$)	4,832,697	5.	Indicated Gross Max. Demand (kW)	
6.	Total	492,000	3,894,270.50	10,137	6.	Other Accts. Plant Payroll (\$)				
7.	Station Service (MWh)		353,077.50		7.	Total Plant Payroll (\$)	12,256,293			
8.	Net Generation (MWh)		3,541,193.00	21,147.02						
9.	Station Service (%)		9.07							

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1	Operation, Supervision and Engineering	500	1,880,536		
2	Fuel, Coal	501.1	68,736,596		1.74
3	Fuel, Oil	501.2	1,030,074		16.47
4	Fuel, Gas	501.3			
5	Fuel, Other	501.4			
6.	Fuel SubTotal (2 thru 5)	501	69,766,670	19.70	1.76
7	Steam Expenses	502	14,101,781		
8.	Electric Expenses	505	2,136,552		
9.	Miscellaneous Steam Power Expenses	506	1,871,473		
10	Allowances	509	38,805		
11.	Rents	507			
12.	Non-Fuel SubTotal (1 + 7 thru 11)		20,029,147	5.65	
13.	Operation Expense (6 + 12)		89,795,817	25.35	
14	Maintenance, Supervision and Engineering	510	1,372,653		
15	Maintenance of Structures	511	1,301,730		
16	Maintenance of Boiler Plant	512	8,734,818		
17.	Maintenance of Electric Plant	513	1,000,630		
18	Maintenance of Miscellaneous Plant	514	282,608		
19.	Maintenance Expense (14 thru 18)		12,692,439	3.58	
20.	Total Production Expense (13 + 19)		102,488,256	28.94	
21	Depreciation	403.1, 411.10	6,833,287		
22.	Interest	427	8,493,137		
23.	Total Fixed Cost (21 + 22)		15,326,424	4.32	
24.	Power Cost (20 + 23)		117,161,830	33.26	

Remarks

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b> <b>PART D - STEAM PLANT</b>	BORROWER DESIGNATION	KY0062
	PLANT	Reid
	PERIOD ENDED	December, 2010

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES											
NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION				TOTAL (g)	OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)		IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE SCHED. (j)	UNSCH. (k)
1.	1	21	166,041.60	205.12				3,535	4,710		515
2.											
3.											
4.											
5.											
6.	Total	21	166,042	205.12	0.00	0.00		3,535	4,710	0	515
7.	Average BTU		12,460	137,999.82							
8.	Total BTU (10 <sup>6</sup> )		2,060,070.00	28,326			2,097,812				
9.	Total Del. Cost (\$)		4,235,725	520,172.00							

SECTION A. BOILERS/TURBINES (Continued)					SECTION B. LABOR REPORT			SEC. C. FACTORS & MAX. DEMAND		
NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	1	72,000	176,002.00		1.	No. Employees Full-Time (Include Superintendent)	17	1.	Load Factor (%)	26.149
2.					2.	No. Employees Part-Time		2.	Plant Factor (%)	27.921
3.					3.	Total Employee Hours Worked	34,546	3.	Running Plant Capacity Factor (%)	69.101
4.					4.	Operating Plant Payroll (\$)	1,137,693	4.	15 Minute Gross Max Demand (kW)	76,900
5.					5.	Maintenance Plant Payroll (\$)	866,883	5.	Indicated Gross Max Demand (kW)	
6.	Total	72,000	176,002.00	11,910	6.	Other Accts. Plant Payroll (\$)				
7.	Station Service (MWh)		29,349.00		7.	Total Plant Payroll (\$)	2,004,576			
8.	Net Generation (MWh)		146,033.00	14,202.97						
9.	Station Service (%)		16.51							

SECTION D. COST OF NET ENERGY GENERATED					
NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	301,475		
2.	Fuel, Coal	501.1	4,499,063		2.17
3.	Fuel, Oil	501.2	527,931		18.63
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	Fuel SubTotal (2 thru 5)	501	5,017,794	34.17	2.39
7.	Steam Expenses	502	611,776		
8.	Electric Expenses	505	293,495		
9.	Miscellaneous Steam Power Expenses	506	242,834		
10.	Allowances	509	80,098		
11.	Rents	507			
12.	Non-Fuel SubTotal (7 + 11 thru 11)		1,529,678		10.41
13.	Operation Expense (6 + 12)		6,947,472	44.59	
14.	Maintenance, Supervision and Engineering	510	278,009		
15.	Maintenance of Structures	511	120,544		
16.	Maintenance of Boiler Plant	512	1,611,365		
17.	Maintenance of Electric Plant	513	242,074		
18.	Maintenance of Miscellaneous Plant	514	160,464		
19.	Maintenance Expense (14 thru 18)		2,416,816		16.48
20.	Total Production Expense (13 + 19)		8,964,288		61.05
21.	Depreciation	403.1, 411.10	405,813		
22.	Interest	427	733,037		
23.	Total Fixed Cost (21 + 22)		1,138,850		7.75
24.	Power Cost (20 + 23)		10,103,138		68.80

Remarks

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART D - STEAM PLANT

BORROWER DESIGNATION KY0062  
PLANT Wilson  
PERIOD ENDED December, 2010

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION				TOTAL (g)	OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)		IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE SCHED. (j)	UNSCR. (k)
1	1	13	3,059,658.70	626.40				8,106		166	408
2											
3											
4											
5											
6	Total	13	3,059,659	626.40	0.00	0.00		8,106	0	166	408
7	Average BTU		31,867	117,899.60							
8	Total BTU (10 <sup>6</sup> )		36,308,970.00	65,443			36,399,413				
9	Total Del. Cost (\$)		51,920,521	1,474,433.00							

SECTION A. BOILERS/TURBINES (Continued)

SECTION B. LABOR REPORT

SEC. C. FACTORS & MAX. DEMAND

NO.	UNIT NO. (a)	SIZE (kW) (b)	GROSS GEN. (MWh) (c)	BTU PER kWh (d)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	1	440,000	3,577,666.80		1.	No. Employees Full-Time (Include Superintendent)	107	1.	Load Factor (%)	89.49%
2.					2.	No. Employees Part-Time		2.	Plant Factor (%)	92.82%
3.					3.	Total Employee Hours Worked	217,439	3.	Running Plant Capacity Factor (%)	99.33%
4.					4.	Operating Plant Payroll (\$)	6,719,997	4.	15 Minute Gross Max. Demand (kW)	456,376
5.					5.	Maintenance Plant Payroll (\$)	4,774,266	5.	Indicated Gross Max. Demand (kW)	
6.					6.	Other Accts. Plant Payroll (\$)				
7.	Total	440,000	3,577,666.80	10,173	7.	Total Plant Payroll (\$)	11,494,263			
7	Station Service (MWh)		239,084.70							
8	Net Generation (MWh)		3,338,582.10	10,501.46						
9	Station Service (%)		6.48							

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	901,334		
2.	Fuel, Coal	501.1	53,854,493		1.48
3.	Fuel, Oil	501.2	1,474,433		17.05
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	Fuel SubTotal (2 thru 5)	501	55,328,926	16.57	1.52
7.	Steam Expenses	502	12,957,087		
8.	Electric Expenses	505	1,501,144		
9.	Miscellaneous Steam Power Expenses	506	3,176,105		
10.	Allowances	509	165,030		
11.	Rents	507			
12.	Non-Fuel SubTotal (7 thru 11)		16,700,700	5.60	
13.	Operation Expense (6 + 12)		74,029,626	22.17	
14.	Maintenance, Supervision and Engineering	510	707,580		
15.	Maintenance of Structures	511	1,061,672		
16.	Maintenance of Boiler Plant	512	7,983,472		
17.	Maintenance of Electric Plant	513	1,325,931		
18.	Maintenance of Miscellaneous Plant	514	335,474		
19.	Maintenance Expense (14 thru 18)		11,414,129	3.41	
20.	Total Production Expense (13 + 19)		85,443,755	25.59	
21.	Depreciation	403.1, 411.10	16,294,914		
22.	Interest	427	22,401,637		
23.	Total Fixed Cost (21 + 22)		38,696,551	11.59	
24.	Power Cost (20 + 23)		124,140,306	37.18	

Remarks



UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART F IC - INTERNAL COMBUSTION PLANT

BORROWER DESIGNATION

KY0062

PLANT Reid

PERIOD ENDED

December, 2010

INSTRUCTIONS - See help in the online application.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gal.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE SCHED. (i) UNSCH. (j)		GROSS GENER. (MWh) (k)	BTU PER kW-hr (l)
1	1	70,000	13.82	110,881.00			203	7,919	52	586	7,839	
2												
3												
4												
5												
6	Total	70,000	13.82	110,881.00	0.00		203	7,919	52	586	7,839	
7	Average BTU		128,868.78	1,000.00								841.88
8	Total BTU (10 <sup>6</sup> )		1,908.80	110,881.00		112,789.80						6,997.80
9	Total Del. Cost (\$)		49,347.00	610,001.00								10.73
						Station Service (MWh)					841.88	
						Net Generation (MWh)					6,997.80	
						Station Service % of Gross					10.73	0.15

SECTION B. LABOR REPORT

NO.	ITEM	VALUE
1	No. Employees Full Time (Include Superintendent)	
2	No. Employees Part Time	
3	Total Employee Hours Worked	1,834
4	Operating Plant Payroll (\$)	971

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE
1	Load Factor (%)	1.329
2	Plant Factor (%)	1.289
3	Running Plant Capacity Factor (%)	55.164
4	15 Min. Gross Max. Demand (kW)	67,600
5	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kW-hr) (b)	\$/10 <sup>6</sup> BTU (c)
1	Operation, Supervision and Engineering	546	0		
2	Fuel, Oil	547.1	49,347		25.86
3	Fuel, Gas	547.2	611,254		5.51
4	Fuel, Other	547.3	0		0.00
5	Energy for Compressed Air	547.4	0	0.00	
6	Fuel SubTotal (2 thru 5)	547	660,601	94.40	5.85
7	Generation Expenses	548	33,807		
8	Miscellaneous Other Power Generation Expenses	549	0		
9	Rents	550	0		
10	Non-Fuel SubTotal (1 + 7 thru 9)		33,807	4.83	
11	Operation Expense (6 + 10)		694,408	99.23	
12	Maintenance, Supervision and Engineering	551	0		
13	Maintenance of Structures	552	0		
14	Maintenance of Generating and Electric Plant	553	792,175		
15	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16	Maintenance Expense (12 thru 15)		792,175	113.20	
17	Total Production Expense (11 + 16)		1,486,583	212.44	
18	Depreciation	403.4	411.10	192.323	
19	Interest	427	221,196		
20	Total Fixed Cost (18 + 19)		413,519	59.09	
21	Power Cost (17 + 20)		1,900,102	271.54	

Remarks (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART H - ANNUAL SUPPLEMENT

BORROWER DESIGNATION  
KY0062

PERIOD ENDED  
December, 2010

INSTRUCTIONS - See help in the online application.

SECTION A. UTILITY PLANT

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Total Intangible Plant (301 thru 303)	66,895				66,895
2. Total Steam Production Plant (310 thru 317)	1,667,805,311	40,077,053	26,852,236		1,681,030,128
3. Total Nuclear Production Plant (320 thru 326)	0				0
4. Total Hydro Production Plant (330 thru 337)	0				0
5. Total Other Production Plant (340 thru 347)	7,927,719	82,633	16,838		7,993,514
6. Total Production Plant (2 thru 5)	1,675,733,030	40,159,686	26,869,074		1,689,023,642
7. Land and Land Rights (350)	13,409,811	447,004			13,856,815
8. Structures and Improvements (352)	6,540,238	323,952	4,372		6,859,818
9. Station Equipment (353)	108,040,443	14,372,705	318,037		122,103,111
10. Other Transmission Plant (354 thru 359.1)	89,166,974	6,095,549	393,318		94,869,205
11. Total Transmission Plant (7 thru 10)	217,157,466	21,239,210	707,727		237,688,949
12. Land and Land Rights (360)	0				0
13. Structures and Improvements (361)	0				0
14. Station Equipment (362)	0				0
15. Other Distribution Plant (363 thru 374)	0				0
16. Total Distribution Plant (12 thru 15)	0				0
17. RTO/ISO Plant (380 thru 386)					
18. Total General Plant (389 thru 399.1)	18,200,899	891,758	155,084		18,937,573
19. Electric Plant in Service (1 + 6 + 11 + 16 thru 18)	1,911,158,290	62,290,654	27,731,885		1,945,717,059
20. Electric Plant Purchased or Sold (102)	0				0
21. Electric Plant Leased to Others (104)	0				0
22. Electric Plant Held for Future Use (105)	475,968				475,968
23. Completed Construction Not Classified (106)	19,482,130			(19,482,130)	0
24. Acquisition Adjustments (114)	0				0
25. Other Utility Plant (118)	0				0
26. Nuclear Fuel Assemblies (120.1 thru 120.4)	0				0
27. Total Utility Plant in Service (19 thru 26)	1,931,116,388	62,290,654	27,731,885	(19,482,130)	1,946,193,027
28. Construction Work in Progress (107)	55,256,847	(382,389)			54,874,458
29. Total Utility Plant (27 + 28)	1,986,373,235	61,908,265	27,731,885	(19,482,130)	2,001,067,485

SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT

ITEM	COMP. RATE (%) (a)	BALANCE BEGINNING OF YEAR (b)	ANNUAL ACCRUALS (c)	RETIREMENTS LESS NET SALVAGE (d)	ADJUSTMENTS AND TRANSFERS (e)	BALANCE END OF YEAR (f)
1. Depr. of Steam Prod. Plant (108.1)	1.79	773,418,472	28,388,533	33,158,632		768,648,373
2. Depr. of Nuclear Prod. Plant (108.2)		0				0
3. Depr. of Hydraulic Prod. Plant (108.3)		0				0
4. Depr. of Other Prod. Plant (108.4)	2.40	5,418,913	192,324	21,538		5,589,699
5. Depr. of Transmission Plant (108.5)	2.46	104,212,525	5,061,776	998,343		108,275,958
6. Depr. of Distribution Plant (108.6)		0				0
7. Depr. of General Plant (108.7)		6,114,761	411,177	154,294		6,371,644
8. Retirement Work in Progress (108.8)		(323,675)		164,860		(288,535)
9. Total Depr. for Elec. Plant in Serv. (1 thru 8)		889,040,996				888,597,139
10. Depr. of Plant Leased to Others (109)		0				0
11. Depr. of Plant Held for Future Use (110)		0				0
12. Amort. of Elec. Plant in Service (111)	1.88	19,058,504	2,210,414	364,655		20,904,263
13. Amort. of Leased Plant (112)		0				0
14. Amort. of Plant Held for Future Use		0				0
15. Amort. of Acquisition Adj. (115)		0				0
16. Depr. & Amort. Other Plant (119)		0				0
17. Amort. of Nuclear Fuel (120.5)		0				0
18. Total Prov. for Depr. & Amort. (9 thru 17)		908,099,500	36,264,224	16,862,322		927,499,399

Case No. 2012-00585

Attachment for Response to AG 1-162

Witness: Billie Jo Robert  
Page 65 of 106

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY          PART H - ANNUAL SUPPLEMENT</b>	BORROWER DESIGNATION <p style="text-align: center;">KY0062</p>
INSTRUCTIONS - See help in the online application.	PERIOD ENDED <p style="text-align: center;">December, 2010</p>

SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT (Continued)		
19. Amount of Annual Accrual Charged to Expense \$ 33,828,638	20. Amount of Annual Accrual Charged to Other Accounts \$ 2,435,586	21. Book Cost of Property Retired \$ 27,731,885
22. Removal Cost of Property Retired \$ 7,218,078	23. Salvage Material from Property Retired \$ 84,775	24. Renewal and Replacement Cost \$ 35,645,218

SECTION C. NON-UTILITY PLANT					
ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Non-Utility Property (121)					
2. Provision For Depr. & Amort. (122)					

SECTION D. DEMAND AND ENERGY AT POWER SOURCES						
MONTH	PEAK DEMAND (MW) (a)	MONTHLY PEAKS			ENERGY OUTPUT (MWh) (e)	
		DATE (b)	TIME (c)	TYPE OF READING (d)		
1. January	1,367	01/05/2010	7	Coincident	1,075,061	
2. February	1,327	02/09/2010	19	Coincident	1,031,157	
3. March	1,248	03/04/2010	7	Coincident	1,041,104	
4. April	1,166	04/14/2010	18	Coincident	924,053	
5. May	1,261	05/26/2010	18	Coincident	975,049	
6. June	1,356	06/21/2010	18	Coincident	1,009,947	
7. July	1,357	07/15/2010	18	Coincident	1,060,952	
8. August	1,393	08/31/2010	17	Coincident	1,080,068	
9. September	1,311	09/23/2010	16	Coincident	944,186	
10. October	1,165	10/29/2010	7	Coincident	911,150	
11. November	1,225	11/30/2010	21	Coincident	934,161	
12. December	1,395	12/14/2010	7	Coincident	1,129,359	
13. Annual Peak	1,395			Annual Total	12,116,247	

SECTION E. DEMAND AND ENERGY AT DELIVERY POINTS						
MONTH	DELIVERED TO RUS BORROWERS		DELIVERED TO OTHERS		TOTAL DELIVERED	
	DEMAND (MW) (a)	ENERGY (MWh) (b)	DEMAND (MW) (c)	ENERGY (MWh) (d)	DEMAND (MW) (e)	ENERGY (MWh) (f)
1. January						
2. February						
3. March						
4. April						
5. May						
6. June						
7. July						
8. August						
9. September						
10. October						
11. November						
12. December						
13. Peak or Total						

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

BORROWER DESIGNATION  
KY0062

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART H - ANNUAL SUPPLEMENT

PERIOD ENDED  
December, 2010

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' investments must be reported. See help in the online application.

SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS  
SUB SECTION I. INVESTMENTS

No	Description (a)	Included (\$) (b)	Excluded (\$) (c)	Income Or Loss (\$) (d)	Rural Development (e)
<b>2</b>	<b>Investments in Associated Organizations</b>				
	United Utility Supply Capital	31,773	0		
	Ky Assn for Electric Coop Capital Credit	15,200	0		
	Jackson Purchase Capital Credit	0	3,646		
	Kenergy Capital Credit	0	17,651		
	Meade County Capital Credit	0	958		
	Rural Cooperatives Credit Union Deposit	3	0		
	Touchstone Energy (NRECA) Capital Credit	1,742	0		
	CoBank Capital Credit	0	3,475,487		
	NRUCFC	0	2,039		
	Cooperative Membership Fees	2,280	0		
	ACES Power Marketing Membership Fees	678,000	0		
	Federated Rural Electric Insurance Exchange Capital Credit	4,713	40,580		
	National Renewables Cooperative Organization Capital Credit	0	6,234		
	<b>Totals</b>	<b>733,713</b>	<b>3,546,595</b>		
<b>3</b>	<b>Investments in Economic Development Projects</b>				
	Breckinridge Co. Development Corp. Stock	5,000	0		X
	Hancock Co. Industrial Foundation Stock	5,000	0		X
	<b>Totals</b>	<b>10,000</b>	<b>0</b>		
<b>4</b>	<b>Other Investments</b>				
	Southern States Coop Capital Credit	5,334	0		X
	<b>Totals</b>	<b>5,334</b>	<b>0</b>		
<b>5</b>	<b>Special Funds</b>				
	Other Special Funds-Deferred Compensation	0	204,692		X
	Other Special Funds-Economic Reserve	11,347,298	109,228,008		
	Other Special Funds-Rural Economic Reserve	765,918	60,941,045		
	Other Special Funds-Transition Reserve	699,240	34,580,127		
	Other Special Funds-Station Two O&M Fund	150,000	250,000		
	<b>Totals</b>	<b>12,962,456</b>	<b>205,203,872</b>		
<b>6</b>	<b>Cash - General</b>				
	General Fund	0	1,152		
	Right of Way Fund	0	1,000		
	Working Fund	3,725	0		
	<b>Totals</b>	<b>3,725</b>	<b>2,152</b>		
<b>7</b>	<b>Special Deposits</b>				
	TVA Transmission Reservation	572,263	0		
	<b>Totals</b>	<b>572,263</b>	<b>0</b>		
<b>8</b>	<b>Temporary Investments</b>				
	Fidelity-US Treasury Only (#2014)	0	44,774,114		
	<b>Totals</b>	<b>0</b>	<b>44,774,114</b>		
<b>9</b>	<b>Accounts and Notes Receivable - NET</b>				
	Accts Receivable-Employees Other	752	0	0	
	Accts Receivable-Employees-Computer Assint Program	20,696	0	0	
	Accts Receivable-Other-Oracle	6,942	0	0	
	Other Accts Receivable-Misc	276,334	0	0	

<b>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</b>  <b>FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT</b>	<b>BORROWER DESIGNATION</b> KY0062
	<b>PERIOD ENDED</b> December, 2010

**INSTRUCTIONS** - Reporting of Investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

**SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS  
SUB SECTION I. INVESTMENTS**

Accts Receivable-HMPL Sta Two Operation	(549,475)	0		
Accts Receivable-HMPL Sta Two Other	783,363	0		0
Accts Receivable-HMPL Litigation	239,666			
<b>Totals</b>	<b>778,278</b>	<b>0</b>		<b>0</b>
<b>II TOTAL INVESTMENTS (I thru 10)</b>	<b>15,065,769</b>	<b>253,526,733</b>		<b>0</b>

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT	BORROWER DESIGNATION KY0062  PERIOD ENDED December, 2010
---	--

**INSTRUCTIONS** - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an 'X' in column (c). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

**SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS  
 SUB SECTION II. LOAN GUARANTEES**

No	Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Rural Development (e)
<b>TOTAL</b>					
<b>TOTAL (Included Loan Guarantees Only)</b>					

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0052			
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART B - ANNUAL SUPPLEMENT		PERIOD ENDED December, 2010			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an "X" in column (e). Both "Included" and "Excluded" investments must be reported. See help in the online application.					
<b>SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS</b> <b>SUB SECTION III. RATIO</b>					
RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT (Total of Included Investments (Sub Section I, 11b) and Loan Guarantees - Loan Balance (Sub Section II, 5d) to Total Utility Plant (Part A, Section B, Line 3 of this report)					0.75 %
<b>SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS</b> <b>SUB SECTION IV. LOAN</b>					
No	Organization (a)	Maturity Date (b)	Original Amount (5) (c)	Loan Balance (5) (d)	Rural Development (e)
<b>TOTAL</b>					

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT		BORROWER DESIGNATION  KY0062		
INSTRUCTIONS - See help in the online application.		PERIOD ENDED  December, 2010		
SECTION G. MATERIALS AND SUPPLIES INVENTORY				
ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED & SALVAGED (b)	USED & SOLD (c)	BALANCE END OF YEAR (d)
1. Coal	24,496,042	216,712,467	212,598,251	28,610,258
2. Other Fuel	13,333,602	22,469,283	27,084,702	8,718,183
3. Production Plant Parts and Supplies	17,457,866	10,600,761	7,274,249	20,783,578
4. Station Transformers and Equipment	0			0
5. Line Materials and Supplies	741,789	351,949	424,093	669,645
6. Other Materials and Supplies	2,213,683	14,999,978	15,449,232	1,764,429
7. Total (1 thru 6)	58,242,182	265,134,638	262,830,527	60,546,093

RUS Financial and Operating Report Electric Power Supply - Part H - Annual Supplement

Revision Date 2010

Submitted with  
 Petition for Confidential Treatment

Case No. 2012-00535  
 Attachment for Response to AG 1-162  
 Witness: Billie J. Richert  
 Page 71 of 106



UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART H - ANNUAL SUPPLEMENT

BORROWER DESIGNATION  
KY0062

INSTRUCTIONS - See help in the online application.

PERIOD ENDED  
December, 2010

SECTION H. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

No	Item	Balance End Of Year (a)	Interest (Billed This Year) (b)	Principal (Billed This Year) (c)	Total (Billed This Year) (d)
1	RUS (Excludes RUS - Economic Development Loans)	674,895,916	33,545,421	38,054,579	71,600,000
2	National Rural Utilities Cooperative Finance Corporation	0	0	0	0
3	CoBank, ACB	0	0	0	0
4	Federal Financing Bank	0	0	0	0
5	RUS - Economic Development Loans	0	0	0	0
6	Payments Unapplied	0			
7	Ohio County Kentucky Bonds-Series 1983	58,800,000	1,981,689	0	1,981,689
8	Ohio County Kentucky Bonds-Series 2001A (Footnote)	0	1,757,075	0	1,757,075
9	Ohio County Kentucky Bonds-Series 2010A (Footnote)	83,300,000	0		0
	<b>TOTAL</b>	<b>818,995,916</b>	<b>37,284,185</b>	<b>38,054,579</b>	<b>75,338,764</b>

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY          PART H - ANNUAL SUPPLEMENT</b>		<b>BORROWER DESIGNATION</b> KY0062	
<b>INSTRUCTIONS - See help in the online application.</b>		<b>PERIOD ENDED</b> December, 2010	
<b>SECTION I. ANNUAL MEETING AND BOARD DATA</b>			
1. Date of Last Annual Meeting 9/16/2010	2. Total Number of Members 3	3. Number of Members Present at Meeting 3	4. Was Quorum Present? Yes
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 6	7. Total Amount of Fees and Expenses for Board Members \$ 170,785	8. Does Manager Have Written Contract? No
<b>SECTION J. MAN-HOUR AND PAYROLL STATISTICS</b>			
1. Number of Full Time Employees 611	4. Payroll Expensed 45,948,161		
2. Man-Hours Worked - Regular Time 1,056,303	5. Payroll Capitalized 761,826		
3. Man-Hours Worked - Overtime 149,985	6. Payroll Other 2,691,295		

RUS Financial and Operating Report Electric Power Supply - Part H - Annual Supplement

Revision Date 2010

<b>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</b>		<b>BORROWER DESIGNATION</b> KY0062	
<b>FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT</b>			
<b>INSTRUCTIONS - See help in the online application.</b>		<b>PERIOD ENDED</b> December, 2010	
<b>SECTION K. LONG-TERM LEASES</b>			
No	Name Of Lessor (a)	Type Of Property (b)	Rental This Year (c)
1	Louisville Gas & Electric	Interconnect Facilities-Cloverport Sub	21,111
<b>TOTAL</b>			<b>21,111</b>

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY          PART II - ANNUAL SUPPLEMENT</b>		<b>BORROWER DESIGNATION</b> KY0062			
<b>INSTRUCTIONS - See help in the online application.</b>		<b>PERIOD ENDED</b> December, 2010			
<b>SECTION L. RENEWABLE ENERGY CREDITS</b>					
ITEM	BALANCE BEGINNING OF YEAR (e)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
I. Renewable Energy Credits					

RUS Financial and Operating Report Electric Power Supply - Part II - Annual Supplement

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART I - LINES AND STATIONS

BORROWER DESIGNATION

KY0062

PERIOD ENDED

December, 2010

INSTRUCTIONS - See help in the online application.

SECTION A. EXPENSES AND COSTS

ITEM	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
<b>Transmission Operation</b>			
1. Supervision and Engineering	560	376,043	344,975
2. Load Dispatching	561	1,634,089	
3. Station Expenses	562		1,043,674
4. Overhead Line Expenses	563	970,450	
5. Underground Line Expenses	564		
6. Miscellaneous Expenses	566	224,479	216,811
7. Subtotal (1 thru 6)		3,205,061	1,605,460
8. Transmission of Electricity by Others	565	3,051,502	
9. Rents	567		26,460
10. Total Transmission Operation (7 thru 9)		6,256,563	1,631,920
<b>Transmission Maintenance</b>			
11. Supervision and Engineering	568	247,163	290,759
12. Structures	569		20,997
13. Station Equipment	570		1,625,828
14. Overhead Lines	571	2,174,112	
15. Underground Lines	572		
16. Miscellaneous Transmission Plant	573	52,860	61,406
17. Total Transmission Maintenance (11 thru 16)		2,474,135	1,998,990
18. Total Transmission Expense (10 + 17)		8,730,698	3,630,910
19. RTO/ISO Expense - Operation	575 1-575 B	233,099	
20. RTO/ISO Expense - Maintenance	576 1-576 S		
21. Total RTO/ISO Expense (19 + 20)		233,099	
22. Distribution Expense - Operation	580-589		
23. Distribution Expense - Maintenance	590-598		
24. Total Distribution Expense (22 + 23)			
25. Total Operation And Maintenance (18 + 21 + 24)		8,963,797	3,630,910
<b>Fixed Costs</b>			
26. Depreciation - Transmission	403.5	2,678,835	2,382,941
27. Depreciation - Distribution	403.6		
28. Interest - Transmission	427	2,909,815	3,538,265
29. Interest - Distribution	427		
30. Total Transmission (18 + 26 + 28)		14,319,348	9,552,116
31. Total Distribution (24 + 27 + 29)			
32. Total Lines And Stations (21 + 30 + 31)		14,552,447	9,552,116
<b>SECTION B. FACILITIES IN SERVICE</b>		<b>SECTION C. LABOR AND MATERIAL SUMMARY</b>	
<b>TRANSMISSION LINES</b>		<b>1. Number of Employees</b>	
VOLTAGE (KV)	MILES	ITEM	49
1. 345 KV	68.40	2. Oper. Labor	1,853,185
2. 161 KV	349.60	3. Maint Labor	1,183,299
3. 69 KV	833.10	4. Oper. Material	4,636,477
4. 138 KV	14.40	5. Maint Material	1,290,836
5.		<b>SECTION D. OUTAGES</b>	
6.		1. Total	251,160.10
7.		2. Avg. No. of Distribution Consumers Served	112,413.00
8.		3. Avg. No. of Hours Out Per Consumer	2.20
9.			
10.			
11.			
12. Total (1 thru 11)	2,265.50		
<b>SUBSTATIONS</b>			
TYPE	CAPACITY (kVA)		
13. Distribution Lines			
14. Total (12 + 13)	1,265.50		
15. Stepup at Generating Plants	1,879,800		
16. Transmission	3,540,000		
17. Distribution			
18. Total (15 thru 17)	5,419,800		

RUS Financial and Operating Report Electric Power Supply - Part I - Lines and Stations

Revision Date 2010



201 Third Street  
P.O. Box 24  
Henderson, KY 42419-0024  
270-827-2561  
www.bigrivers.com

**FINAL**

April 2, 2012

Mr. Victor T. Vu  
Director, Power Supply Division  
USDA/RUS  
1400 Independence Avenue, SW, Stop 1568  
Washington, DC 20250 1568

RE: RUS Form 12

Dear Mr. Vu:

Enclosed is the original signed Certification page of the electronically submitted Annual Operating Reports, Parts A, B, C, D, F, H, and I for the year ending December 31, 2011.

A copy of this Part A filing has been mailed to each of the parties listed below.

If you have any questions, please contact Donna Windhaus, Manager General Accounting at (270) 844-6167.

Sincerely,  
BIG RIVERS ELECTRIC CORPORATION

A handwritten signature in black ink that reads "Mark A. Hite".

Mark A. Hite, CPA  
Vice President Accounting and Interim CFO

MH/msb  
Enclosures

Case No. 2012-00535  
Attachment for Response to AG 1-162  
Witness: Billie J. Richert  
Page 77 of 106

April 2, 2012

Page 2 of 2

C: **Big Rivers' Board of Directors**  
**Chairman – Kentucky Public Service Commission**  
**Jeff Cline – Kentucky Public Service Commission**  
**James M. Miller, Esq. – Sullivan, Mountjoy, Stainback & Miller, P.S.C.**  
**Mr. Sandy Novick – Kenergy**  
**Mr. Burns Mercer – Meade County R.E.C.C.**  
**Mr. G. Kelly Nuckols – Jackson Purchase Energy Corporation**  
**Ms. Kelli McClellan – EP-MN-WS3C – US. Bank Corporate Trust Services**  
**Mr. Philip G. Kane Jr. – U. S. Bank National Association**  
**Ms. Suk-Ling Ng – U. S. Bank National Association**  
**Mr. John List - NRUCFC**  
**Mr. Mark Glotfelty – Goldman, Sachs & Co.**  
**Mr. Jeffrey Childs – CoBank, ACB**  
**Mr. Fil Agusti – Steptoe & Johnson, LLP**  
**Mr. Ryan Baynes – Midwest ISO**  
**Mr. Jeremy Jenkins – Alcan Primary Products**  
**Mr. Tim Martin – Century Aluminum**  
**Mr. Doug Nelson – Wadell & Reed**  
**Joseph P. Charles – KPMG LLP**  
**Scott A. Heiser – KPMG LLP**  
**Kevin Lyons – KPMG LLP**  
**Email only: CRM.StructuredFinance@dexia-us.com**  
**Email only: [tbruckman@ambac.com](mailto:tbruckman@ambac.com)**  
**Email only: [document\\_management@ambac.com](mailto:document_management@ambac.com)**

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 21 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

BORROWER DESIGNATION  
KY0062

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY

PERIOD ENDED  
December, 2011

INSTRUCTIONS - See help in the online application.

BORROWER NAME  
Big Rivers Electric Corporation

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

#### CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part A Section C of this report.

Mark A. T. Bailey

3/18/12  
DATE

RUS Financial and Operating Report Electric Power Supply

Revision Date 2010



UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART A - FINANCIAL

BORROWER DESIGNATION

KY0062

PERIOD ENDED

December, 2011

INSTRUCTIONS - See help in the online application.

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	514,490,437	558,372,354	544,648,212	47,411,310
2. Income From Leased Property (Net)				
3. Other Operating Revenue and Income	12,834,016	3,616,878	19,083,996	379,876
4. Total Operation Revenues & Patronage Capital (1 thru 3)	527,324,453	561,989,232	563,932,208	47,791,186
5. Operating Expense - Production - Excluding Fuel	52,506,942	50,410,485	64,788,729	4,672,988
6. Operating Expense - Production - Fuel	207,748,520	226,229,050	206,689,669	19,074,410
7. Operating Expense - Other Power Supply	99,421,265	112,261,892	109,893,232	9,728,939
8. Operating Expense - Transmission	7,888,483	9,183,058	12,297,288	841,338
9. Operating Expense - RTO/ISO	233,099	2,529,532	2,783,040	211,850
10. Operating Expense - Distribution				
11. Operating Expense - Customer Accounts				
12. Operating Expense - Customer Service & Information	446,300	631,535	663,960	193,230
13. Operating Expense - Sales	239,803	185,004	918,500	44,078
14. Operating Expense - Administrative & General	26,461,943	26,557,242	25,728,474	2,854,518
15. Total Operation Expense (5 thru 14)	394,946,355	427,987,798	423,962,892	37,621,351
16. Maintenance Expense - Production	42,156,863	42,896,418	47,234,025	3,894,676
17. Maintenance Expense - Transmission	4,473,124	4,680,625	3,262,807	563,893
18. Maintenance Expense - RTO/ISO				
19. Maintenance Expense - Distribution				
20. Maintenance Expense - General Plant	250,361	140,534	103,595	7,010
21. Total Maintenance Expense (16 thru 20)	46,880,348	47,717,577	50,600,427	4,465,579
22. Depreciation and Amortization Expense	34,242,192	35,406,806	36,227,624	3,252,184
23. Taxes	262,798	98,389	249,228	(30,000)
24. Interest on Long-Term Debt	47,064,226	45,715,144	47,366,652	3,788,739
25. Interest Charged to Construction - Credit	(683,535)	(548,206)	(425,884)	(40,372)
26. Other Interest Expense	189,162	59,249	228,904	9
27. Asset Retirement Obligations				
28. Other Deductions	166,390	220,434	137,395	17,651
29. Total Cost Of Electric Service (15 + 21 thru 28)	523,067,936	556,657,191	558,347,238	49,075,141
30. Operating Margins (4 less 29)	4,256,517	5,332,041	5,584,970	(1,283,955)
31. Interest Income	391,494	150,516	385,669	6,179
32. Allowance For Funds Used During Construction				
33. Income (Loss) from Equity Investments				
34. Other Non-operating Income (Net)	2,321,612	9,288		
35. Generation & Transmission Capital Credits				
36. Other Capital Credits and Patronage Dividends	21,292	108,536	96,438	3,883
37. Extraordinary Items				
38. Net Patronage Capital Or Margins (30 thru 37)	6,990,915	5,600,381	6,067,077	(1,273,893)

RUS Financial and Operating Report Electric Power Supply - Part A - Financial

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART A - FINANCIAL

BORROWER DESIGNATION

KY0062

PERIOD ENDED

December, 2011

INSTRUCTIONS - See help in the online application.

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	1,979,267,724	33. Memberships	75
2. Construction Work in Progress	49,150,583	34. Patronage Capital	
3. Total Utility Plant (1 + 2)	2,028,418,307	a. Assigned and Assignable	0
4. Accum. Provision for Depreciation and Amortization	936,354,953	b. Retired This year	0
5. Net Utility Plant (3 - 4)	1,092,063,354	c. Retired Prior years	0
6. Non-Utility Property (Net)	0	d. Net Patronage Capital (a - b - c)	0
7. Investments in Subsidiary Companies	0	35. Operating Margins - Prior Years	(247,338,928)
8. Invest. in Assoc. Org. - Patronage Capital	3,648,303	36. Operating Margin - Current Year	5,440,576
9. Invest. in Assoc. Org. - Other - General Funds	684,993	37. Non-Operating Margins	638,997,537
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0	38. Other Margins and Equities	(7,278,745)
11. Investments in Economic Development Projects	10,000	39. Total Margins & Equities (33 + 34d thru 38)	389,820,515
12. Other Investments	5,334	40. Long-Term Debt - RUS (Net)	572,153,789
13. Special Funds	164,251,431	41. Long-Term Debt - FFB - RUS Guaranteed	0
14. Total Other Property And Investments (6 thru 13)	168,500,061	42. Long-Term Debt - Other - RUS Guaranteed	0
15. Cash - General Funds	5,698	43. Long-Term Debt - Other (Net)	142,100,000
16. Cash - Construction Funds - Trustee	0	44. Long-Term Debt - RUS - Econ. Devel. (Net)	0
17. Special Deposits	572,679	45. Payments - Unapplied	0
18. Temporary Investments	44,843,791	46. Total Long-Term Debt (40 thru 44 - 45)	714,253,789
19. Notes Receivable (Net)	0	47. Obligations Under Capital Leases Noncurrent	0
20. Accounts Receivable - Sales of Energy (Net)	43,114,276	48. Accumulated Operating Provisions and Asset Retirement Obligations	22,098,788
21. Accounts Receivable - Other (Net)	232,280	49. Total Other NonCurrent Liabilities (47 + 48)	22,098,788
22. Fuel Stock	33,894,014	50. Notes Payable	0
23. Renewable Energy Credits	0	51. Accounts Payable	30,324,950
24. Materials and Supplies - Other	25,295,264	52. Current Maturities Long-Term Debt	72,144,640
25. Prepayments	4,507,736	53. Current Maturities Long-Term Debt - Rural Devel.	0
26. Other Current and Accrued Assets	943,684	54. Current Maturities Capital Leases	0
27. Total Current And Accrued Assets (15 thru 26)	153,409,422	55. Taxes Accrued	956,559
28. Unamortized Debt Discount & Extraordinary Property Losses	2,079,214	56. Interest Accrued	9,898,751
29. Regulatory Assets	0	57. Other Current and Accrued Liabilities	9,423,267
30. Other Deferred Debits	1,870,225	58. Total Current & Accrued Liabilities (50 thru 57)	122,748,167
31. Accumulated Deferred Income Taxes	0	59. Deferred Credits	169,001,017
32. Total Assets and Other Debits (5+14+27 thru 31)	1,417,922,276	60. Accumulated Deferred Income Taxes	0
		61. Total Liabilities and Other Credits (39 + 46 + 49 + 58 thru 60)	1,417,922,276

<b>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY</b>	<b>BORROWER DESIGNATION</b>  KY0062
<b>INSTRUCTIONS - See help in the online application.</b>	<b>PERIOD ENDED</b> December, 2011
<b>SECTION C. NOTES TO FINANCIAL STATEMENTS</b>	
<b>Footnote to RUS Financial and Operating Report Electric Power Supply - Part A</b>	
<b>Financial Ratios: 2011</b>	
<b>Margins For Interest Ratio (MFIR) 1.12</b>	

<b>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY</b>	<b>BORROWER DESIGNATION</b>  KY0062
<b>INSTRUCTIONS - See help in the online application.</b>	<b>PERIOD ENDED</b> December, 2011
<b>SECTION C. CERTIFICATION LOAN DEFAULT NOTES</b>	

<b>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</b> <b>FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY</b>	<b>BORROWER DESIGNATION</b> KY0062
<b>INSTRUCTIONS - See help in the online application.</b>	<b>PERIOD ENDED</b> December, 2011

<b>PART B SE - SALES OF ELECTRICITY</b>								
Sale No.	Name Of Company or Public Authority	RUS Borrower Designation	Statistical Classification	Renewable Energy Program Name	Primary Renewable Fuel Type	Average Monthly Billing Demand (MW)	Actual Average Monthly NCP Demand	Actual Average Monthly CP Demand
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Ultimate Consumer(s)		AD					
2	Jackson Purchase Energy Corp	KY0020	RQ			126	138	123
3	Kenergy Corporation (KY0065)	KY0065	RQ			366	381	337
4	Kenergy Corporation (KY0065)	KY0065	IF					
5	Kenergy Corporation (KY0065)	KY0065	LF					
6	Meade County Rural E C C	KY0018	RQ			92	98	86
7	PowerSouth Energy Cooperative	AL0042	OS					
8	American Electric Power (AEP)		OS					
9	Cargill-Alliant LLC		OS					
10	Constellation Energy Commodities		OS					
11	EDF Trading North America, LLC		OS					
12	Henderson Munic Power & Light		OS					
13	Kentucky Utilities Company		OS					
14	Midwest Independent		OS					
15	PJM Interconnection (PA)		OS					
16	Southern Company Services		OS					
	Total for Ultimate Consumer(s)							
	Total for Distribution Borrowers					584	617	546
	Total for G&T Borrowers					0	0	0
	Total for Other					0	0	0
	Grand Total					584	617	546

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY			BORROWER DESIGNATION KY0062		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2011		
PART B SE - SALES OF ELECTRICITY					
Sale No	Electricity Sold (MWh) (j)	Revenue Demand Charges (i)	Revenue Energy Charges (k)	Revenue Other Charges (l)	Revenue Total (j + k + l) (m)
1					
2	683,764	12,183,246	19,812,058		31,995,304
3	2,180,184	39,374,026	57,356,716		96,730,742
4	41,321		1,540,045		1,540,045
5	6,854,820		304,879,465		304,879,465
6	480,251	8,815,839	13,930,221		22,746,060
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY		BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2011
<b>PART B SE - SALES OF ELECTRICITY</b>		
Sale No	Comments	
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		

Ib

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY					BORROWER DESIGNATION KY0062			
INSTRUCTIONS - See help in the online application.					PERIOD ENDED December, 2011			
PART B FP - PURCHASED POWER								
Purch sic No.	Name Of Company or Public Authority	RUS Borrower Designation	Statistical Classification	Renewable Energy Program Name	Primary Renewable Fuel Type	Average Monthly Billing Demand (MW)	Actual Average Monthly NCP Demand	Actual Average Monthly CP Demand ()
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Ameron Missouri (MO)		OS					
2	American Electric Power (AEP)		OS					
3	Carroll-Aliant LLC		OS					
4	EDF Trading North America, LLC (TX)		OS					
5	Henderson Munic Power & Light		RQ					
6	Midwest Independent Transmission System Operator (IN)		OS					
7	PJM Interconnection (PA)		OS					
8	RRI Energy Services (TX)		SF					
9	Southeastern Power Admin		LF					
	Total for Distribution Borrowers					0	0	0
	Total for G&T Borrowers					0	0	0
	Total for Other					0	0	0
	Grand Total					0	0	0



UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY</b>	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART B PP - PURCHASED POWER							
Purchase No	Electricity Purchased (MWh) (j)	Electricity Received (MWh) (l)	Electricity Delivered (MWh) (k)	Demand Charges (l)	Energy Charges (m)	Other Charges (n)	Total (j + m + n) (o)
1							
2							
3							
4							
5							
6							
7							
8							
9							
		0	0	0		0	
		0	0	0		0	
		0	0	0		0	
		0	0	0		0	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY		BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2011
<b>PART B PP - PURCHASED POWER</b>		
<b>Purchase No.</b>	<b>Comments</b>	
1		
2		
3		
4		
5		
6		
7		
8		
9		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0062		
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART C - SOURCES AND DISTRIBUTION OF ENERGY		PERIOD ENDED December, 2011		
INSTRUCTIONS - See help in the online application.				
SOURCES OF ENERGY (e)	NO. OF PLANTS (b)	CAPACITY (kW) (c)	NET ENERGY RECEIVED BY SYSTEM (MWh) (d)	COST (\$) (e)
<b>Generated in Own Plant (Details on Parts D, E, F IC, F CC, and G)</b>				
1. Fossil Steam	4	1,489,000	10,277,356	385,412,876
2. Nuclear	0	0	0	0
3. Hydro	0	0	0	0
4. Combined Cycle	0	0	0	0
5. Internal Combustion	1	70,000	6,994	1,532,409
6. Other	0	0	0	0
7. Total in Own Plant (1 thru 6)	5	1,559,000	10,284,350	386,945,285
<b>Purchased Power</b>				
8. Total Purchased Power				
<b>Interchanged Power</b>				
9. Received into System (Gross)				0
10. Delivered Out of System (Gross)				0
11. Net Interchange (9 - 10)				0
<b>Transmission For or By Others - (Wheeling)</b>				
12. Received Into System				
13. Delivered Out of System				
14. Net Energy Wheeled (12 - 13)			0	0
15. Total Energy Available for Sale (7 + 8 + 11 + 14)				
<b>Distribution of Energy</b>				
16. Total Sales				
17. Energy Furnished to Others Without Charge			0	
18. Energy Used by Borrower (Excluding Station Use)			0	
19. Total Energy Accounted For (16 thru 18)				
<b>Losses</b>				
20. Energy Losses - MWh (15 - 19)				
21. Energy Losses - Percentage ((20 / 15) * 100)			.95 %	

RUS Financial and Operating Report Electric Power Supply - Part C - Sources and Distribution of Energy

Revision Date: 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART D - STEAM PLANT

BORROWER DESIGNATION KY0062

PLANT Coleman

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION				TOTAL (g)	OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)		IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE SCHED. (j)	UNSCED. (k)
1.	1	9	1,059,231.60		40,398.40			8,204			556
2.	2	8	1,045,340.70		50,637.00			8,339	48		373
3.	3	15	1,078,355.60		53,123.20			8,245	31		484
4.											
5.											
6.	Total	32	3,182,928	0.00	144,158.60	0.00		24,788	79	0	1,413
7.	Average BTU		11,304		1,008.00						
8.	Total BTU (10 <sup>6</sup> )		35,979,817.00		144,158.00		36,123,976				
9.	Total Del. Cost (\$)		79,757,925		808,640.00						

SECTION A. BOILERS/TURBINES (Continued)

SECTION B. LABOR REPORT

SEC. C. FACTORS & MAX. DEMAND

NO.	UNIT NO. (f)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	1	160,000	1,200,851.00		1.	No. Employees Full-Time (Include Superintendent)	111	1.	Load Factor (%)	84.31%
2.	2	160,000	1,188,035.00		2.	No. Employees Part-Time		2.	Plant Factor (%)	85.33%
3.	3	165,000	1,236,305.00		3.	Total Employee Hours Worked	255,230	3.	Running Plant Capacity Factor (%)	90.46%
4.					4.	Operating Plant Payroll (\$)	7,604,886	4.	15 Minute Gross Max. Demand (kW)	490,820
5.					5.	Maintenance Plant Payroll (\$)	4,751,034	5.	Indicated Gross Max. Demand (kW)	
6.	Total	485,000	3,625,191.00	9,965	6.	Other Accs. Plant Payroll (\$)				
7.	Station Service (MWh)		316,831.00		7.	Total Plant Payroll (\$)	12,355,920			
8.	Net Generation (MWh)		3,308,360.00	10,919.00						
9.	Station Service (%)		8.74							

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	1,661,905		
2.	Fuel, Coal	501.1	83,214,365		2.31
3.	Fuel, Oil	501.2	3,455		
4.	Fuel, Gas	501.3	808,640		5.60
5.	Fuel, Other	501.4			
6.	Fuel SubTotal (2 thru 5)	501	84,026,460	25.39	2.32
7.	Steam Expenses	502	5,469,557		
8.	Electric Expenses	505	1,979,865		
9.	Miscellaneous Steam Power Expenses	506	2,224,903		
10.	Allowances	509	194,453		
11.	Rents	507			
12.	Non-Fuel SubTotal (7 thru 11)		11,530,683	3.48	
13.	Operation Expense (6 + 12)		95,557,143	28.88	
14.	Maintenance, Supervision and Engineering	510	1,518,977		
15.	Maintenance of Structures	511	1,433,848		
16.	Maintenance of Boiler Plant	512	6,976,891		
17.	Maintenance of Electric Plant	513	1,002,864		
18.	Maintenance of Miscellaneous Plant	514	1,798,844		
19.	Maintenance Expense (14 thru 18)		12,731,424	3.84	
20.	Total Production Expense (13 + 19)		108,288,567	32.73	
21.	Depreciation	403.1, 411.10	4,893,767		
22.	Interest	427	7,031,566		
23.	Total Fixed Cost (21 + 22)		11,925,333	3.60	
24.	Power Cost (20 + 23)		120,213,900	36.33	

Remarks

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART D - STEAM PLANT

BORROWER DESIGNATION KY0062  
PLANT Reid  
PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION				TOTAL (g)	OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)		IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE SCHED. (j)	UNSCHE. (k)
1.	1	16	115,490.80	172.88				2,458	5,833		469
2.											
3.											
4.											
5.											
6.	Total	16	115,491	172.88	0.00	0.00		2,458	5,833	0	469
7.	Average BTU		12,259	138,003.23							
8.	Total BTU (10 <sup>6</sup> )		1,415,802.00	23,858			1,439,660				
9.	Total Del. Cost (\$)		3,207,070	517,523.00							

SECTION A. BOILERS/TURBINES (Continued)

SECTION B. LABOR REPORT

SEC. C. FACTORS & MAX. DEMAND

NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	1	72,000	121,633.00		1.	No. Employees Full-Time (Include Superintendent)	22	1.	Load Factor (%)	23.764
2.					2.	No. Employees Part-Time		2.	Plant Factor (%)	19.284
3.					3.	Total Employee Hours Worked	51,196	3.	Running Plant Capacity Factor (%)	68.734
4.					4.	Operating Plant Payroll (\$)	1,147,828	4.	15 Minute Gross Max. Demand (kW)	58,435
5.					5.	Maintenance Plant Payroll (\$)	739,159	5.	Indicated Gross Max. Demand (kW)	
6.	Total	72,000	121,633.00	11,836	6.	Other Accts. Plant Payroll (\$)				
7.	Station Service (MWh)		26,609.00		7.	Total Plant Payroll (\$)	1,886,987			
8.	Net Generation (MWh)		95,024.00	15,150.49						
9.	Station Service (%)		21.88							

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	265,083		
2.	Fuel, Coal	501.1	3,585,190		2.53
3.	Fuel, Oil	501.2	517,523		21.69
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	Fuel SubTotal (2 thru 5)	501	4,102,713	43.17	2.84
7.	Steam Expenses	502	526,818		
8.	Electric Expenses	505	274,077		
9.	Miscellaneous Steam Power Expenses	506	284,301		
10.	Allowances	509	37,441		
11.	Rents	507			
12.	Non-Fuel SubTotal (7 thru 11)		1,387,720	14.60	
13.	Operation Expense (6 + 12)		5,490,433	57.77	
14.	Maintenance, Supervision and Engineering	510	246,427		
15.	Maintenance of Structures	511	99,652		
16.	Maintenance of Boiler Plant	512	1,277,048		
17.	Maintenance of Electric Plant	513	156,722		
18.	Maintenance of Miscellaneous Plant	514	180,414		
19.	Maintenance Expense (14 thru 18)		1,960,263	20.62	
20.	Total Production Expense (13 + 19)		7,450,696	78.40	
21.	Depreciation	403.1	411,110		
22.	Interest	427	726,112		
23.	Total Fixed Cost (21 + 22)		1,128,329	11.87	
24.	Power Cost (20 + 23)		8,579,025	90.28	

Remarks

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART D - STEAM PLANT

BORROWER DESIGNATION  
KY0062

PLANT  
Green

PERIOD ENDED  
December, 2011

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION				OPERATING HOURS				
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE SCHED. (j)	UNSCR. (k)
1.	1	10	1,661,797.40	392.28				7,903	143	482	232
2.	2	6	1,723,021.00	229.38				8,367	191		202
3.											
4.											
5.											
6.	<b>Total</b>	<b>16</b>	<b>3,384,818</b>	<b>621.66</b>	<b>0.00</b>	<b>0.00</b>		<b>16,270</b>	<b>334</b>	<b>482</b>	<b>434</b>
7.	<b>Average BTU</b>		<b>11,500</b>	<b>137,999.87</b>							
8.	<b>Total BTU (10<sup>6</sup>)</b>		<b>38,925,412.00</b>	<b>85,789</b>			<b>39,011,201</b>				
9.	<b>Total Del. Cost (\$)</b>		<b>69,826,953</b>	<b>1,936,956.00</b>							

SECTION A. BOILERS/TURBINES (Continued)

SECTION B. LABOR REPORT

SEC. C. FACTORS & MAX. DEMAND

NO.	UNIT NO. (f)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	1	250,000	1,882,734.00		1.	No. Employees Full-Time (Include Superintendent)	114	1.	Load Factor (%)	86.37%
2.	2	242,000	1,937,441.00		2.	No. Employees Part-Time		2.	Plant Factor (%)	88.64%
3.					3.	Total Employee Hours Worked	265,411	3.	Running Plant Capacity Factor (%)	95.49%
4.					4.	Operating Plant Payroll (\$)	8,077,217	4.	15 Minute Gross Max. Demand (kW)	504,900
5.					5.	Maintenance Plant Payroll (\$)	5,535,355	5.	Indicated Gross Max. Demand (kW)	
6.	<b>Total</b>	<b>492,000</b>	<b>3,820,175.00</b>	<b>10,212</b>	6.	Other Accts. Plant Payroll (\$)				
7.	Station Service (MWh)		350,009.70		7.	Total Plant Payroll (\$)	13,612,572			
8.	Net Generation (MWh)		3,470,165.30	11,241.89						
9.	Station Service (%)		9.16							

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	1,531,063		
2.	Fuel, Coal	501.1	72,500,705		1.86
3.	Fuel, Oil	501.2	1,936,956		22.57
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	<b>Fuel SubTotal (2 thru 5)</b>	<b>501</b>	<b>74,437,661</b>	<b>21.45</b>	<b>1.90</b>
7.	Steam Expenses	502	12,911,566		
8.	Electric Expenses	505	3,204,146		
9.	Miscellaneous Steam Power Expenses	506	2,130,546		
10.	Allowances	509	163,724		
11.	Rents	507			
12.	<b>Non-Fuel SubTotal (7 thru 11)</b>		<b>19,941,045</b>	<b>5.74</b>	
13.	<b>Operation Expense (6 + 12)</b>		<b>94,378,706</b>	<b>27.19</b>	
14.	Maintenance, Supervision and Engineering	510	1,564,693		
15.	Maintenance of Structures	511	962,694		
16.	Maintenance of Boiler Plant	512	9,666,586		
17.	Maintenance of Electric Plant	513	1,996,858		
18.	Maintenance of Miscellaneous Plant	514	551,867		
19.	<b>Maintenance Expense (14 thru 18)</b>		<b>14,742,698</b>	<b>4.24</b>	
20.	<b>Total Production Expense (13 + 19)</b>		<b>109,121,404</b>	<b>31.44</b>	
21.	Depreciation	403.1, 411.10	6,999,419		
22.	Interest	427	8,254,568		
23.	<b>Total Fixed Cost (21 + 22)</b>		<b>15,253,987</b>	<b>4.39</b>	
24.	<b>Power Cost (20 + 23)</b>		<b>124,375,391</b>	<b>35.84</b>	

Remarks

Ib

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC POWER SUPPLY</b> <b>PART D - STEAM PLANT</b>	BORROWER DESIGNATION KY0062
	PLANT Wilson
	PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

**SECTION A. BOILERS/TURBINES**

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION				TOTAL (g)	OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)		IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE SCHED. (j)	UNSCH. (k)
1.	1	14	3,101,964.40	641.70				8,362		164	234
2.											
3.											
4.											
5.											
6.	<b>Total</b>	14	3,101,964	641.70	0.00	0.00		8,362	0	164	234
7.	<b>Average BTU</b>		11,785	138,000.62							
8.	<b>Total BTU (10<sup>6</sup>)</b>		36,556,650.00	88,555			36,645,205				
9.	<b>Total Del. Cost (\$)</b>		57,023,465	1,814,978.00							

**SECTION A. BOILERS/TURBINES (Continued)**

**SECTION B. LABOR REPORT**

**SEC. C. FACTORS & MAX. DEMAND**

NO.	UNIT NO. (j)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
2.					2.	No. Employees Part-Time		2.	Plant Factor (%)	94.644
3.					3.	Total Employee Hours Worked	249,878	3.	Running Plant Capacity Factor (%)	99.148
4.					4.	Operating Plant Payroll (\$)	6,907,841	4.	15 Minute Gross Max. Demand (kW)	471,243
5.					5.	Maintenance Plant Payroll (\$)	4,916,290	5.	Indicated Gross Max. Demand (kW)	
6.	<b>Total</b>	440,000	3,647,700.30	10,046	6.	Other Accts. Plant Payroll (\$)				
7.	Station Service (MWh)		243,893.60		7.	Total Plant Payroll (\$)	11,824,131			
8.	Net Generation (MWh)		3,403,806.70	10,765.95						
9.	Station Service (%)		6.69							

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	500	1,722,309		
2.	Fuel, Coal	501.1	60,923,409		1.66
3.	Fuel, Oil	501.2	1,814,978		20.49
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	<b>Fuel SubTotal (2 thru 5)</b>	501	62,728,387	18.42	1.71
7.	Steam Expenses	502	10,852,212		
8.	Electric Expenses	505	1,226,160		
9.	Miscellaneous Steam Power Expenses	506	3,576,262		
10.	Allowances	509	140,177		
11.	Rents	507			
12.	<b>Non-Fuel SubTotal (7 thru 11)</b>		17,517,120	5.14	
13.	<b>Operation Expense (6 + 12)</b>		80,245,507	23.57	
14.	Maintenance, Supervision and Engineering	510	1,403,947		
15.	Maintenance of Structures	511	1,152,399		
16.	Maintenance of Boiler Plant	512	8,359,331		
17.	Maintenance of Electric Plant	513	1,643,203		
18.	Maintenance of Miscellaneous Plant	514	752,428		
19.	<b>Maintenance Expense (14 thru 18)</b>		13,311,308	3.91	
20.	<b>Total Production Expense (13 + 19)</b>		93,556,815	27.48	
21.	Depreciation	403.1, 411.10	16,584,283		
22.	Interest	427	22,103,462		
23.	<b>Total Fixed Cost (21 + 22)</b>		38,687,745	11.36	
24.	<b>Power Cost (20 + 23)</b>		132,244,560	38.85	

Remarks

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART F IC - INTERNAL COMBUSTION PLANT**

**BORROWER DESIGNATION**  
KY0062  
**PLANT** Reid  
**PERIOD ENDED**  
December, 2011

INSTRUCTIONS - See help in the online application.

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENER. (MWh) (k)	BTU PER kWh (l)
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE SCHED. (i)	OUT OF SERVICE UNSCH. (j)		
1.	1	70,000		180,243.00			372	8,166		222	7,901	
2.												
3.												
4.												
5.												
6.	<b>Total</b>	70,000	0.00	180,243.00	0.00		372	8,166	0	222	7,901	
7.	Average BTU			1,000.00			Station Service (MWh)				506.70	22,613.81
8.	Total BTU (10 <sup>6</sup> )			180,243.00		180,243.00	Net Generation (MWh)				6,993.90	
9.	Total Del. Cost (\$)			933,555.00			Station Service % of Gross				11.48	23,771.46

**SECTION B. LABOR REPORT**

**SECTION C. FACTORS & MAXIMUM DEMAND**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)	56,719	1.	Load Factor (%)	1.294
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	1.294
3.	Total Employee Hours Worked	1,096	7.	Total Plant Payroll (\$)	59,744	3.	Running Plant Capacity Factor (%)	30.344
4.	Operating Plant Payroll (\$)	3,025				4.	15 Min. Gross Max. Demand (kW)	69,882
						5.	Indicated Gross Max. Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	546	0		
2.	Fuel, Oil	547.1	0		
3.	Fuel, Gas	547.2	933,829		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	Fuel SubTotal (2 thru 5)	547	933,829	133.52	
7.	Generation Expenses	548	33,917		
8.	Miscellaneous Other Power Generation Expenses	549	0		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		33,917	4.85	
11.	Operation Expense (6 + 10)		967,746	138.37	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	150,725		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		150,725	21.55	
17.	Total Production Expense (11 + 16)		1,118,471	159.92	
18.	Depreciation	403,4,411.10	200,021		
19.	Interest	427	213,917		
20.	Total Fixed Cost (18 + 19)		413,938	59.19	
21.	Power Cost (17 + 20)		1,532,409	219.11	

Remarks (including Unscheduled Outages)



UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

BORROWER DESIGNATION  
RY0062

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART H - ANNUAL SUPPLEMENT

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

SECTION A. UTILITY PLANT

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Total Intangible Plant (301 thru 303)	66,895				66,895
2. Total Steam Production Plant (310 thru 317)	1,681,030,128	24,349,993	7,136,548		1,698,243,573
3. Total Nuclear Production Plant (320 thru 326)	0				0
4. Total Hydro Production Plant (330 thru 337)	0				0
5. Total Other Production Plant (340 thru 347)	7,993,514	49,200	43,725		7,998,989
6. Total Production Plant (3 thru 5)	1,689,023,642	24,399,193	7,180,273		1,706,242,562
7. Land and Land Rights (350)	13,856,815	2,087			13,858,902
8. Structures and Improvements (352)	6,859,818	12,489			6,872,307
9. Station Equipment (353)	122,103,111	1,095,090	192,774		123,005,427
10. Other Transmission Plant (354 thru 359.1)	94,869,205	139,404	6,968		95,001,641
11. Total Transmission Plant (7 thru 10)	237,688,949	1,249,070	199,742		238,738,277
12. Land and Land Rights (360)	0				0
13. Structures and Improvements (361)	0				0
14. Station Equipment (362)	0				0
15. Other Distribution Plant (363 thru 374)	0				0
16. Total Distribution Plant (12 thru 15)	0				0
17. RTO/ISO Plant (380 thru 386)					
18. Total General Plant (389 thru 399.1)	18,937,573	15,300,241	496,217	2,425	33,744,022
19. Electric Plant in Service (1 + 6 + 11 + 16 thru 18)	1,945,717,059	40,948,504	7,876,232	2,425	1,978,791,756
20. Electric Plant Purchased or Sold (102)	0				0
21. Electric Plant Leased to Others (104)	0				0
22. Electric Plant Held for Future Use (105)	475,968				475,968
23. Completed Construction Not Classified (106)	0				0
24. Acquisition Adjustments (114)	0				0
25. Other Utility Plant (118)	0				0
26. Nuclear Fuel Assemblies (120.1 thru 120.4)	0				0
27. Total Utility Plant in Service (19 thru 26)	1,946,193,027	40,948,504	7,876,232	2,425	1,979,267,724
28. Construction Work in Progress (107)	54,874,458	(5,723,875)			49,150,583
29. Total Utility Plant (27 + 28)	2,001,067,485	35,224,629	7,876,232	2,425	2,028,418,307

SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT

ITEM	COMP. RATE (%) (a)	BALANCE BEGINNING OF YEAR (b)	ANNUAL ACCRUALS (c)	RETIREMENTS LESS NET SALVAGE (d)	ADJUSTMENTS AND TRANSFERS (e)	BALANCE END OF YEAR (f)
1. Depr. of Steam Prod. Plant (108.1)	1.81	768,648,373	28,980,457	8,364,578		789,264,252
2. Depr. of Nuclear Prod. Plant (108.2)		0				0
3. Depr. of Hydraulic Prod. Plant (108.3)		0				0
4. Depr. of Other Prod. Plant (108.4)	2.50	5,589,699	200,608	63,725		5,726,582
5. Depr. of Transmission Plant (108.5)	2.46	108,275,958	5,269,291	181,312	209	113,364,146
6. Depr. of Distribution Plant (108.6)		0				0
7. Depr. of General Plant (108.7)		6,371,644	903,363	494,771		6,780,236
8. Retirement Work in Progress (108.8)		(288,535)		977,244		(1,265,779)
9. Total Depr. for Elec. Plant in Serv. (1 thru 8)		888,597,139			209	913,869,437
10. Depr. of Plant Leased to Others (109)		0				0
11. Depr. of Plant Held for Future Use (110)		0				0
12. Amort. of Elec. Plant in Service (111)		20,904,263	2,108,639	527,386		22,485,516
13. Amort. of Leased Plant (112)		0				0
14. Amort. of Plant Held for Future Use		0				0
15. Amort. of Acquisition Adj. (115)		0				0
16. Depr. & Amort. Other Plant (119)		0				0
17. Amort. of Nuclear Fuel (120.5)		0				0
18. Total Prov. for Depr. & Amort. (9 thru 17)		909,501,402	37,462,358	10,609,016		936,354,853

Case No. 2012-00535

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART H - ANNUAL SUPPLEMENT

BORROWER DESIGNATION

KY0062

PERIOD ENDED

December, 2011

INSTRUCTIONS - See help in the online application.

SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT (Continued)

19. Amount of Annual Accrual Charged to Expense \$ 35,406,806	20. Amount of Annual Accrual Charged to Other Accounts \$ 2,055,552	21. Book Cost of Property Retired \$ 7,876,232
22. Removal Cost of Property Retired \$ 2,820,150	23. Salvage Material from Property Retired \$ 87,366	24. Renewal and Replacement Cost \$ 14,937,824

SECTION C. NON-UTILITY PLANT

ITEM	BALANCE BEGINNING OF YEAR (e)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. NonUtility Property (121)					
2. Provision For Depr. & Amort. (122)					

SECTION D. DEMAND AND ENERGY AT POWER SOURCES

MONTH	PEAK DEMAND (MW) (a)	MONTHLY PEAKS			ENERGY OUTPUT (MWh) (e)
		DATE (b)	TIME (c)	TYPE OF READING (d)	
1. January	1,368	01/13/2011	8	Coincident	1,144,445
2. February	1,375	02/10/2011	6	Coincident	1,010,947
3. March	1,252	03/10/2011	19	Coincident	1,116,717
4. April	1,244	04/19/2011	20	Coincident	1,071,920
5. May	1,377	05/31/2011	17	Coincident	1,215,079
6. June	1,414	06/08/2011	16	Coincident	1,113,556
7. July	1,478	07/27/2011	16	Coincident	1,196,309
8. August	1,440	08/03/2011	17	Coincident	1,159,836
9. September	1,426	09/02/2011	16	Coincident	1,091,151
10. October	1,237	10/21/2011	6	Coincident	1,094,369
11. November	1,323	11/29/2011	17	Coincident	1,042,921
12. December	1,357	12/08/2011	6	Coincident	1,125,931
13. Annual Peak	1,478			Annual Total	13,383,181

SECTION E. DEMAND AND ENERGY AT DELIVERY POINTS

MONTH	DELIVERED TO RUS BORROWERS		DELIVERED TO OTHERS		TOTAL DELIVERED	
	DEMAND (MW) (a)	ENERGY (MWh) (b)	DEMAND (MW) (c)	ENERGY (MWh) (d)	DEMAND (MW) (e)	ENERGY (MWh) (f)
1. January						
2. February						
3. March						
4. April						
5. May						
6. June						
7. July						
8. August						
9. September						
10. October						
11. November						
12. December						
13. Peak or Total						

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART H - ANNUAL SUPPLEMENT

BORROWER DESIGNATION  
KY0062

PERIOD ENDED  
December, 2011

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS  
SUB SECTION I. INVESTMENTS

No	Description (a)	Included (\$) (b)	Excluded (\$) (c)	Income Or Loss (\$) (d)	Rural Development (e)
<b>2</b>	<b>Investments in Associated Organizations</b>				
	United Utility Supply Capital Credit	31,773	0		
	Ky Assn for Electric Coops Capital Credit	15,200	0		
	Jackson Purchase Capital Credit	0	4,274		
	Kenergy Capital Credit	0	20,698		
	Meade County Capital Credit	0	1,166		
	Rural Cooperatives Credit Union Deposit	5	0		
	Touchstone Energy (NRECA) Capital Credit	1,742	0		
	CoBank Capital Credit	0	3,501,953		
	NRUCFC	0	2,039		
	Cooperative Membership Fees	2,280	0		
	ACES Power Marketing Membership Fees	678,000	0		
	Federated Rural Electric Insurance Exchange Capital Credit	4,713	60,853		
	National Renewables Cooperative Organization Capital Credit	0	8,600		
	<b>Totals</b>	<b>733,713</b>	<b>3,599,583</b>		
<b>3</b>	<b>Investments in Economic Development Projects</b>				
	Breckinridge Co. Development Corp. Stock	5,000	0		X
	Hancock Co. Industrial Foundation Stock	5,000	0		X
	<b>Totals</b>	<b>10,000</b>	<b>0</b>		
<b>4</b>	<b>Other Investments</b>				
	Southern States Coop Capital Credit	5,334	0		
	<b>Totals</b>	<b>5,334</b>	<b>0</b>		
<b>5</b>	<b>Special Funds</b>				
	Other Special Funds-Deferred Compensation	0	283,400		
	Other Special Funds-Economic Reserve	11,986,433	88,323,834		
	Other Special Funds-Rural Economic Reserve	778,664	62,073,072		
	Other Special Funds-Station Two O&M Fund	150,000	250,000		
	Other Special Funds-Liberty Mutual	0	306,028		
	<b>Totals</b>	<b>12,915,097</b>	<b>151,236,334</b>		
<b>6</b>	<b>Cash - General</b>				
	General Fund	0	973		
	Right of Way Fund	0	1,000		
	Working Fund	3,725	0		
	<b>Totals</b>	<b>3,725</b>	<b>1,973</b>		
<b>7</b>	<b>Special Deposits</b>				
	TVA Transmission Reservation	572,679	0		
	<b>Totals</b>	<b>572,679</b>	<b>0</b>		
<b>8</b>	<b>Temporary Investments</b>				
	Fidelity-U.S. Treasury Only (#057)	0	44,843,791		
	<b>Totals</b>	<b>0</b>	<b>44,843,791</b>		
<b>9</b>	<b>Accounts and Notes Receivable - NET</b>				
	Accts Receivable-Employees-Other	7,376	0		
	Accts Receivable-Employees-Computer Assist Program	21,652			
	Other Accts Receivable-Misc	461,420	0		
	Accts Receivable-HMP&L Sta Two Operation	(1,200,161)	0		

Case No. 2012-00535

Attachment for Response to AG 1-162

Witness: Billie J. Rihert

Page 98 of 106

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0062	
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT		PERIOD ENDED December, 2011	
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.			
<b>SECTION E. INVESTMENTS, LOAN GUARANTEES AND LOANS</b> <b>SUB SECTION I INVESTMENTS</b>			
Accts Receivable-HMP&L Sta Two Other	836,898	0	
Accts Receivable-HMP&L Litigation	56,824	0	
Accts Receivable-Westlake Chemical	48,271	0	
Totals	232,280	0	
<b>II TOTAL INVESTMENTS (1 thru 10)</b>	<b>14,472,828</b>	<b>199,681,681</b>	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0062			
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT		PERIOD ENDED December, 2011			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
<b>SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS</b> <b>SUB SECTION II. LOAN GUARANTEES</b>					
No	Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Rural Development (e)
	<b>TOTAL</b>				
	<b>TOTAL (Included Loan Guarantees Only)</b>				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0062			
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT		PERIOD ENDED December, 2011			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an "X" in column (e). Both "Included" and "Excluded" Investments must be reported. See help in the online application.					
<b>SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS</b> <b>SUB SECTION III. RATIO</b>					
RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Sub Section I, 11b) and Loan Guarantees - Loan Balance (Sub Section II, 5d) to Total Utility Plant (Part A, Section B, Line 3 of this report)]					0.71 %
<b>SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS</b> <b>SUB SECTION IV. LOAN</b>					
No	Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Rural Development (e)
<b>TOTAL</b>					

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT	BORROWER DESIGNATION  KY0062
	PERIOD ENDED  December, 2011

INSTRUCTIONS - See help in the online application.

**SECTION G. MATERIALS AND SUPPLIES INVENTORY**

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED & SALVAGED (b)	USED & SOLD (c)	BALANCE END OF YEAR (d)
1. Coal	28,610,258	237,811,600	236,291,157	30,130,701
2. Other Fuel	8,718,183	15,000,147	19,955,018	3,763,312
3. Production Plant Parts and Supplies	20,783,578	8,618,330	7,128,463	22,273,445
4. Station Transformers and Equipment	0			0
5. Line Materials and Supplies	669,645	324,896	233,541	761,000
6. Other Materials and Supplies	1,764,429	17,244,677	16,748,286	2,260,820
7. Total (1 thru 6)	60,546,093	278,999,650	280,356,465	59,189,278

RUS Financial and Operating Report Electric Power Supply - Part H - Annual Supplement

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART H - ANNUAL SUPPLEMENT

BORROWER DESIGNATION  
KY0062

INSTRUCTIONS - See help in the online application.

PERIOD ENDED  
December, 2011

SECTION H. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

No	Item	Balance End Of Year (a)	Interest (Billed This Year) (b)	Principal (Billed This Year) (c)	Total (Billed This Year) (d)
1	RUS (Excludes RUS - Economic Development Loans)	644,298,429	23,931,304	45,879,127	69,810,431
2	National Rural Utilities Cooperative Finance Corporation	0	0	0	0
3	CoBank, ACB	0	0	0	0
4	Federal Financing Bank	0	0	0	0
5	RUS - Economic Development Loans	0	0	0	0
6	Payments Unapplied	0			
7	Ohio County Kentucky Bonds - Series 1983	58,800,000	1,996,342		1,996,342
8	Ohio County Kentucky Bonds - Series 2010A	83,300,000	5,511,683		5,511,683
9	LEM Settlement Promissionary Note	0		0	0
10	PMCC Promissory Note	0	0	0	0
	<b>TOTAL</b>	<b>786,398,429</b>	<b>31,438,329</b>	<b>45,879,127</b>	<b>77,318,456</b>



UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY          PART H - ANNUAL SUPPLEMENT</b>		BORROWER DESIGNATION KY0062	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2011	
<b>SECTION I. ANNUAL MEETING AND BOARD DATA</b>			
1. Date of Last Annual Meeting 9/15/2011	2. Total Number of Members 3	3. Number of Members Present at Meeting 3	4. Was Quorum Present? Yes
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 6	7. Total Amount of Fees and Expenses for Board Members \$ 189,273	8. Does Manager Have Written Contract? No
<b>SECTION J. MAN-HOUR AND PAYROLL STATISTICS</b>			
1. Number of Full Time Employees 628	4. Payroll Expensed 46,222,175		
2. Man-Hours Worked - Regular Time 1,068,347	5. Payroll Capitalized 744,036		
3. Man-Hours Worked - Overtime 145,058	6. Payroll Other 2,865,906		

RUS Financial and Operating Report Electric Power Supply - Part H - Annual Supplement

Revision Date 2010

<b>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</b>  <b>FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT</b>		<b>BORROWER DESIGNATION</b> KY0062	
<b>INSTRUCTIONS - See help in the online application.</b>		<b>PERIOD ENDED</b> December, 2011	
<b>SECTION K. LONG-TERM LEASES</b>			
No	Name Of Lessor (a)	Type Of Property (b)	Rental This Year (c)
1	Louisville Gas & Electric	Interconnect Facilities - Cloverport Sub	21,111
<b>TOTAL</b>			<b>21,111</b>

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY          PART H - ANNUAL SUPPLEMENT</b>		<b>BORROWER DESIGNATION</b> KY0062			
<b>INSTRUCTIONS - See help in the online application.</b>		<b>PERIOD ENDED</b> December, 2011			
<b>SECTION L. RENEWABLE ENERGY CREDITS</b>					
ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1. Renewable Energy Credits					

RUS Financial and Operating Report Electric Power Supply - Part H - Annual Supplement

Revision Date 2010



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 163)** *Provide documents which show draws by Big Rivers on its*  
2 *revolving credit facilities with CoBank and CFC over the past 18*  
3 *months.*

4

5 **Response)** Please see attachment.

6

7 **Witness)** Billie J. Richert



# OLD NATIONAL

Funds Transfer Department  
1 Main Street  
Evansville, IN 47708

Phone: (800) 731-2265 option 8  
Fax: (812) 465-0639  
Website: www.oldnational.com

## Incoming Wire-Advice of Credit

Big Rivers D8  
GENERAL FUNDS  
201 3RD ST  
HENDERSON KY 42420-2979

DATE: 07/02/2012 AMOUNT: 25,000,000.00

GFX REF #: 20121840017700

IMAD #: 20120702B1QGC03C002828 OMAD#: 20120702L1LFB35C00004907020941F103

*Additional payment details are shown below:*

SENDER FINANCIAL INSTITUTION: Name: JPMCHASE ABA: 021000021

ORIGINATOR (ORG): Name: NATIONAL RURAL UTILITIES  
Address: COOPERATIVE FINANCE CORPORATION  
20701 COOPERATIVE WAY  
DULLES VA 20166-

BENEFICIARY (BNF): Name: BIG RIVERS E C Acct.#: \*\*\*\*\*5559  
Address:

BENEFICIARY'S FI (BBK): Name: ABA:

REFERENCE FOR BENEFICIARY (RFB): GFT OF 12/07/02

ORIGINATOR TO BENEFICIARY INFO (OBI):

FI TO FI INFORMATION (BBI):

*This message is for the sole use of the intended recipient, and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by phone or fax and destroy all copies of the original message.*



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 164)** *Provide documents which identify and show the purpose*  
2 *and amounts of all asset reclassifications between accounts since*  
3 *consummation of the "Unwind" transaction in Docket No. 2007-*  
4 *00455, over \$25,000 in amount.*

5

6 **Response)** Attached is a copy of the journal entry used to reclassify assets  
7 from *Account 104 — Electric Plant Leased to Others* to *Account 101 — Plant*  
8 *in Service*. This is the only reclassification of assets between accounts since  
9 the consummation of the "Unwind" transaction.

10

11 **Witness)** Billie J. Richert





**JOURNAL ENTRY**

DATE 7/31/2009

MO	JE #
7	550

DESCRIPTION
TRFR W/I 101/104/106

SOURCE CODE
FS

Prepared By: Travis Siewert TJS Approved By: [Signature]

Description Detail: Unwind Entry to move assets from Acct 104 Electric Plant Leased to Others to Acct 101 Plant in Service.

L/E	HOURS	EAC	RA	ACCOUNT #	DEBIT	CREDIT
E		000	999	10103101	83,342.47	
E		000	999	10103102	424,664.82	
E		000	999	10103103	1,110,711.72	
E		000	999	10103104	2,218,857.54	
E		000	999	10103111	3,181,842.95	
E		000	999	10103112	17,287,123.40	
E		000	999	10103113	26,703,657.35	
E		000	999	10103114	72,697,850.68	
E		000	999	10103115	221,640.76	
E		000	999	10103116	550,789.69	
E		000	999	10103117	880,179.85	
E		000	999	10103119	653,382.98	
E		000	999	1010312A	142,774.77	
E		000	999	1010312B	5,024,465.79	
E		000	999	1010312C	24,821,922.31	
E		000	999	1010312D	113,249,262.05	
E		000	999	1010312E	261,616,102.73	

Total Debits \$1,545,996,810.72 Total Credits \$1,545,996,810.72

Total Account Numbers 943,290,776

PL  
lot 7

AG 1-164



JOURNAL ENTRY

MO	JE #
7	550

AG 1-164

L/E	HOURS	EAC	RA	ACCOUNT #	DEBIT	CREDIT
E		000	999	1010312F	35,304,494.59	
E		000	999	1010312G	141,284.66	
E		000	999	1010312J	15,438.27	
E		000	999	1010312K	36,983,180.83	
E		000	999	10103121	7,188,970.88	
E		000	999	10103122	67,522,400.82	
E		000	999	10103123	157,505,796.18	
E		000	999	10103124	403,133,946.25	
E		000	999	10103125	15,937,397.01	
E		000	999	10103126	2,249,893.84	
E		000	999	10103127	249,936.29	
E		000	999	10103141	4,310,530.58	
E		000	999	10103142	30,440,120.78	
E		000	999	10103143	56,268,282.40	
E		000	999	10103144	125,726,972.08	
E		000	999	10103145	4,407,407.03	
E		000	999	10103146	226,351.41	
E		000	999	10103147	18,495.15	
E		000	999	10103151	1,181,232.75	
E		000	999	10103152	7,442,615.98	
E		000	999	10103153	16,091,239.72	
E		000	999	10103154	34,658,712.78	

2



JOURNAL ENTRY

MO	JE #
7	550

L/E	HOURS	EAC	RA	ACCOUNT #	DEBIT	CREDIT
E		000	999	10103155	152,271.04	
E		000	999	10103159	43,548.07	
E		000	999	10103410	154,232.79	
E		000	999	10103420	1,436,911.63	
E		000	999	10103430	4,915,885.63	
E		000	999	10103440	1,102,963.67	
E		000	999	10103450	317,725.75	
E		000	999	10403101		83,342.47
E		000	999	10403102		424,664.82
E		000	999	10403103		1,110,711.72
E		000	999	10403104		2,218,857.54
E		000	999	10403111		3,181,842.95
E		000	999	10403112		17,287,123.40
E		000	999	10403113		26,703,657.35
E		000	999	10403114		72,697,850.68
E		000	999	10403115		221,640.76
E		000	999	10403116		550,789.69
E		000	999	10403117		880,179.85
E		000	999	10403119		653,382.98
E		000	999	1040312A		142,774.77
E		000	999	1040312B		5,024,465.79
E		000	999	1040312C		24,821,922.31



JOURNAL ENTRY

MO	JE #
7	550

L/E	HOURS	EAC	RA	ACCOUNT #	DEBIT	CREDIT
E		000	999	1040312D		113,249,262.05
E		000	999	1040312E		281,616,102.73
E		000	999	1040312F		35,304,494.59
E		000	999	1040312G		141,284.66
E		000	999	1040312J		15,438.27
E		000	999	1040312K		36,983,180.83
E		000	999	10403121		7,188,970.88
E		000	999	10403122		67,522,400.82
E		000	999	10403123		157,505,798.18
E		000	999	10403124		403,133,946.25
E		000	999	10403125		15,937,397.01
E		000	999	10403126		2,249,893.84
E		000	999	10403127		249,936.29
E		000	999	10403141		4,310,530.58
E		000	999	10403142		30,440,120.78
E		000	999	10403143		56,268,282.40
E		000	999	10403144		125,728,972.08
E		000	999	10403145		4,407,407.03
E		000	999	10403146		226,351.41
E		000	999	10403147		18,495.15
E		000	999	10403151		1,181,232.75
E		000	999	10403152		7,442,615.98



**JOURNAL ENTRY**

<b>MO</b>	<b>JE #</b>
7	550

L/E	HOURS	EAC	RA	ACCOUNT #	DEBIT	CREDIT
E		000	999	10403153		16,091,239.72
E		000	999	10403154		34,658,712.78
E		000	999	10403155		152,271.04
E		000	999	10403159		43,548.07
E		000	999	10403410		154,232.79
E		000	999	10403420		1,436,911.63
E		000	999	10403430		4,915,885.63
E		000	999	10403440		1,102,963.67
E		000	999	10403450		317,725.75

Transfer Assets From Account 104 To Account 101  
 JE 58.0 Transfers within 101/108/108

		DB
DR	10103101	53,342.47
DR	10103102	424,684.62
DR	10103103	1,110,711.72
DR	10103104	2,216,857.54
DR	10103111	3,161,842.65
DR	10103112	17,287,123.40
DR	10103113	26,703,657.35
DR	10103114	72,697,850.68
DR	10103115	221,640.76
DR	10103116	650,789.69
DR	10103117	680,179.65
DR	10103119	663,362.66
CR	1010312A	142,774.77
DR	1010312B	5,024,465.79
DR	1010312C	24,821,822.31
DR	1010312D	113,249,282.05
DR	1010312E	261,618,102.73
DR	1010312F	35,304,484.59
DR	1010312G	141,294.66
DR	1010312J	15,438.27
DR	1010312K	36,983,180.63
DR	10103121	7,188,970.68
DR	10103122	67,522,400.82
DR	10103123	157,505,796.16
DR	10103124	403,133,946.25
DR	10103125	15,837,387.01
DR	10103126	2,249,693.64
DR	10103127	249,636.29
DR	10103141	4,310,530.58
DR	10103142	30,440,120.78
DR	10103143	58,268,262.40
DR	10103144	125,729,972.08
DR	10103145	4,407,407.03
DR	10103146	228,351.41
DR	10103147	18,485.15
DR	10103181	1,181,232.75
DR	10103152	7,442,815.96
DR	10103153	16,081,236.72
DR	10103154	34,658,712.76
DR	10103155	152,271.04
DR	10103156	43,548.07
DR	10103410	154,232.79
DR	10103420	1,439,911.63
DR	10103430	4,816,885.63
DR	10103440	1,102,965.67
DR	10103450	317,725.75
	484,745,388	

CR

8/20/2009 4:00 PM

6

		June Bal.	Addition JE	Retirement JE	Ending Bal	
CR	10403101	83,342.47			83,342.47	
CR	10403102	424,884.82			424,884.82	
CR	10403103	1,110,711.72			1,110,711.72	
CR	10403104	2,218,857.54			2,218,857.54	
CR	10403111	3,181,842.85			3,181,842.85	
CR	10403112	17,287,123.40			17,287,123.40	
CR	10403113	28,703,657.35			28,703,657.35	
CR	10403114	72,897,850.68			72,897,850.68	
CR	10403115	185,202.69	28,438.07		221,840.78	
CR	10403116	550,789.69			550,789.69	
CR	10403117	680,179.85			680,179.85	
CR	10403119	653,382.96			653,382.96	
CR	1040312A	142,774.77			142,774.77	
CR	1040312B	5,024,485.79			5,024,485.79	
CR	1040312C	24,857,882.09		(36,758.78)	24,821,123.31	
CR	1040312D	110,895,789.74	2,313,462.31		113,209,252.05	
CR	1040312E	261,818,102.73			261,818,102.73	
CR	1040312F	35,304,494.59			35,304,494.59	
CR	1040312G	128,011.74	15,272.92		141,284.66	
CR	1040312J	15,438.27			15,438.27	
CR	1040312K	36,836,405.40	148,772.45		36,985,180.83	
CR	10403121	7,188,970.88			7,188,970.88	
CR	10403122	67,532,289.57	10,136.73	(20,025.28)	67,522,400.82	
CR	10403123	157,505,798.18			157,505,798.18	
CR	10403124	403,133,948.25			403,133,948.25	
CR	10403125	13,875,787.84	2,107,809.28	(48,310.12)	15,937,367.01	
CR	10403126	2,185,412.21	84,481.63		2,269,893.84	
CR	10403127	249,836.29			249,836.29	
CR	10403141	4,310,530.58			4,310,530.58	
CR	10403142	30,448,234.98	7,218.22	(13,332.40)	30,440,120.78	
CR	10403143	58,288,283.40			58,288,283.40	
CR	10403144	125,728,872.08			125,728,872.08	
CR	10403146	4,233,369.08	174,047.85		4,407,417.03	
CR	10403148	228,351.41			228,351.41	
CR	10403147	18,485.15			18,485.15	
CR	10403151	1,181,232.75			1,181,232.75	
CR	10403152	7,442,615.96			7,442,615.96	
CR	10403153	16,081,239.72			16,081,239.72	
CR	10403154	34,858,712.78			34,858,712.78	
CR	10403155	152,271.04			152,271.04	
CR	10403159	43,548.07			43,548.07	
CR	10403410	154,232.79			154,232.79	
CR	10403420	1,438,811.63			1,438,811.63	
CR	10403430	4,915,685.83			4,915,685.83	
CR	10403440	1,102,883.87			1,102,883.87	
CR	10403450	317,725.75			317,725.75	
Total	478,545,388	1,545,888,810.72	1,541,228,488.75	4,885,769.55	(113,427.58)	1,545,888,810.72
	843,280,776					

8/20/2009 4:00 PM





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 165) Provide fiscal year end budget and budget variance**  
2 **reports, since 2008.**

3

4 **Response)** Please see the budget variance reports for fiscal years ending  
5 12/31/2012, 12/31/2011 and 12/31/2010 on the attached  
6 CONFIDENTIAL and PUBLIC CDs. Please note that the retention period for  
7 budget variance reports is 3 years. These reports for the fiscal years ending  
8 12/31/2009 and 12/31/2008 no longer exist.

9

10 **Witness)** DeAnna M. Speed



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 166) Provide a copy of each draft budget provided to the**  
2 **smelters under the terms of the smelter agreements, since 2010.**

3

4 **a. Provide copies of all correspondence, emails, etc. between**  
5 **Big Rivers and the smelters regarding those draft budgets.**

6

7 **Response)** Copies of the draft and final budgets and related  
8 correspondence that were provided to the smelters under the terms of the  
9 smelter agreements for each year 2010-2013 are attached. Any such  
10 correspondence is contained within the attachments on the CONFIDENTIAL  
11 CD.

12

13 **Witness)** DeAnna M. Speed



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 167)** *Please provide copies of the summary results of all*  
2 *Financial Model runs provided to the Big Rivers Board of Directors in*  
3 *the period January 1, 2012 to current.*

4

5 **Response)** Please reference AG-154 for the presentation of the 2013 budget  
6 and 2014-2016 financial plans that were provided to Big Rivers' Board of  
7 Directors in November of 2012. Copies of all other summary results of  
8 Financial Model runs are provided with a petition for confidential treatment  
9 on the CONFIDENTIAL CDs accompanying these responses.

10

11 **Witnesses)** DeAnna M. Speed, Travis A. Siewert, Robert W. Berry

**Case No. 2012-00535  
Response to AG 1-167**

**Witnesses: DeAnna M. Speed, Travis A. Siewert, Robert W. Berry  
Page 1 of 1**



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 168)** *Please provide copies of the summary results of all*  
2 *Financial Model runs provided to the Big Rivers senior management in*  
3 *the period January 1, 2012 to current.*

4

5 **Response)** Please reference AG 1-167 for the confidential summary results  
6 of all Financial Model runs provided to the Big Rivers senior management in  
7 the period January 1, 2012 to current.

8

9 **Witnesses)** DeAnna M. Speed, Travis A. Siewert, Robert W. Berry

**Case No. 2012-00535**

**Response to AG 1-168**

**Witnesses: DeAnna M. Speed, Travis A. Siewert, Robert W. Berry**

**Page 1 of 1**





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 169)** *Please provide documents which show the monthly balance*  
2 *of the Economic Reserve beginning with the consummation of the*  
3 *“Unwind” transaction to the current date.*

4

5 **Response)** Documents which show the monthly balance of the Economic  
6 Reserve from September 2009 through January 2013 are attached to this  
7 response.

8

9 **Witness)** Billie J. Richert

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**July 31, 2009**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$0.00
Accrued Interest	0.00
Total	0.00
 <b>Interest Accrued</b>	
Gross	14,506.94
(Premium) Amortization	0.00
Net Interest Accrued	14,506.94
 <b>Interest Received</b>	 14,506.94
 <b>Withdrawals</b>	 157,000,000.00
 <b>Ending Balance</b>	
Principal	157,014,506.94
Accrued Interest	0.00
Total	\$157,014,506.94

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**August 31, 2009**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$157,014,506.94
Accrued Interest	0.00
Total	157,014,506.94
 <b>Interest Accrued</b>	
Gross	25,604.83
(Premium) Amortization	0.00
Net Interest Accrued	25,604.83
 <b>Interest Received</b>	25,604.83
 <b>Withdrawals</b>	(997,849.55)
 <b>Ending Balance</b>	
Principal	156,042,262.22
Accrued Interest	0.00
Total	\$156,042,262.22

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**September 30, 2009**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$156,042,262.22
Accrued Interest	0.00
Total	156,042,262.22
<b>Interest Accrued</b>	
Gross	125,021.58
(Premium) Amortization	(44,724.05)
Net Interest Accrued	80,297.53
<b>Interest Received</b>	(324,734.08)
<b>Withdrawals</b>	(2,114,928.26)
<b>Ending Balance</b>	
Principal	153,557,875.83
Accrued Interest	449,755.66
Total	\$154,007,631.49

**Big Rivers Electric Corporation  
Case No. 2012-00535  
Economic Reserve Monthly Balances**

**Reserve Funds Summary  
October 31, 2009**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$153,557,875.83
Accrued Interest	449,755.66
Total	154,007,631.49
 <b>Interest Accrued</b>	
Gross	194,304.29
(Premium) Amortization	(67,085.53)
Net Interest Accrued	127,218.76
 <b>Interest Received</b>	 329,212.88
 <b>Withdrawals</b>	 (1,762,784.73)
 <b>Ending Balance</b>	
Principal	152,057,218.45
Accrued Interest	314,847.07
Total	\$152,372,065.52

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**November 30, 2009**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$152,057,218.45
Accrued Interest	314,847.07
Total	152,372,065.52
<b>Interest Accrued</b>	
Gross	194,730.02
(Premium) Amortization	(67,085.53)
Net Interest Accrued	127,644.49
<b>Interest Received</b>	3,998.46
<b>Withdrawals</b>	(2,226,262.81)
<b>Ending Balance</b>	
Principal	149,767,868.57
Accrued Interest	505,578.63
Total	\$150,273,447.20

**Big Rivers Electric Corporation  
Case No. 2012-00535  
Economic Reserve Monthly Balances**

**Reserve Funds Summary  
December 31, 2009**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$149,767,868.57
Accrued Interest	505,578.63
Total	150,273,447.20
 <b>Interest Accrued</b>	
Gross	194,145.85
(Premium) Amortization	(67,085.53)
Net Interest Accrued	127,060.32
 <b>Interest Received</b>	3,396.16
 <b>Withdrawals</b>	(2,092,412.12)
 <b>Ending Balance</b>	
Principal	147,611,767.08
Accrued Interest	696,328.32
Total	\$148,308,095.40

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**January 31, 2010**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$147,611,767.08
Accrued Interest	696,328.32
Total	<u>148,308,095.40</u>
<b>Interest Accrued</b>	
Gross	193,342.69
(Premium) Amortization	<u>(67,085.53)</u>
Net Interest Accrued	126,257.16
<b>Interest Received</b>	600,523.96
<b>Withdraws</b>	(3,340,774.33)
<b>Ending Balance</b>	
Principal	144,804,431.18
Accrued Interest	<u>289,147.05</u>
Total	<u>\$145,093,578.23</u>



**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**February 28, 2010**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$144,804,431.18
Accrued Interest	289,147.05
Total	<u>145,093,578.23</u>
<b>Interest Accrued</b>	
Gross	192,233.51
(Premium) Amortization	<u>(67,085.53)</u>
Net Interest Accrued	125,147.98
<b>Interest Received</b>	1,686.31
<b>Withdraws</b>	(3,493,846.17)
<b>Ending Balance</b>	
Principal	141,245,185.79
Accrued Interest	<u>479,694.25</u>
Total	<u>\$141,724,880.04</u>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**March 31, 2010**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$141,245,185.79
Accrued Interest	479,694.25
Total	141,724,880.04
 <b>Interest Accrued</b>	
Gross	192,312.36
(Premium) Amortization	(67,085.53)
Net Interest Accrued	125,226.83
 <b>Interest Received</b>	 24,301.49
 <b>Withdrawals</b>	 (2,331,172.03)
 <b>Ending Balance</b>	
Principal	138,871,229.72
Accrued Interest	647,705.12
Total	\$139,518,934.84

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**April 30, 2010**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$138,871,229.72
Accrued Interest	647,705.12
Total	139,518,934.84
 <b>Interest Accrued</b>	
Gross	192,914.17
(Premium) Amortization	(67,161.29)
Net Interest Accrued	125,752.88
 <b>Interest Received</b>	 333,194.40
 <b>Withdrawals</b>	 (2,548,976.77)
 <b>Ending Balance</b>	
Principal	136,588,286.06
Accrued Interest	507,424.89
Total	\$137,095,710.95

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**May 31, 2010**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$136,588,286.06
Accrued Interest	507,424.89
Total	<u>137,095,710.95</u>
<b>Interest Accrued</b>	
Gross	195,768.19
(Premium) Amortization	<u>(67,388.56)</u>
Net Interest Accrued	128,379.63
<b>Interest Received</b>	11,083.67
<b>Withdrawals</b>	(1,721,021.60)
<b>Ending Balance</b>	
Principal	134,810,959.57
Accrued Interest	692,109.41
Total	<u>\$135,503,068.98</u>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**June 30, 2010**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$134,810,959.57
Accrued Interest	692,109.41
Total	<u>135,503,068.98</u>
<b>Interest Accrued</b>	
Gross	195,931.55
(Premium) Amortization	<u>(67,388.56)</u>
Net Interest Accrued	128,542.99
<b>Interest Received</b>	2,094.85
<b>Withdrawals</b>	(2,138,487.78)
<b>Ending Balance</b>	
Principal	132,607,178.08
Accrued Interest	885,946.11
Total	<u>\$133,493,124.19</u>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**July 31, 2010**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$132,607,178.08
Accrued Interest	885,946.11
Total	133,493,124.19
 <b>Interest Accrued</b>	
Gross	176,210.75
(Premium) Amortization	(70,863.06)
Net Interest Accrued	105,347.69
 <b>Interest Received</b>	795,923.29
 <b>Withdraws</b>	(2,537,655.00)
 <b>Ending Balance</b>	
Principal	130,794,583.31
Accrued Interest	266,233.57
Total	\$131,060,816.88

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**August 31, 2010**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$130,794,583.31
Accrued Interest	266,233.57
Total	131,060,816.88
 <b>Interest Accrued</b>	
Gross	178,461.61
(Premium) Amortization	(74,337.55)
Net Interest Accrued	104,124.06
 <b>Interest Received</b>	3,264.00
 <b>Withdrawals</b>	(2,108,974.87)
 <b>Ending Balance</b>	
Principal	128,614,534.89
Accrued Interest	441,431.18
Total	\$129,055,966.07

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**September 30, 2010**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	128,614,534.89
Accrued Interest	441,431.18
Total	129,055,966.07
 <b>Interest Accrued</b>	
Gross	177,528.01
(Premium) Amortization	(74,273.04)
Net Interest Accrued	103,254.97
 <b>Interest Received</b>	25,375.58
 <b>Withdraws</b>	(2,344,264.95)
 <b>Ending Balance</b>	
Principal	126,221,372.48
Accrued Interest	593,583.61
Total	\$126,814,956.09



**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**October 31, 2010**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$126,221,372.48
Accrued Interest	593,583.61
Total	<u>126,814,956.09</u>
<b>Interest Accrued</b>	
Gross	170,423.70
(Premium) Amortization	<u>(72,402.25)</u>
Net Interest Accrued	98,021.45
<b>Interest Received</b>	424,277.39
<b>Withdraws</b>	(1,945,562.88)
<b>Ending Balance</b>	
Principal	124,627,684.74
Accrued Interest	339,729.92
Total	<u>\$124,967,414.66</u>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**November 30, 2010**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	124,627,684.74
Accrued Interest	339,729.92
Total	<u>124,967,414.66</u>
<b>Interest Accrued</b>	
Gross	168,444.70
(Premium) Amortization	<u>(72,402.25)</u>
Net Interest Accrued	96,042.45
<b>Interest Received</b>	30,145.75
<b>Withdrawals</b>	(2,038,804.24)
<b>Ending Balance</b>	
Principal	122,546,624.00
Accrued Interest	478,028.87
Total	<u>\$123,024,652.87</u>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**December 31, 2010**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	122,546,624.00
Accrued Interest	478,028.87
Total	123,024,652.87
 <b>Interest Accrued</b>	
Gross	168,168.59
(Premium) Amortization	(72,402.25)
Net Interest Accrued	95,766.34
 <b>Interest Received</b>	1,744.64
 <b>Withdrawals</b>	(1,900,660.45)
 <b>Ending Balance</b>	
Principal	120,575,305.94
Accrued Interest	644,452.82
Total	\$121,219,758.76

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**January 31, 2011**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	120,575,305.94
Accrued Interest	644,452.82
Total	121,219,758.76
 <b>Interest Accrued</b>	
Gross	164,158.11
(Premium) Amortization	(72,228.83)
Net Interest Accrued	91,929.28
 <b>Interest Received</b>	526,115.50
 <b>Withdrawals</b>	(2,452,455.38)
 <b>Ending Balance</b>	
Principal	118,576,737.23
Accrued Interest	282,495.43
Total	\$118,859,232.66

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**February 28, 2011**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$118,576,737.23
Accrued Interest	282,495.43
Total	<u>118,859,232.66</u>
 <b>Interest Accrued</b>	
Gross	156,464.71
(Premium) Amortization	<u>(71,968.73)</u>
Net Interest Accrued	84,495.98
 <b>Interest Received</b>	 1,751.18
 <b>Withdrawals</b>	 (1,675,044.69)
 <b>Ending Balance</b>	
Principal	116,831,474.99
Accrued Interest	437,208.96
Total	<u>\$117,268,683.95</u>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**March 31, 2011**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$116,831,474.99
Accrued Interest	437,208.96
Total	<u>117,268,683.95</u>
<b>Interest Accrued</b>	
Gross	158,201.99
(Premium) Amortization	<u>(71,968.73)</u>
Net Interest Accrued	86,233.26
<b>Interest Received</b>	1,488.46
<b>Withdraws</b>	(1,799,599.55)
<b>Ending Balance</b>	
Principal	114,961,395.17
Accrued Interest	<u>593,922.49</u>
Total	<u>\$115,555,317.66</u>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**April 30, 2011**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$114,961,395.17
Accrued Interest	593,922.49
Total	<u>115,555,317.66</u>
<b>Interest Accrued</b>	
Gross	144,538.45
(Premium) Amortization	<u>(61,299.96)</u>
Net Interest Accrued	83,238.49
<b>Interest Received</b>	406,942.74
<b>Withdrawals</b>	(2,351,309.39)
<b>Ending Balance</b>	
Principal	112,955,728.56
Accrued Interest	331,518.20
Total	<u>\$113,287,246.76</u>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**May 31, 2011**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	112,955,728.56
Accrued Interest	331,518.20
Total	113,287,246.76
 <b>Interest Accrued</b>	
Gross	132,508.83
(Premium) Amortization	(50,631.06)
Net Interest Accrued	81,877.77
 <b>Interest Received</b>	29,160.92
 <b>Withdraws</b>	(1,501,461.99)
 <b>Ending Balance</b>	
Principal	111,432,796.43
Accrued Interest	434,866.11
Total	\$111,867,662.54



**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**June 30, 2011**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$111,432,796.43
Accrued Interest	434,866.11
Total	111,867,662.54
 <b>Interest Accrued</b>	
Gross	132,117.22
(Premium) Amortization	(50,631.06)
Net Interest Accrued	81,486.16
 <b>Interest Received</b>	644.31
 <b>Withdrawals</b>	(2,001,041.94)
 <b>Ending Balance</b>	
Principal	109,381,767.74
Accrued Interest	566,339.02
Total	\$109,948,106.76

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**July 31, 2011**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$109,381,767.74
Accrued Interest	566,339.02
Total	<u>109,948,106.76</u>
<b>Interest Accrued</b>	
Gross	119,553.51
(Premium) Amortization	<u>(42,285.33)</u>
Net Interest Accrued	77,268.18
<b>Interest Received</b>	416,943.10
<b>Withdrawals</b>	(1,752,009.27)
<b>Ending Balance</b>	
Principal	108,004,416.24
Accrued Interest	268,949.43
Total	<u>\$108,273,365.67</u>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**August 31, 2011**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$108,004,416.24
Accrued Interest	268,949.43
Total	108,273,365.67
 <b>Interest Accrued</b>	
Gross	94,834.32
(Premium) Amortization	(29,766.69)
Net Interest Accrued	65,067.63
 <b>Interest Received</b>	90,894.75
 <b>Withdraws</b>	(1,821,972.70)
 <b>Ending Balance</b>	
Principal	106,243,571.60
Accrued Interest	272,889.00
Total	\$106,516,460.60

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**September 30, 2011**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$106,243,571.60
Accrued Interest	272,889.00
Total	106,516,460.60
 <b>Interest Accrued</b>	
Gross	96,740.57
(Premium) Amortization	(29,766.69)
Net Interest Accrued	66,973.88
 <b>Interest Received</b>	767.66
 <b>Withdraws</b>	(1,953,860.56)
 <b>Ending Balance</b>	
Principal	104,260,712.01
Accrued Interest	368,861.91
Total	\$104,629,573.92

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**October 31, 2011**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$104,260,712.01
Accrued Interest	368,861.91
Total	104,629,573.92
 <b>Interest Accrued</b>	
Gross	84,819.83
(Premium) Amortization	(22,632.19)
Net Interest Accrued	62,187.64
 <b>Interest Received</b>	255,481.43
 <b>Withdrawals</b>	(1,545,661.58)
 <b>Ending Balance</b>	
Principal	102,947,899.67
Accrued Interest	198,200.31
Total	\$103,146,099.98

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**November 30, 2011**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$102,947,899.67
Accrued Interest	198,200.31
Total	103,146,099.98
 <b>Interest Accrued</b>	
Gross	76,464.57
(Premium) Amortization	(15,497.74)
Net Interest Accrued	60,966.83
 <b>Interest Received</b>	54,970.82
 <b>Withdrawals</b>	(1,459,313.92)
 <b>Ending Balance</b>	
Principal	101,528,058.83
Accrued Interest	219,694.06
Total	\$101,747,752.89

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**December 31, 2011**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$101,528,058.83
Accrued Interest	219,694.06
Total	101,747,752.89
 <b>Interest Accrued</b>	
Gross	72,551.30
(Premium) Amortization	(15,497.74)
Net Interest Accrued	57,053.56
 <b>Interest Received</b>	1,328.38
 <b>Withdrawals</b>	(1,203,623.25)
 <b>Ending Balance</b>	
Principal	100,310,266.22
Accrued Interest	290,916.98
Total	\$100,601,183.20

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**January 31, 2012**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$100,310,266.22
Accrued Interest	290,916.98
Total	100,601,183.20
 <b>Interest Accrued</b>	
Gross	64,889.38
(Premium) Amortization	(12,601.77)
Net Interest Accrued	52,287.61
 <b>Interest Received</b>	204,360.81
 <b>Withdraws</b>	(1,741,389.80)
 <b>Ending Balance</b>	
Principal	98,760,635.46
Accrued Interest	151,445.55
Total	\$98,912,081.01



**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**February 29, 2012**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$98,760,635.46
Accrued Interest	151,445.55
Total	98,912,081.01
 <b>Interest Accrued</b>	
Gross	57,808.61
(Premium) Amortization	(11,360.67)
Net Interest Accrued	46,447.94
 <b>Interest Received</b>	 65,418.45
 <b>Withdrawals</b>	 (1,820,287.22)
 <b>Ending Balance</b>	
Principal	96,994,406.02
Accrued Interest	143,835.71
Total	\$97,138,241.73

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**March 31, 2012**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$96,994,406.02
Accrued Interest	143,835.71
Total	97,138,241.73
 <b>Interest Accrued</b>	
Gross	56,879.10
(Premium) Amortization	(11,564.56)
Net Interest Accrued	45,314.54
 <b>Interest Received</b>	(15,132.78)
 <b>Withdrawals</b>	(1,640,240.32)
 <b>Ending Balance</b>	
Principal	95,327,468.36
Accrued Interest	215,847.59
Total	\$95,543,315.95

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**April 30, 2012**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$95,327,468.36
Accrued Interest	215,847.59
Total	<u>95,543,315.95</u>
 <b>Interest Accrued</b>	
Gross	54,439.88
(Premium) Amortization	<u>(11,070.28)</u>
Net Interest Accrued	43,369.60
 <b>Interest Received</b>	65,142.38
 <b>Withdrawals</b>	(1,708,652.00)
 <b>Ending Balance</b>	
Principal	93,672,888.46
Accrued Interest	205,145.09
Total	<u>\$93,878,033.55</u>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**May 31, 2012**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$93,672,888.46
Accrued Interest	205,145.09
Total	93,878,033.55
 <b>Interest Accrued</b>	
Gross	42,180.03
(Premium) Amortization	(9,138.42)
Net Interest Accrued	33,041.61
 <b>Interest Received</b>	70,509.19
 <b>Withdraws</b>	(1,657,615.04)
 <b>Ending Balance</b>	
Principal	92,076,644.19
Accrued Interest	176,815.93
Total	\$92,253,460.12

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**June 30, 2012**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$92,076,644.19
Accrued Interest	176,815.93
Total	92,253,460.12
 <b>Interest Accrued</b>	
Gross	43,431.13
(Premium) Amortization	(8,986.90)
Net Interest Accrued	34,444.23
 <b>Interest Received</b>	 32,406.13
 <b>Withdrawals</b>	 (1,946,348.29)
 <b>Ending Balance</b>	
Principal	90,153,715.13
Accrued Interest	187,840.93
Total	\$90,341,556.06

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**July 31, 2012**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$90,153,715.13
Accrued Interest	187,840.93
Total	90,341,556.06
 <b>Interest Accrued</b>	
Gross	38,509.22
(Premium) Amortization	(7,539.47)
Net Interest Accrued	30,969.75
 <b>Interest Received</b>	137,689.82
 <b>Withdrawals</b>	(1,971,823.94)
 <b>Ending Balance</b>	
Principal	88,312,041.54
Accrued Interest	88,660.33
Total	\$88,400,701.87

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**August 31, 2012**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$88,312,041.54
Accrued Interest	88,660.33
Total	<u>88,400,701.87</u>
 <b>Interest Accrued</b>	
Gross	39,034.96
(Premium) Amortization	<u>(7,479.25)</u>
Net Interest Accrued	31,555.71
 <b>Interest Received</b>	59,639.41
 <b>Withdrawals</b>	(1,755,392.39)
 <b>Ending Balance</b>	
Principal	86,608,809.31
Accrued Interest	<u>68,055.88</u>
Total	<u>\$86,676,865.19</u>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**September 30, 2012**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$86,608,809.31
Accrued Interest	68,055.88
Total	86,676,865.19
 <b>Interest Accrued</b>	
Gross	38,872.79
(Premium) Amortization	(7,479.25)
Net Interest Accrued	31,393.54
 <b>Interest Received</b>	 606.13
 <b>Withdraws</b>	 (1,790,954.79)
 <b>Ending Balance</b>	
Principal	84,810,981.40
Accrued Interest	106,322.54
Total	\$84,917,303.94



**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**October 31, 2012**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$84,810,981.40
Accrued Interest	106,322.54
Total	<u>84,917,303.94</u>
<b>Interest Accrued</b>	
Gross	38,702.65
(Premium) Amortization	<u>(7,479.25)</u>
Net Interest Accrued	31,223.40
<b>Interest Received</b>	435.99
<b>Withdraws</b>	(1,344,479.90)
<b>Ending Balance</b>	
Principal	83,459,458.24
Accrued Interest	144,589.20
Total	<u>\$83,604,047.44</u>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**November 30, 2012**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$83,459,458.24
Accrued Interest	144,589.20
Total	83,604,047.44
 <b>Interest Accrued</b>	
Gross	38,516.55
(Premium) Amortization	(7,479.25)
Net Interest Accrued	31,037.30
 <b>Interest Received</b>	
	26,499.89
 <b>Withdraws</b>	
	(1,441,083.54)
 <b>Ending Balance</b>	
Principal	82,037,395.34
Accrued Interest	156,605.86
Total	\$82,194,001.20

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**December 31, 2012**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$82,037,395.34
Accrued Interest	156,605.86
Total	82,194,001.20
 <b>Interest Accrued</b>	
Gross	38,108.63
(Premium) Amortization	(7,479.25)
Net Interest Accrued	30,629.38
 <b>Interest Received</b>	62,291.97
 <b>Withdraws</b>	(1,581,279.44)
 <b>Ending Balance</b>	
Principal	80,510,928.62
Accrued Interest	132,422.52
Total	\$80,643,351.14

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**  
**Economic Reserve Monthly Balances**

**Reserve Funds Summary**  
**January 31, 2013**

	<b>Economic Reserve</b>
<b>Beginning Balance</b>	
Principal	\$80,510,928.62
Accrued Interest	132,422.52
Total	80,643,351.14
 <b>Interest Accrued</b>	
Gross	30,728.35
(Premium) Amortization	(4,550.05)
Net Interest Accrued	26,178.30
 <b>Interest Received</b>	108,317.52
 <b>Withdraws</b>	(1,412,276.33)
 <b>Ending Balance</b>	
Principal	79,202,419.76
Accrued Interest	54,833.35
Total	\$79,257,253.11



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 170) Please state whether there has been any use of funds from**  
2 **either the Rural Economic Reserve or the Transition Reserve since the**  
3 **consummation of the "Unwind" transaction to the current date. If**  
4 **there has (have) been use(s) of these funds provide the date, amount**  
5 **and purpose for such draw.**

6

7 **Response)** There has been no use of funds from the Rural Economic  
8 Reserve since the consummation of the "Unwind" transaction to the current  
9 date. The Transition Reserve funds (\$35 million) were used on April 1, 2011  
10 to prepay the RUS Series A Note to realize an annual net benefit of  
11 approximately \$1,783,250 in reduced interest expense to Big Rivers and its  
12 members. Interest expense was reduced as a result of the interest rate  
13 differential that existed between interest expense on the RUS Series A Note  
14 (5.845%) versus interest income from investment of the Transition Reserve  
15 funds (0.75%). On July 27, 2012, \$35 million of the proceeds from the \$235  
16 million CoBank Term Loan was used to restore the Transition Reserve in the  
17 amount prepaid on the RUS Series A Note on April 1, 2011.

18

19 **Witness)** Billie J. Richert

**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 171) *Provide all correspondence between Big Rivers and Alcan***  
2 ***since January 1, 2012 to current***

3

4 **Response)** Big Rivers objects to this request on the grounds that it is overly  
5 broad and unduly burdensome. The Attorney General has agreed to limit  
6 this request to include only correspondence between Alcan and either Big  
7 Rivers' executive management or the witnesses that filed direct testimony in  
8 this matter. In accordance with those limitations, and without waiving its  
9 objection, Big Rivers states as follows.

10 Big Rivers objects to this request on the grounds that it seeks  
11 information that is irrelevant and not likely to lead to the discovery of  
12 admissible evidence. Big Rivers also objects to this request to the extent  
13 that it seeks information that is protected by the attorney-client and  
14 attorney work product privileges. Notwithstanding these objections, but  
15 without waiving them, please see the attached documents.

16

17 **Witness)** Robert W. Berry

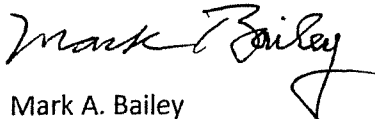
February 20, 2012

Donald Seberger, Esq.  
Special Counsel M&A  
Rio Tinto Alcan  
8770 West Bryn Mawr Avenue  
Mail Code 07J  
Chicago, IL 60631

Dear Mr. Seberger:

Enclosed is a final copy of the Sargent and Lundy Environmental Compliance Study. A copy was also provided to Stephane Leblanc on February 16, 2012.

Sincerely yours,



Mark A. Bailey  
President and CEO  
Big Rivers Electric Corporation

Enclosure

c: Mr. Guy Authier w/o attachment  
Mr. Jeffrey Hopkins w/o attachment



Alcan Primary Products Corporation  
9404 State Route 2096  
Robards, KY 42452  
USA  
T +1 (270) 521 7811  
F +1 (270) 521 7305

February 29, 2012

Mr. Erik Dunnigan  
Commissioner  
Cabinet for Economic Development  
300 West Broadway  
Frankfort, Kentucky 40601

**Subject: Request for Information**

Dear Mr. Dunnigan:

In our meetings of January 25<sup>th</sup> and February 7<sup>th</sup> with Big Rivers and the Cabinet and subsequently in your letter of February 15<sup>th</sup>, you have asked the two smelters what power rate they need. This letter responds on behalf of the Rio Tinto smelter at Sebree.

Aluminum is a globally traded commodity priced in the London Metal Exchange (LME) competitive market. Smelters cannot control the LME price for metal and there is no scope for a smelter to pass on increases in its cost to the marketplace. The LME price fluctuates significantly, with pronounced downturns every few years. During an economic downturn, the LME price typically reaches a level that makes the higher cost smelters unprofitable and the highest cost facilities are usually closed within a short period of time.

A typical smelter's production cost can be split into three components. About a third of cost is represented by alumina, which is priced based on the aluminum price and is at a similar level for all operating smelters. Power represents another third of a smelter's production costs, with the remainder accounted for by raw materials, labor, maintenance and other costs ("operating costs").

Excluding power, Sebree's operating cost per tonne of metal is one of the lowest among Rio Tinto's twenty-one smelters worldwide. This has been achieved by many years of continuous effort from both management and workforce towards reducing unit cost. However, since power is equal in magnitude to all other costs, excluding alumina, the increasing power cost to Sebree is threatening the future of the facility in the coming years. This is despite the efficiencies achieved on operating costs.

The current power rate that Sebree is paying Big Rivers is approximately \$49/MWh and is projected to increase significantly in 2013-15. This compares to a global average power rate of \$26-28/MWh. It is difficult for Rio Tinto to envision a long term future for the Sebree plant with its power cost at double the global average.

In our meetings, Rio Tinto representatives have stated that a power rate of \$26-28/MWh, in line with the global average, is optimal for ensuring the long term future of the smelters and creating additional employment. The reasons for this are as follows:

- A power rate of \$26-28/MWh will generally ensure that the Sebree smelter remains profitable during a periodic downturn in the LME price. This in turn would ensure continued operation for the foreseeable future.
- Rio Tinto, in conjunction with Northwest Kentucky Forward, has identified an opportunity to create 500 direct jobs in the downstream aluminum industry (over 1,000 jobs including indirect and induced employment). These facilities would be located adjacent to the Sebree smelter and have access to the competitive advantage of using hot metal from the smelter without any freight cost. However, the majority of interested parties will want to have a long term hot metal supply contract in order to invest in such facilities. While Rio Tinto is always willing to consider options for short term hot metal supply, Rio Tinto is unable to offer a long term contract without a power rate that ensures that the Sebree smelter is viable for the long term.

Rio Tinto understands the financial and other constraints which the Commonwealth of Kentucky has to take account of. The value the Sebree smelter alone brings to the Commonwealth of \$200 Million annually and the potential for another \$100 Million from the cluster jobs is a significant benefit to the state. With a power price closer to the \$26 to \$28, we can work to create more jobs and more economic prosperity. The vision for the future must be a mutual commitment by both the state and the smelter. We would like to discuss in more detail the state's vision for the aluminum industry and their ability and willingness to commit the resources for this vision. Rio Tinto Sebree is willing to work for a future that includes more jobs. If we decide not to create jobs together, then a power price higher than the one above can sustain the plant but not allow commitments that create additional jobs around the plant.

Rio Tinto looks forward to further discussions with the Commonwealth on securing the future of the Sebree smelter and enabling the creation of additional employment.

I appreciate your efforts on behalf of the smelters and their employees.

Very truly yours,



Stephane Leblanc  
General Manager

**RioTinto**

cc: Governor Steve Beshear  
Secretary Larry Hayes  
Kentucky Legislative Leadership  
Kentucky Legislative Delegation  
Mark Bailey

Rio Tinto

Alcan Primary Products Corporation  
9404 State Route 2096  
Robards, KY 42452  
USA  
T +1 (270) 521 7811  
F +1 (270) 521 7305

June 8, 2012



*MBS*  
Mark Bailey  
President & CEO  
Big Rivers Electric Corporation  
P.O. Box 24  
Henderson KY 42419-0024

**Subject: Newspaper article – Hancock Clarion**

Dear Mark,

This is in reference to the article in the Hancock Clarion dated May 10, 2012 entitled "Big Rivers versus Century Aluminum and their power rate issue."

I would like to make it clear that Rio Tinto did not contribute in any way to this article.

Sincerely,

Jeremy Jenkins  
Financial Manager

*cc  
Mark Cofford  
Bob Berry  
Al Jackson  
Jim Miller  
Mark Hite  
ory file*

Copy To:  
Sandy Novick – President & CEO, Kenergy Corporation



201 Third Street  
P.O. Box 24  
Henderson, KY 42419-0024  
270-827-2561  
www.bigrivers.com

June 22, 2012

Mr. Michael Early  
Century Aluminum of Kentucky, General Partnership  
P.O. Box 500  
Hawesville, Kentucky 42348

Ms. Pam Schneider  
Alcan Primary Products Corporation  
9404 State Route 2096  
Henderson, Kentucky 42452-9735

Dear Sir and Madam:

Big Rivers Electric Corporation ("Big Rivers") has carefully reviewed the proposal presented by Mr. Early on behalf of Century Aluminum Kentucky General Partnership ("Century") and Alcan Primary Products Incorporated ("Alcan") at the meeting at the Economic Development Cabinet offices on June 20, 2012. In response to the requests of Century, Alcan and the Economic Development Cabinet, we have worked continuously since then to formulate and send out by today Big Rivers' response to that proposal.

As we said on Wednesday, the rate relief of \$125 million annually for three years proposed by the smelters is unworkable for Big Rivers. Among other things, the rate increase it would impose on the non-smelter retail customers on Big Rivers' members' systems would substantially exceed the estimated rate relief that would be required from those customers if both smelters ceased operations. A solution that goes beyond what is proposed in this letter will require the involvement of other parties.

This letter makes an alternative proposal which, while providing less rate relief than sought by the smelters, does provide interim rate relief, and offers a base on which others can construct the long-term solution so many seek to the operational feasibility issues raised by the smelters. This proposal is provided in as much detail as possible at this date.

1. Rates. Big Rivers proposes (i) amendments to the smelter agreements that will eliminate the charges added to the Big Rivers large industrial rate that are not paid by other large industrial retail customers, and (ii) changes to Big Rivers' tariff rates to eliminate the cost-of-service differential identified in Big Rivers' last rate case. This will provide the smelters an estimated \$27.2 million in annual rate relief (based on assumptions for 2014; an annual average of \$33.75 million over the remaining lives of the contracts). To assist in your review of this element of Big Rivers' proposal, we have quickly reviewed the smelter contracts and assembled a table describing contractual changes that Big Rivers believes, at this time, are appropriate to implement this proposal.

2. Term. The Big Rivers proposal would be a permanent change in the smelter service contracts, rather than a short-term change.

3. Timing. Big Rivers understands the need to move quickly to implement any agreement, and will commit to expedite, to the best of its ability, all actions required to obtain approvals for and to implement the proposal.

4. Rate Case Subjects. The smelters do not want any general adjustments to Big Rivers' rates to be included in the rate case that is filed to implement an agreed plan with the smelters. Big Rivers has made no decision about whether such additional rate relief would be required in that time frame, but if it is, believes including both issues in the same case would not delay a final order. In fact, running parallel rate cases would be confusing, and would slow both cases. But resolution of this issue can be postponed until Big Rivers determines whether additional rate relief is required on the same time table.

5. Agreement in Principle. The smelters proposed preparing an agreement in principle. This is acceptable to Big Rivers.

6. Expenses. Big Rivers' financial condition is such that the anticipated cost of negotiating smelter contract revisions and seeking the approvals required to implement any agreement with the smelters creates an unacceptable risk that Big Rivers will fail to achieve the financial metrics required by Big Rivers' loan documents for Big Rivers to continue to borrow money and secure it under Big Rivers' indenture. This problem is not solved by an arrangement under which the contribution to those costs is contingent upon the arrangements being successfully implemented. A proposal could fail for reasons beyond the control of Big Rivers, leaving Big Rivers in a very weak financial position when one or both smelters are in crisis. A consensual arrangement would involve more expense than a rate case alone. Big Rivers must have this issue resolved satisfactorily. The costs of a public affairs

campaign fall in the same category. Big Rivers is certainly willing to provide a proposed budget for these expenditures, but actual costs must be reimbursed.

7. Long Term Solution. The smelters seek an agreement to work in good faith toward a long term commitment. Big Rivers believes its proposal provides a platform on which the Commonwealth of Kentucky can build the long-term solution.

8. Justification for Relief. As we have discussed before, the smelters must provide to Big Rivers financial information on the profitability of the local smelters as required for Big Rivers to confirm that the local smelter operations require the relief being proposed, and to support a filing with the Public Service Commission. Big Rivers would also require the agreement of the smelters that they will not give a one-year notice of closure before the end of the first year following consummation of the proposal.

9. Restitution. Big Rivers' proposal has its members giving up basically all the compensation the smelters agreed to provide in 2009 in return for the members supporting the transaction by which Big Rivers reacquired control of its generating units, and entered into contracts to provide the smelters a source of firm power supply. It is appropriate to include in the Big Rivers proposal a mechanism by which some of this surrendered benefit would be restored if the smelters achieve a specified level of profitability. Time does not allow Big Rivers to make any specific proposal in this letter, however.

10. Approvals. The proposal outlined in this letter is subject to: (i) all appropriate board, regulatory, creditor and other approvals; (ii) acceptability of rate relief to Big Rivers and its creditors; and (iii) confirmation that Big Rivers' credit rating will not be suspended or reduced following the rate relief granted to Big Rivers.

We look forward to discussing this proposal with you.

Sincerely yours,

A handwritten signature in black ink that reads "Mark A. Bailey". The signature is written in a cursive style with a large, sweeping initial "M".

Mark A. Bailey

Copy to: Holland B. Spade  
John DeZee  
David Brown  
Mike Haydon



**BIG RIVERS ELECTRIC CORPORATION  
SMELTER SERVICE AGREEMENT PROVISIONS**

The following summarizes proposed changes to the each Retail Electric Service Agreement, dated as of July 1, 2009 (each, a "Retail Agreement"), between Kenergy Corp. ("Kenergy") and each of Alcan Primary Products Corporation ("Alcan") and Century Aluminum of Kentucky General Partnership ("Century" and collectively with Alcan, the "Smelters"), and the corresponding Coordination Agreement, dated as of July 1, 2009, between Big Rivers Electric Corporation ("Big Rivers") the applicable Smelter.

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
Base Monthly Energy	Retail Agreement §§ 1.1.17, 1.1.18, 4.2	"Base Monthly Energy" is 368 MW per hour for Alcan and 482 MW per hour for Century. The Retail Agreements do not require the Smelters schedule Base Monthly Energy but require each Smelter to use reasonable commercial efforts to inform Kenergy and Big Rivers promptly of any material change in its intended usage of Base Monthly Energy.	The "Base Energy Charge" equals (a) the Large Industrial Rate (inclusive of any surcharges/credits, the Rebate and the Surcharge), plus \$0.00025 per kWh, plus or minus (b) an adjustment for specified variable costs, based on the Smelters' actual energy requirements and energy curtailed at the request of Big Rivers or, in some cases, the Smelters.	Eliminate the "plus \$0.00025 per kWh" from the definition of Base Energy Charge so the Smelters would be paying an amount equal to the Large Industrial Rate, plus or minus adjustments for their variable energy consumption.
Surcharge	Retail Agreement § 4.11	The Smelters will pay a Surcharge in multiple parts.	<ul style="list-style-type: none"> <li>A fixed annual payment, of \$7,300,000 from 2012 through and including 2016, and \$10,182,813, from 2017 through 2023;</li> <li>The product of Base Fixed Energy and \$0.60 per MWh;</li> <li>The product of Base Fixed Energy and the number of cents (between zero and 60) per MW</li> </ul>	Eliminate provision to reduce the Smelters' overall cost of power.

Attachment for Response to AG 1-171  
 Witness: Robert W. Berry  
 Page 10 of 35

Case No. 2012-00535

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
			<p>per hour that Big Rivers' budgeted annual average fuel costs for coal-fired generation per MWh for a given fiscal year exceed the amounts set forth in Schedule 4.11(c) of the Retail Agreement for that fiscal year, subject to a true-up; and</p> <ul style="list-style-type: none"> <li>A fixed reduction to the surcharge of \$86,588 per month for Alcan and \$113,412 per month for Century, in each case for the first 96 billing months of the contracts.</li> </ul>	
Tier Adjustment Charge	Retail Agreement § 4.7	The expected total amount of additional revenue it needed to achieve a TIER of 1.24, subject to extensive exceptions and limitations, one-twelfth of which was the " <u>TIER Adjustment Charge</u> ".	One-twelfth of the estimated Tier Adjustment for the fiscal year.	Eliminate provisions to remove the Smelters' obligation to pay the TIER Adjustment Charge and end the support of Big Rivers' achievement of a 1.24 TIER, as calculated in the agreement, to lower the Smelters' overall cost of power.
Rebate	Retail Agreement § 4.9	If Big Rivers' TIER in any year exceeds 1.24, as calculated under the Smelter Agreements, then during the next fiscal year Big Rivers may elect to rebate on a kWh basis a portion of the excess amount, subject to certain limitations, to the Members. Big Rivers is seeking a rider to its tariff to affect this transfer to the	A pro rata portion of the amount it received from Big Rivers on a kWh basis (the " <u>Rebate</u> ") or a pro rata portion of the excess to Kenergy for distribution to the Smelters (the " <u>Equity Development Credit</u> ").	Eliminate provision because it only exists to rebate excess amounts paid by the Smelters under the TIER Adjustment Charge.

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
		Members.		
Potline Reduction Sales	Retail Agreement § 10.3	A Smelter, upon the ceasing of aluminum smelting operations on one of its potlines (a " <u>Potline Reduction</u> "), may request that Kenergy cause Big Rivers to sell 115 MW (plus or minus 10 MW) per hour to the market (" <u>Potline Reduction Sales</u> ") if : (a) such Smelter is reasonably likely to be able to continue aluminum smelting operations with respect to all of its other potlines; (b) such Smelter reasonably estimates the Potline Reduction will equal or exceed 12 months; and (c) no Potline Reduction Sales have been made for a period of twelve consecutive months prior to the date of such notice.	The Smelter will be entitled to a credit equal to the net proceeds of the sales.	Eliminate provision because this provision was developed to provide financial relief to the Smelters in circumstances when they were paying the TIER Adjustment Charge but not operating one of its potlines.
Operational Covenant	Coordination Agreement § 3.13	Big Rivers will covenant that it will operate its system for the benefit of the Members consistent with prudent utility practices and will apply the same standards to operating decisions that may affect the Smelter Base Rate or the Tier Adjustment. Big Rivers will covenant that it will not make an operating decision if the substantive basis for the decision is a Smelter's payment obligation	N/A	This provision was included because, when the TIER Adjustment Charge existed, Big Rivers could make a decision whose economic cost was borne by the Smelters alone. Because the Smelters no longer bear this risk, the provision should be eliminated.

Attachment for Response to AG 1-171  
 Case No. 2012-06535  
 Witness: Robert W. Berry  
 Page 12 of 35

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
		with respect to the Tier Adjustment.		
Depreciation Rates	Coordination Agreement § 3.10	In addition, Big Rivers will not seek any change to its depreciation rates that would be projected to cause the weighted average depreciation rates for the period from the start of New Transaction to December 31, 2016, to exceed the rates set forth in the financial model filed with the KPSC, except under certain circumstances.	N/A	Events have overtaken the purpose of this provision. The Commission has required Big Rivers to include a depreciation study in its next rate case and the provision only extends through 2016.
Restructuring	Retail Agreement § 16.5	Big Rivers protects the economics of the Retail Agreement if (i) Big Rivers or a Member engages in a restructuring, merger, acquisition of another utility system, or addition of a new member, and such transaction results in a 5% increase in the Big Rivers' sales to its Members on a pro forma basis or (ii) Big Rivers is acquired (a " <u>Restructuring</u> "). Big Rivers may however seek approval of an increase in the Large Industrial Rate which will increase amounts otherwise payable by the Smelters pursuant to the Smelter Base Rate upon the occurrence of a Restructuring.	Kenergy, the Smelters, and Big Rivers will determine a good faith estimate of the cumulative increase or decrease in the TIER adjustment that such a Restructuring would cause in Big Rivers over the 24 Billing Month period following the date of the effectiveness of Restructuring (the " <u>Restructuring Amount</u> ") and would increase or decrease the Smelters' charges for 48 months by 1/48th of the Restructuring Amount.	Eliminate this provision because it was included only to adjust amounts payable with respect to the TIER Adjustment Charge.

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
Budgets	Coordination Agreement § 3.4	Big Rivers provides the Smelters with a copy of Big Rivers' then-current projected operating and capital budgets for the following fiscal year. This estimated budget may be reviewed by a mutually agreed independent expert if requested by one or more Smelter who will evaluate the proposed budgeted operating expense and capital expenditures. The Smelters have the opportunity to present the conclusions of the third party to the Coordinating Committee and to Big Rivers' Board. Big Rivers also provides the Smelters with a copy of certain significant capital expenditures or operating expenses in excess of Big Rivers' budget made during the fiscal year and will allow the Smelters to make a presentation to Big Rivers' board in some cases.	N/A	This provision was included because the TIER Adjustment Charge was impacted by amounts Big Rivers budgeted. Because the amounts payable by the Smelters are no longer impacted by amounts budgeted, the provision should be eliminated.
Coordination Committee	Coordination Agreement § 4	The Smelter Agreements provide for the establishment of a " <u>Coordinating Committee</u> ", consisting of representatives of the Members, Alcan, Century, and Big Rivers' management, organized for the purpose of analyzing information relating to	N/A	Eliminate this provision for the same reasons as the elimination of the provision regarding budgets.

Attachment for Response to AG 1-171  
 Case No. 2012-05535  
 Witness: Robert W. Berry  
 Page 14 of 35

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
		Big Rivers' operational and financial performance, including among others, (i) analysis criteria and procedures for evaluating plans and expenditures, (ii) budgets, (iii) fuel procurement or supply, and (iv) actual budget performance and variances.		
Capitalization Policy	Coordination Agreement § 3.15	Big Rivers agreed to capitalize expenditures for the replacement of the items related to Big Rivers' generation facilities identified in a list of retirement units set forth in a schedule to the Coordination Agreement. In effect, this provision retained WKE's units of account relating to these assets.	N/A	This provision was included because Big Rivers could make changes in its capitalization policy that could disproportionately affect the Smelters under the TIER Adjustment Charge. Because the Smelters no longer bear this risk, the provision should be eliminated.
Provision of Information	Coordination Agreement § 3.9	Big Rivers agreed to provide the Smelters operational and financial information regarding the performance of Big Rivers.	N/A	This provision was included because Big Rivers' financial and operational performance could disproportionately affect the Smelters under the TIER Adjustment Charge. Because the Smelters no longer bear this risk, the provision should be eliminated.

June 24, 2012

Mark Bailey  
President & CEO  
Big Rivers Electric Corporation  
201 Third Street  
Henderson, KY 42419

Re: BREC's June 22, 2012 Proposal

Dear Mr. Bailey:

Century Aluminum and Rio Tinto Alcan appreciate BREC's prompt response to the companies' proposal presented at our June 20<sup>th</sup> meeting. However, BREC's proposal simply does not address the immediate problem – closure of the smelters due to high power rates and the unavoidable revenue loss to BREC - and, thus, is not responsive to the Governor's concerns and direction.

Under BREC's proposal, BREC would continue to serve the smelters under the current power contracts but, subject to PSC approval, the contracts would permanently amended to:

- Eliminate the non-cost-based rate charges that only the smelters pay, i.e., the Tier charge, the contract Surcharge, and the \$0.25/MWh adder above the Large Industrial rate; and
- Remove from the smelter rate the amount, identified by the PSC in the last rate case, by which the smelter rate subsidizes BREC's other customers.

BREC states that this will provide \$27.2 million in rate relief in 2014. However, BREC asserts that any further rate relief "will require the involvement of other

parties” and characterized this interim rate relief that the “base on which others can construct the long-term solution.”

At the June 20<sup>th</sup> meeting, BREC agreed that the unavoidable revenue loss to BREC if the smelters close is \$110 million/year even if BREC mitigates by closing the Wilson and Coleman generators with the loss of 184 jobs at BREC and 2½ million tons/year of Kentucky coal. BREC’s proposal would reduce the smelter rate by only \$3.73/MWh producing a rate of about \$45.60/MWh, well above the current market price for power and well above the power rate that the smelters need to operate. BREC’s proposal will not prevent smelter closures; the rate relief offered is too small.

BREC’s proposal would only eliminate the current non-cost-based contract charges and the subsidy that the smelters pay, which the PSC has already found should be phased out. This is all BREC offers; any further rate long-term rate relief must be provided by “others”. Under BREC’s proposal the smelter jobs will be lost, the 184 BREC jobs will be lost, and hundreds of Kentucky coal jobs will be lost.

In addition, BREC would amend the contract to require the smelters to forego their right to give notice of termination until after the end of the interim rate period. At the level of rate relief offered by BREC this would increase the smelters’ financial exposure. However with adequate interim rate relief the smelters would commit to operate during the interim period unless the economy collapsed as in 2008-09.

We believe the only viable approach to saving the smelter jobs, the BREC jobs, and Kentucky coal jobs, consistent with the Governor’s direction, is to develop interim rate relief based on the \$110 million of unavoidable revenue loss to BREC if the smelters are forced to close. Attached is our proposal, revised to base the rate relief on \$110 million and with additional detail on reimbursement of BREC’s expenses. In addition, provided adequate initial rate relief, the smelters are open to discuss a rate adjustment during the interim period if LME prices rise above certain levels.



We want to stress again the urgency of the situation. We are available at any time to discuss this proposal.

Sincerely,

---

Pam Schneider  
Rio Tinto Alcan

---

Michael B. Early  
Century Aluminum

cc: Mike Haydon  
Holland Spade

Agreement in Principle

1. Parties: Century Kentucky, RTA, and BREC
2. Term: 36 months
3. Start date: Upon approval by PSC of contract amendment, new rates applicable for sale to Kenergy for resale to Century Kentucky and RTA ( the "Smelters"), and new rates applicable for sale to BREC's member cooperatives for resale to their non-Smelter customers –all as provided in sections 4 and 5 below.
4. Contract amendment with smelters: The parties agree to amend the contract with each Smelter to modify the rate provisions for the Term such that the otherwise applicable rate (in terms of \$/MWh) shall be reduced by \$15.01/MWh which is determined by the Unavoidable Loss Amount of \$110 million divided by 7.3 million MWh. The parties agree that the existing contracts may be amended only to the extent necessary to implement or give effect to the rate reductions agreed to herein.
5. PSC filing: Within 60 days after execution of this term sheet, BREC agrees to file with the PSC and support approval of the Smelter contract amendments. BREC agrees to prepare, file with the Smelter contract amendments, and support approval of (a) a new rate rider, implementing the rate reduction in the amendments as agreed to herein, applicable to rates for sale to Kenergy for resale to the Smelters and (b) new rate riders applicable to the rates for sale to its member cooperatives for resale to their non-Smelter retail customers that recover from such customers the Unavoidable Loss Amount. BREC agrees to take all permitted actions to seek and obtain expedited consideration and approval by the PSC of the contract amendments and rate riders.

BREC agrees to provide the Smelters with a reasonable opportunity to review and comment on any proposed filings with the PSC.

BREC agrees not to request in such filings recovery of any costs other than the Unavoidable Loss Amount or to seek any modification or increase its base rates or other charges. BREC will not request and will oppose any motion to consolidate this filing with any other filing.

6. Smelter support: The Smelters agree to support the filing in section 5, provided that the Smelters may support or oppose the proposed allocation of the Unavoidable Loss Amount between the Rural and Large Industrial rate classes.

7. BREC Board: The parties acknowledge that BREC's obligations under sections 4 and 5 are subject to approval by its Board. BREC agrees to fully support such amendments and rate filings and to actively seek prompt approval from its Board, no later than 15 days after agreement of this term sheet.

8. Cost reimbursement: The Smelters agree to reimburse BREC for up to \$XX for costs incurred in preparing the amendments in section 4 and the filings in section 5, provided BREC provides the Smelters with its budget for this effort, such contribution does not exceed 50% of the total, and the amendments and new rates are approved substantially as filed.

The Smelters also agree to reimburse BREC for up to \$YY for costs incurred in the PSC process in section 5, provided BREC provides the Smelters with a budget for this effort, such contribution does not exceed 50% of the total, and the amendments and new rates to the Smelters are approved substantially as filed.

9. Public Affairs: BREC agrees to initiate and participate in a joint public affairs campaign, in coordination with the Smelters and others, to inform the public about the amendments and new rates in the filings and to promote approval of the amendments and new rates. The Smelters will contribute \$ZZ to BREC to offset the costs of such campaign.

10. Long term solution: During the Term the parties agree to work diligently and in good faith with the Governor, the Legislature, and other interested parties to develop and implement a comprehensive long term power supply and rate structure that will assure the economic viability of the Smelters and BREC and the

direct and indirect employment and related economic opportunities that their respective businesses and operations provide to the Commonwealth of Kentucky.

11. BREC will support parallel modifications to, and PSC approval of, the rate provisions in each Kneegy/Smelter contract.

Alcan Primary Products Corporation  
9404 State Route 2096  
Robards, KY 42452  
USA  
T 270 521 7811  
F 270 521 7305



August 23, 2012

The Honorable Steve Beshear  
Governor of Kentucky  
700 Capitol Avenue  
Suite 100  
Frankfort, KY 40601

**Subject: Looking forward for the primary aluminum industry**

Dear Governor Beshear,

As you are aware, the aluminum industry in Western Kentucky is facing major challenges which threaten the industry's short term prospects and its long term sustainability. Current aluminum prices are very low and continue to fluctuate daily. Aluminum smelting requires large and reliable quantities of electricity and constitutes the single largest production cost. As a consequence, in looking forward in our industry, current and forecasted energy prices represent the single greatest threat to the viability of this strategic industry in the Commonwealth.

This week, Century Aluminum (Hawesville smelter) announced its intention to exit its existing power contract with Big Rivers Electric Corporation (BREC) within 12 months. This is very disturbing news that will have a detrimental impact on the entire region. Sebree Works faces the same issues and therefore the identical risks as Century regarding the impact of power costs on short and long term profitability.

For months we have been working with authorities to try and find a long term solution for our efficient smelter. We are seeking prices that are fair for, and that allow us to be competitive in, our industry. Under the current situation of low London Metal Exchange (LME) aluminum prices and higher than worldwide average energy costs, we are already struggling to keep the operation even marginally profitable.

We wish to reiterate and emphasize that there is simply no way that the Sebree Works will be able to absorb any portion of the rate increases that will most certainly be sought by BREC in the event of the closure of Century's Hawesville smelter. The outcome of any increase in the rates to the Sebree Works could be its closure. We will therefore strongly oppose any scenario where additional costs are passed on to the Sebree Works and request your support regarding this issue.

We look forward to continued work with the Commonwealth and BREC to find a solution that will reduce the threat of closure to our operation and the resulting loss of thousands of direct and indirect jobs. We remain committed to working with all interested constituents and to finding and implementing innovative solutions quickly as did others Case No. 2012-00535 worldwide.

**Attachment for Response to AG 1-171**

**Witness: Robert W. Berry**

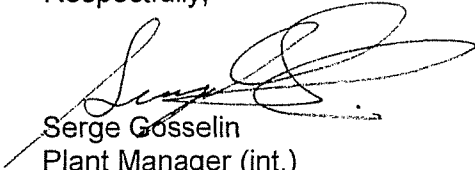
**Page 22 of 35**



We have very high expectations regarding the study requested by the Public Service Commission and we're hoping that the consultants' forthcoming report will present effective and tangible solutions. This is a must for the whole region.

I conclude by reminding you that we're still available at any moment to work with all involved parties to reach a permanent and long term solution.

Respectfully,



Serge Gosselin  
Plant Manager (int.)  
Rio Tinto - Sebree Works Aluminum

- cc: Mr. Larry Bond, Deputy Chief of Staff
- Mr. David L. Armstrong, Chairman, Kentucky Public Service Commission
- Mr. James W. Gardner, Vice Chairman, Kentucky Public Service Commission
- Ms. Linda Breathitt, Commissioner, Kentucky Public Service Commission
- Mr. Larry Hayes, Secretary, Cabinet for Economic Development
- Ms. Stephanie Bell, Kentucky Cabinet for Economic Development
- Senator David Williams, Kentucky Senate President
- Senator Robert Stivers, Kentucky Senate Majority Leader
- Representative Greg Stumbo, Kentucky House Speaker
- Representative, Rocky Adkins, Kentucky House Majority Leader
- Senator Dorsey Ridley
- Representative John A. Arnold
- Representative Jim Gooch
- Representative David Watkins
- Mr. Mark Bailey, Big Rivers Electric Corporation
- Mr. Greg Starheim, Kenergy Corporation
- Mr. Steve Schneider, Century Aluminum

September 14, 2012

Mark Bailey  
President and CEO  
Big Rivers Electric Corporation  
201 Third Street  
Henderson, KY 42419

Re: Century Aluminum

Dear Mr. Bailey:

After meetings with both parties, the Governor's staff indicated that Big Rivers wanted Century to submit a definite proposal for market access. At the Governor's request, Century submits the attached proposal for the Hawesville smelter to leave the Big Rivers power system as expeditiously as possible and to purchase power for its load on the open market.

The attached term sheet, which has been previously discussed with the Governor's staff, sets out the key terms of our proposal and addresses the major actions and approvals necessary for Century to access power in the competitive market and have that power reliably delivered to the smelter. The key components of the proposal are: (1) early termination of the current power contracts; (2) a new contract under which Kenergy purchases market power for resale to Century at a pass-through rate; (3) Big Rivers provides transmission and other services necessary to assure reliable delivery of market power to Century; (4) the parties agree to seek expedited review and approval of the new Kenergy contract and rate by the PSC; (5) Big Rivers and its member Cooperatives obtain PSC approval of new rates that address the lost revenues due to the loss of Century's load; and (6) Century agrees not to seek cost-based power from Big Rivers in the future if Big Rivers lack generation capacity to serve all/part of Century's load.

Given that Big Rivers has already indicated to the Governor's staff its willingness to agree to market access for Century, we would ask that you provide your response to the attached term sheet as soon as possible, but no later than September 21. In the alternative, we are happy to meet face to face with you and your colleagues any day next week to discuss our proposal and finalize an agreement.

Mark Bailey  
September 14, 2012  
Page 2 cont.

There is no issue more important to Century and its employees than securing a new power supply arrangement that will allow operations to continue at Hawesville. Century will commit whatever resources are needed to this process.

I look forward to your prompt response and please call if you have any questions.

Regards,



Michael A. Bless  
President and  
Chief Executive Officer

Enclosures

cc: Governor Steve Beshear  
Gregory Starheim



September 14, 2012

Term Sheet for Market Access

1. On or before November 15, 2012, BREC and Kenergy will request the PSC to approve early termination of the power contracts with Century, with such termination to be effective on the date arrangements are in place for service by Kenergy to Century from other suppliers. BREC and Kenergy shall obtain as expeditiously as possible all necessary approvals from third parties to request early termination of the contracts. BREC/Kenergy will request PSC approval no later than 90 days after filing.
2. On or before November 15, 2012, Kenergy will negotiate and file for approval with the PSC a new long-term power contract with Century providing for up to 482MW of power at a pass-through rate for market purchases by Kenergy. Kenergy will request PSC approval no later than 90 days after filing.
3. BREC shall support Kenergy's filing in ¶12 and will provide transmission under its FERC tariff and other services necessary for reliable delivery of up to 482MW of power under the contract. Without limitation, BREC will continue to operate Coleman as necessary to assure reliable delivery of up to 482MW of market purchases to Century until MISO determines that continued operation of Coleman is not necessary; will install capacitors on its system as necessary to maintain voltage levels for reliable delivery of up to 482 MW to Century; and will provide Kenergy with temporary access for up to 482 MW of the BREC.BREC load node as requested to provide service to Century.
4. BREC and Kenergy shall file a general rate case requesting, in part, to increase rates ("New Rates") to account for the revenue loss due to termination of the Century contracts. Neither BREC nor Kenergy will request, and will oppose any request, to consolidate this proceeding with the proceedings in ¶1 and ¶12. BREC and Kenergy shall request, and Century shall support, that the PSC approve and put such New Rates in effect on the same date that termination of Century's contracts is effective. To the extent that the effective date of termination of Century's contracts is before the effective date of the New Rates for BREC and Kenergy, BREC will request that reserve funds be used to offset BREC's revenue loss in that period and that the New Rates as filed be made effective, subject to refund, on the effective date of termination of Century's contracts.

5. Century will not subsequently request BREC to supply power at cost-based rates to Kenergy for resale to Century if BREC does not have generation to serve all/part of Century' load in the future.
  
6. None of these obligations or actions will be conditioned on, or delayed by, any actions by Rio Tinto Alcan.

Alcan Primary Products Corporation  
9404 State Route 2096  
Robards, KY 42452-9735  
USA  
T +1 (270) 521 7811  
F +1 (270) 521 7305

M. Little  
A. Yockey  
J. Talbert  
J. Miller



October 15, 2012

The Honorable Dorsey Ridley  
Senate of the Commonwealth of Kentucky  
702 Capitol Ave  
Annex Room 255  
Frankfort, Kentucky 40601

Dear Senator Ridley:

We address this letter to you as the member of the Kentucky Senate representing the 4th District and as a member of the Interim Joint Committee on Natural Resources and Environment. The 4th District is the home of the Sebree Smelter and encompasses the area in which so many of our employees reside.

As you know, on October 4th Christenson Associates Energy Consulting LLC (the "Consultant") issued and presented to the Interim Joint Committee its report, dated September 30, 2012, on *Energy Rate Impacts on Kentucky Industry* (the "Report"). In the intervening days we have reviewed carefully the contents of the Report. It is an understatement to say that we are very disturbed and disappointed with the Report. We are especially disturbed by a number of the underlying premises, both expressed and implied, in the Report and the implications and conclusions that the Report draws from them. These include, among others, that:

- the aluminum industry in the United States in general, and the Commonwealth of Kentucky in particular, is doomed to failure and that nothing can or should be done to save it;
- the future of the aluminum industry in the United States is foretold by the substantial decline in the number of aluminum smelters in the United States that has occurred over the past 30 years and not the success of those that have continued to survive and which afford substantial benefits to the local and broader communities;
- in order to survive, the aluminum industry in the United States requires electricity prices that compete with the world average for aluminum smelters of \$26 per megawatt hour;
- the cost of any solution resulting in the survival of the aluminum industry will be borne solely by the other customers and ratepayers of Big Rivers and by the taxpayers of the Commonwealth of Kentucky; and
- the data provided by the Sebree Smelter regarding employee compensation and the direct and indirect contribution to larger economy is inflated and have no value.

Case No. 2012-00535  
Attachment for Response to AG 1-171

Witness: Robert W. Berry

Page 28 of 35



We believe the Report either ignores completely, or merely glosses over, a number of points that deserve attention. These include the following:

- While the number of aluminum smelters in the United States has declined substantially over the past 3 decades, there are smelters currently thriving in other parts of the country. They survive and thrive because of a combination of factors, including continuous efforts to improve efficiencies and in some instances the support of state and local government. It is noteworthy that of the nine remaining aluminum smelters in operation in the United States, five are receiving some form of relief from the utility (and by extension their other ratepayers). It is even more telling that of the four smelters that are receiving no relief, two are located in Kentucky. The Sebree Smelter, solely through internal initiatives and actions, has placed itself near the first quartile of all aluminum smelters worldwide in business operating costs. Moreover, the geographic location of the Sebree Smelter and that of its primary end-customers, the applicability of the Midwest Premium, and short lead times from order to delivery, further help to offset partially higher than average electricity costs. In reality, the fact that the Sebree Smelter does not receive any relief places it at an economic disadvantage when compared to those other smelters which do receive relief in one way, shape, or form.
- In order to survive, it is not necessary that the Sebree Smelter obtain electricity at a price that competes with the world average for aluminum smelters of \$26 per megawatt hour. To suggest that the Sebree Smelter is seeking this degree of relief is incorrect and artificially increases the amount of relief that is necessary. As a consequence, it makes any suggestion that relief is appropriate immediately both unattractive and untenable to other ratepayers. The proposal of \$26 per megawatt hour was presented more than a year ago and then only in the context of creating up to 500 additional direct jobs in a downstream cluster adjacent to the plant. We understand that this is not currently an objective of the Commonwealth of Kentucky. The Sebree Smelter has made it clear that it does not require electricity at \$26 per megawatt hour for sustainability in the short to medium term. Indeed, it has never asserted that it requires electricity at even market price (which is substantially higher than \$26 per megawatt hour). We believe that the size of relief necessary can be both managed and mitigated.
- The Report emphasizes that the entire cost of relief will be borne by the ratepayers and perhaps the taxpayers of the Commonwealth of Kentucky. The Report glosses over the fact that if one or both of the aluminum smelters in Kentucky closes, the ratepayers will still face a substantial rate increase to offset the loss of revenues faced by Big Rivers. To add further injury, closure of one or both of the aluminum smelters will have a devastating impact on the economy of the Commonwealth of Kentucky. The reality is that the ratepayers will face an increase in any event but with the aluminum smelters still in operation there are means of mitigating the amount and the impact of those rate increases.
- With regard to the Report's contention that the employment compensation data and the direct and indirect contributions to the economy are overstated by the Sebree Smelter, the model used is accepted and used statewide and even internationally. In addition, we note that the testimony of Professor Paul Coomes, filed with the Kentucky Public Service Commission in May 2011,

Case No. 2012-00535  
 Attachment for Response to AG 1-171  
 Witness: Robert W. Berry  
 Page 29 of 35

identified a loss of 4,733 jobs resulting from the closure of both smelters. Regardless, what is important, and what is undeniable, is that the closure of one or both of the aluminum smelters will have a damaging effect on direct, indirect, and induced employment, the tax base, and numerous other aspects of life in the Commonwealth of Kentucky.

We are especially distressed and disturbed by the overall tenor of the Report and its failure to offer, explore, or discuss creative approaches that have been and are being used in other jurisdictions, or that might be considered in the Commonwealth, to maintain and preserve the industrial base, including especially the aluminum industry. The Report is little more than a thinly veiled endorsement of the direction selected by Big Rivers and is more concerned with its survival than the survival of its two largest customers.

Even though Rio Tinto plc, the ultimate corporate parent of the Sebree Smelter, has indicated its intention to sell the Sebree Smelter, there remains a strong and continued commitment to, and interest in, the long term sustainability and success of the Sebree Smelter. In this regard, I note that in the past 5 years more than \$100 million has been invested in improvements to the Sebree Smelter, including a \$32 million bake furnace modernization project in 2011 and a \$20 million anode process project to increase production this year. Indeed, at this very moment work continues on a project that will allow the Sebree Smelter to increase its production capacity in the future.

Rio Tinto, and even more importantly, the employees of the Sebree Smelter believe in the future of the Sebree Smelter and its importance to the local community, the Commonwealth of Kentucky, and the industrial base of the United States. The Sebree Smelter is alone responsible for nearly 1,800 direct, indirect, and induced jobs in the region. Annual payroll and benefits to the employees of the Sebree Smelter exceeds \$50 million. The Sebree Smelter purchases annually goods and services from suppliers in Kentucky in excess of \$16 million and more than an additional \$100 million in electricity from Kenergy Corp. and its supplier, Big Rivers Electric Corporation. Annual contributions by the Sebree Smelter to local not-for-profit organizations exceed \$150,000. The economic impact on, and the importance of the Sebree Smelter to, the larger community is substantial.

The Report pays lip service to these economic impacts and then dismisses them with a wave of the hand. The Report concludes that it is better to spend money retraining employees for as yet undetermined and non-existent jobs rather than to offer or find any creative and innovative solution to preserve existing jobs, the existing tax base, and create an atmosphere and environment for enhancing and expanding the economic and industrial base in the Commonwealth of Kentucky. The Report fails to even intimate what that other work might be, especially at a time when there already exists double digit unemployment. The Report does not address how other businesses that have compensation comparable to those of the aluminum smelters can be attracted to the Commonwealth of Kentucky --- especially after the failure of the Commonwealth to support the aluminum industry.

Despite the tone and conclusions of the Report, we remain convinced there is a solution that exists that will result in the long term survival and sustainability of the Sebree Smelter and the larger aluminum industry in Kentucky. That solution, which might involve a "market supply," "cost of service," or some other approach, can be structured in such a manner as to allow the aluminum smelters to survive and be

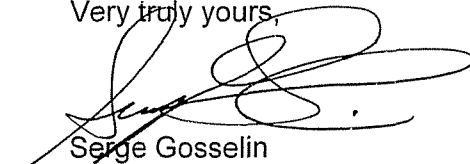
Case No. 2012-00535  
Attachment for Response to AG 1-171  
Witness: Robert W. Berry

sustainable for the long term and at the same time reduce the impact on the other ratepayers. Finding the right solution and the right balance of interests requires creativity and the will and cooperation of everyone, including the Sebree Smelter, Big Rivers, and the Commonwealth of Kentucky (including the Governor, the Legislature, and the Public Service Commission).

We urge you and your colleagues to not be guided or influenced by the Report and its pessimism toward the future of the aluminum industry in Kentucky. Other states, including Ohio, Washington, and West Virginia, are struggling with the same issues and are working on creative solutions to maintain the presence of the aluminum industry and ensure its continued sustainability. While there can be no guarantee of success, the failure to even try carries with it the certainty of failure.

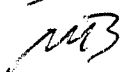
We stand ready and willing to work with you and your colleagues on this very important matter.

Very truly yours,

  
Serge Gosselin  
General Manager

Copy:

- The Honorable Steve Beshear**, Governor of the Commonwealth of Kentucky
- Mr. Larry Bond**, Chief of Staff
- Mr. Larry Hayes**, Secretary, Cabinet for Economic Development
- Dr. Len Peters**, Secretary, Energy and Environment Cabinet
- Senator David Williams**, Kentucky Senate President
- Senator Robert Stivers**, Kentucky Senate Majority Leader
- Representative Greg Stumbo**, Kentucky House Speaker
- Representative Rocky Adkins**, Kentucky House Majority Leader
- Senator Brandon Smith**, Co-Chair of Interim Joint Committee on Natural Resources and Environment
- Representative Jim Gooch, Jr.**, Co-Chair of Interim Joint Committee on Natural Resources and Environment
- Ms. Tanya Monsanto**, Staff Administrator of Interim Joint Committee on Natural Resources and Environment
- Representative John A. Arnold**
- Representative David Watkins**
- Congressman Ed Whitfield**, United States Congress
- Mr. David L. Armstrong**, Chairman, Kentucky Public Service Commission
- Mr. James W. Gardner**, Vice Chairman, Kentucky Public Service Commission
- Ms. Linda Breathitt**, Commissioner, Kentucky Public Service Commission
- Mr. Jeff DeRouen**, Kentucky Public Service Commission
- Ms. Stephanie Bell**, Kentucky Public Service Commission
- Judge-Executive Hugh McCormick**, Henderson County
- Judge-Executive Jody Jenkins**, Union County
- Judge-Executive Jim Townsend**, Webster County
- Mr. Gregory Starheim**, Kenergy Corp.
- Mr. Mark Bailey**, Big Rivers Electric Corporation



Case No. 2012-00535  
Attachment for Response to AG 1-171  
Witness: Robert W. Berry  
Page 31 of 35

Alcan Primary Products Corporation  
9404 State Route 2096  
Robards, KY 42452-9735  
USA  
T +1 (270) 521 7811  
F +1 (270) 521 7305

December 12, 2012

*Mark, m13*

Dear friend and business partner of Sebree Works,

As 2012 comes to a close, it is an appropriate time to reflect on the past year and look toward 2013. Although we faced market and operating challenges during a long, hot summer, we also reached several noteworthy milestones.

- ❖ Achieved more than two million workhours without a Lost Time Incident and best year ever in reduction of First Aid injuries
- ❖ Successful completion of a \$19 million amperage increase project which enables us to produce more hot metal within existing potroom design
- ❖ Record hot metal production
- ❖ 2<sup>nd</sup> best year in billet production profitability ?!
- ❖ Replacement of some critical assets
- ❖ Established strategic map and plan for sustainability and growth

And the list can be much longer...

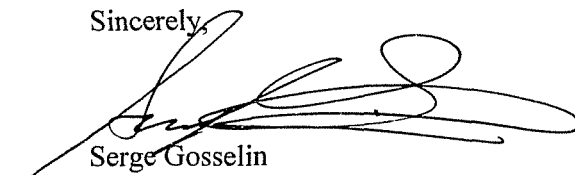
Sebree Works is very proud of its achievement. We will continue to build upon these successes in 2013 since we, as a team, strongly believe in our plant, in our industry, in our future linked to Western Kentucky.

In 2013, the plant will observe its 40<sup>th</sup> Anniversary and it will be a pleasure to celebrate this significant milestone with our surrounding communities.

To kick-off this anniversary, I am pleased to enclose a calendar: "Kentucky, Through the Eyes of Sebree Works Employees". Last fall, we invited all employees to submit photographs for inclusion in the calendar and we were quite impressed with their contributions. So here is the final product that I'm sure you'll appreciate.

I want to take this opportunity to thank you for your support, friendship and contributions to our plant throughout the year and to wish you and your family a wonderful Holiday Season and all the best for the New Year.

Sincerely,

  
Serge Gosselin  
General Manager

Case No. 2012-00535  
Attachment for Response to AG 1-171  
Witness: Robert W. Berry  
Page 32 of 35

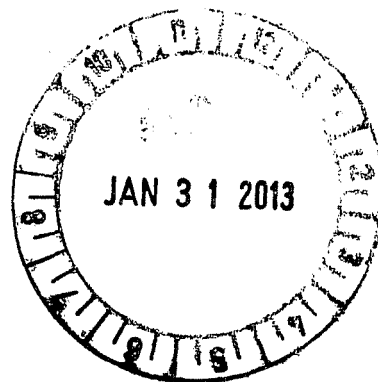


# ALCAN PRIMARY PRODUCTS CORPORATION

January 31, 2013

Mr. Gregory Starheim  
President and CEO  
Kenergy Corp.  
Post Office Box 18  
Henderson, Kentucky 42419

Mr. Mark Bailey  
President and CEO  
Big Rivers Electric Corporation  
201 Third Street  
Henderson, Kentucky 42420



Re: Retail Electric Service Agreement  
**NOTICE OF TERMINATION**

Gentlemen:

This letter constitutes written Notice of Termination, in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between Alcan Primary Products Corporation ("**APPC**"), a wholly-owned subsidiary of Alcan Corporation, and Kenergy Corp. ("**Kenergy**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").

On January 15, 2013, Big Rivers Electric Corporation ("**Big Rivers**") filed an Application with the Kentucky Public Service Commission (the "**KPSC**") for an increase in base rates (the "**Application**"). According to Big Rivers, the Application, if approved, would result in a rate increase of nearly 16%. There is already substantial doubt that the Sebree Smelter is sustainable at the current rate being charged to APPC. The increase contemplated by Application would remove all doubt whatsoever and ensure that the Sebree Smelter is unprofitable and therefore unsustainable. Under the circumstances, APPC has no choice but to furnish this Notice of Termination.

As you are aware, Section 7.3.1 of the Agreement requires the President of Alcan Corporation, the corporate parent of APPC, to represent and warrant that (i) the decision to give this Notice of Termination reflects a business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter, and (ii) it has no current intention of re-commencing smelting operations at the Sebree Smelter. Under the present



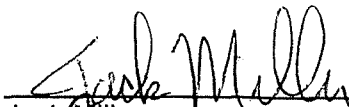
circumstances, Mr. Timothy Guerra, the President of Alcan Corporation, makes those representations and warranties in the Certificate attached hereto.

I am advised that, notwithstanding the notice of Century Aluminum of Kentucky ("**Century**") on August 20, 2012 to terminate its Retail Electric Service Agreement, dated July 1, 2009, Big Rivers and Kenergy have entered into negotiations with Century to waive the obligations of Section 7.3.1 of the Agreement and to otherwise assist Century to access market power in order to keep Century's Hawesville, Kentucky smelter open beyond August 20, 2013. Big Rivers and Kenergy have consistently and routinely indicated that they would keep the Sebree Smelter and Century's Hawesville smelter on equal footing in terms of their respective agreements. Therefore, in the event APPC decides in the future that market power might be an option to keep the Sebree Smelter operational, APPC would expect the same accommodations from Big Rivers and Kenergy on terms no less favorable than those offered to Century.

APPC appreciates the recent efforts of Big Rivers in offering proposals that would restructure the rate formula and other basic terms and conditions of the Agreement. While we are not in agreement at the present time, we welcome continuation of those discussions during the pendency of the rate case in hopes of reaching a mutually acceptable accord. We believe that further discussions would not be inconsistent with this Notice of Termination and indeed are appropriate in order to find ways to retain the jobs and preserve the economic benefits of those jobs for the Commonwealth of Kentucky.

Should you have any questions about this Notice of Termination, please do not hesitate to contact me or any of my colleagues listed below.

**ALCAN PRIMARY PRODUCTS CORPORATION**

By:   
\_\_\_\_\_  
Jack Miller  
President

cc: Mr. Serge Gosselin  
Mr. Donald P. Seberger

ALCAN CORPORATION

8770 West Bryn Mawr Avenue  
Chicago, Illinois 60631

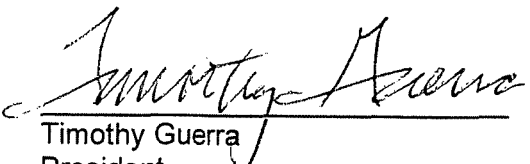
Office of the President

*CERTIFICATE*

The undersigned, Timothy Guerra, a resident of the State of Illinois, hereby represents and warrants that:

1. He is the duly elected President of Alcan Corporation, a Texas corporation (the "**Company**");
2. The Company is the owner of 100% of the issued and outstanding stock of Alcan Primary Products Corporation, a Texas corporation ("**APPC**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").
3. By letter dated and delivered concurrently herewith, APPC has furnished written Notice of Termination in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between APPC and Kenergy Corp. (the "**Notice of Termination**").
4. The decision to furnish the Notice of Termination reflects APPC's and the Company's business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter and that they have no current intention of recommencing operations at that location.

Dated as of the 31st day of January, 2013.

By:   
Timothy Guerra  
President  
ALCAN CORPORATION



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 172) *Provide all correspondence between Big Rivers and Century***  
2 ***since January 1, 2012 to current***

3

4 **Response)** Big Rivers objects to this request on the grounds that it is overly  
5 broad and unduly burdensome. The Attorney General has agreed to limit  
6 this request to include only correspondence between Century and either Big  
7 Rivers' executive management or the witnesses that filed direct testimony in  
8 this matter. In accordance with those limitations, and without waiving its  
9 objection, Big Rivers states as follows.

10 Big Rivers objects to this request on the grounds that it seeks  
11 information that is irrelevant and not likely to lead to the discovery of  
12 admissible evidence. Big Rivers also objects to this request to the extent  
13 that it seeks information that is protected by the attorney-client and  
14 attorney work product privileges. Notwithstanding these objections, but  
15 without waiving them, please see the attached documents.

16

17 **Witness)** Robert W. Berry

---

**Century**ALUMINUM

March 1, 2012

Mr. Erik Dunnigan  
Commissioner  
Cabinet for Economic Development  
300 West Broadway  
Frankfort, Kentucky 40601

**Re:** Request for Information

Dear Mr. Dunnigan:

In our meetings of January 25<sup>th</sup> and February 7<sup>th</sup> with Big Rivers and the Cabinet and subsequently in your letter of February 15<sup>th</sup>, you have asked the two smelters what power rate they need in order to continue operating.

Aluminum is a global commodity priced in the London Metal Exchange (LME) competitive market. We do not control the LME price and consequently smelter revenues are fixed by a global market place which prevents cost shifting to end users. Power represents over 35% of a smelter's production costs. Uncompetitive local power tariffs as compared to global power costs can lead or have lead to plant closures, therefore, simply put our smelter operations need a competitive power rate to remain in operation.

As you state in your letter, the global average power rate paid by smelters is \$26 to \$28/MWh. Big Rivers currently projects a \$49/MWh power rate for our smelter (and the Alcan smelter) in 2012 and with additional significant increases projected in 2013-15. In contrast, the price for round-the-clock, firm power in the Midwest ISO power market is much closer to the \$26 or \$28/MWh average power rate paid by our competitors. A recent third-party forecast of MISO prices (including delivery costs over Big Rivers) is:

2012	\$29.25/MWh
2013	\$32.13/MWh
2014	\$34.85/MWh
2015	\$37.46/MWh

Big Rivers is a MISO member and in 2011 sold over 3 million MWh into the MISO market at an average rate of \$33.38/MWh. (Big Rivers' sales were not round-the-clock and benefited from a greater percentage of sales into peak hours). For comparison, the total annual load of both smelters is about 7.3 million MWh.

Below are some general ranges of power costs (expressed as \$ per MWh) to provide additional context around the translation of a power rate to a smelter's viability and longevity, based upon the current pricing for LME and raw materials:

Mr. Erik Dunnigan  
March 1, 2012

- \$26-\$30: Costs are near the global average and provide the smelters the ability to invest in the plant's longevity, while also encouraging outside investment to spur job creation via aluminum clusters, etc.
- \$31-\$35: Costs are above average, and expose the smelters to significantly more market risk. Long-term (e.g., 10-year) rates in this range may still encourage re-investment into the smelters, but would not likely attract outside investment to create additional jobs due to greater uncertainty on smelter longevity.

As noted above, in order to warrant the re-investments required to remain in operation over the long term, the smelters need a long-term competitive power rate. For the immediate future, a rate at or near current MISO power market prices, averaging about \$34/MWh from mid-2012 through 2015, would be a competitive rate. A lower rate, and a longer term for the rate, would allow the smelters to make greater investments in the plant contributing to their long-term viability and to provide greater supply assurance to Southwire and to potential new downstream aluminum fabricators. A higher rate, and/or a shorter or less certain term for the rate, would preclude such investments and increase the risk of closure.

For the long-term, the smelters need a power rate that does not place us at a significant competitive disadvantage compared to power rates to other smelters in the global marketplace.

In addition to our on-going efforts to achieve a mutually acceptable revised power rate with Big Rivers which would support the long-term viability of our smelter, we would also ask the Cabinet to consider providing tax incentives to the smelters which would decrease the effective power rate needed to maintain the viability of our smelter and existing downstream aluminum manufacturing facilities and jobs and/or to attract additional investments and associated jobs.

In order to avoid any misunderstanding, please be advised that our contractual arrangements with Kenergy/Big Rivers prohibit us from supporting or seeking, directly or indirectly, from any governmental authority any challenge to or change in the rate formula or other terms and conditions set forth in our Retail Electric Services Agreement (although we are permitted to seek support in lowering the KPSC-set rates that are established by such formula.) As such, we are providing the information in this letter only in response to your request and in the context of our negotiations with Kenergy/Big Rivers over these issues.

Mr. Erik Dunnigan  
March 1, 2012

Again, I appreciate your efforts on behalf of our smelter and our employees.

Very Truly Yours,



David Whitmore, Plant Manager  
Century Aluminum of Hawesville, GP

cc: Governor Steve Beshear  
Secretary Larry Hayes  
Kentucky Legislative Leadership  
Kentucky Legislative Delegation  
Mark Bailey



201 Third Street  
P.O. Box 24  
Henderson, KY 42419-0024  
270-827-2561  
www.bigrivers.com

June 22, 2012

Mr. Michael Early  
Century Aluminum of Kentucky, General Partnership  
P.O. Box 500  
Hawesville, Kentucky 42348

Ms. Pam Schneider  
Alcan Primary Products Corporation  
9404 State Route 2096  
Henderson, Kentucky 42452-9735

Dear Sir and Madam:

Big Rivers Electric Corporation ("Big Rivers") has carefully reviewed the proposal presented by Mr. Early on behalf of Century Aluminum Kentucky General Partnership ("Century") and Alcan Primary Products Incorporated ("Alcan") at the meeting at the Economic Development Cabinet offices on June 20, 2012. In response to the requests of Century, Alcan and the Economic Development Cabinet, we have worked continuously since then to formulate and send out by today Big Rivers' response to that proposal.

As we said on Wednesday, the rate relief of \$125 million annually for three years proposed by the smelters is unworkable for Big Rivers. Among other things, the rate increase it would impose on the non-smelter retail customers on Big Rivers' members' systems would substantially exceed the estimated rate relief that would be required from those customers if both smelters ceased operations. A solution that goes beyond what is proposed in this letter will require the involvement of other parties.

This letter makes an alternative proposal which, while providing less rate relief than sought by the smelters, does provide interim rate relief, and offers a base on which others can construct the long-term solution so many seek to the operational feasibility issues raised by the smelters. This proposal is provided in as much detail as possible at this date.

Case No. 2012-00535  
Attachment for Response to AG 1-172  
Witness: Robert W. Berry  
Page 4 of 53





1. Rates. Big Rivers proposes (i) amendments to the smelter agreements that will eliminate the charges added to the Big Rivers large industrial rate that are not paid by other large industrial retail customers, and (ii) changes to Big Rivers' tariff rates to eliminate the cost-of-service differential identified in Big Rivers' last rate case. This will provide the smelters an estimated \$27.2 million in annual rate relief (based on assumptions for 2014; an annual average of \$33.75 million over the remaining lives of the contracts). To assist in your review of this element of Big Rivers' proposal, we have quickly reviewed the smelter contracts and assembled a table describing contractual changes that Big Rivers believes, at this time, are appropriate to implement this proposal.

2. Term. The Big Rivers proposal would be a permanent change in the smelter service contracts, rather than a short-term change.

3. Timing. Big Rivers understands the need to move quickly to implement any agreement, and will commit to expedite, to the best of its ability, all actions required to obtain approvals for and to implement the proposal.

4. Rate Case Subjects. The smelters do not want any general adjustments to Big Rivers' rates to be included in the rate case that is filed to implement an agreed plan with the smelters. Big Rivers has made no decision about whether such additional rate relief would be required in that time frame, but if it is, believes including both issues in the same case would not delay a final order. In fact, running parallel rate cases would be confusing, and would slow both cases. But resolution of this issue can be postponed until Big Rivers determines whether additional rate relief is required on the same time table.

5. Agreement in Principle. The smelters proposed preparing an agreement in principle. This is acceptable to Big Rivers.

6. Expenses. Big Rivers' financial condition is such that the anticipated cost of negotiating smelter contract revisions and seeking the approvals required to implement any agreement with the smelters creates an unacceptable risk that Big Rivers will fail to achieve the financial metrics required by Big Rivers' loan documents for Big Rivers to continue to borrow money and secure it under Big Rivers' indenture. This problem is not solved by an arrangement under which the contribution to those costs is contingent upon the arrangements being successfully implemented. A proposal could fail for reasons beyond the control of Big Rivers, leaving Big Rivers in a very weak financial position when one or both smelters are in crisis. A consensual arrangement would involve more expense than a rate case alone. Big Rivers must have this issue resolved satisfactorily. The costs of a public affairs

campaign fall in the same category. Big Rivers is certainly willing to provide a proposed budget for these expenditures, but actual costs must be reimbursed.

7. Long Term Solution. The smelters seek an agreement to work in good faith toward a long term commitment. Big Rivers believes its proposal provides a platform on which the Commonwealth of Kentucky can build the long-term solution.

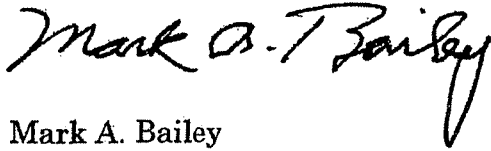
8. Justification for Relief. As we have discussed before, the smelters must provide to Big Rivers financial information on the profitability of the local smelters as required for Big Rivers to confirm that the local smelter operations require the relief being proposed, and to support a filing with the Public Service Commission. Big Rivers would also require the agreement of the smelters that they will not give a one-year notice of closure before the end of the first year following consummation of the proposal.

9. Restitution. Big Rivers' proposal has its members giving up basically all the compensation the smelters agreed to provide in 2009 in return for the members supporting the transaction by which Big Rivers reacquired control of its generating units, and entered into contracts to provide the smelters a source of firm power supply. It is appropriate to include in the Big Rivers proposal a mechanism by which some of this surrendered benefit would be restored if the smelters achieve a specified level of profitability. Time does not allow Big Rivers to make any specific proposal in this letter, however.

10. Approvals. The proposal outlined in this letter is subject to: (i) all appropriate board, regulatory, creditor and other approvals; (ii) acceptability of rate relief to Big Rivers and its creditors; and (iii) confirmation that Big Rivers' credit rating will not be suspended or reduced following the rate relief granted to Big Rivers.

We look forward to discussing this proposal with you.

Sincerely yours,

A handwritten signature in black ink that reads "Mark A. Bailey". The signature is written in a cursive style with a large, sweeping initial 'M'.

Mark A. Bailey

Copy to:     Holland B. Spade  
               John DeZee  
               David Brown  
               Mike Haydon

**BIG RIVERS ELECTRIC CORPORATION  
SMELTER SERVICE AGREEMENT PROVISIONS**

The following summarizes proposed changes to the each Retail Electric Service Agreement, dated as of July 1, 2009 (each, a "Retail Agreement"), between Kenergy Corp. ("Kenergy") and each of Alcan Primary Products Corporation ("Alcan") and Century Aluminum of Kentucky General Partnership ("Century" and, collectively with Alcan, the "Smelters"), and the corresponding Coordination Agreement, dated as of July 1, 2009, between Big Rivers Electric Corporation ("Big Rivers") the applicable Smelter.

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
Base Monthly Energy	Retail Agreement §§ 1.1.17, 1.1.18, 4.2	"Base Monthly Energy" is 368 MW per hour for Alcan and 482 MW per hour for Century. The Retail Agreements do not require the Smelters schedule Base Monthly Energy but require each Smelter to use reasonable commercial efforts to inform Kenergy and Big Rivers promptly of any material change in its intended usage of Base Monthly Energy.	The "Base Energy Charge" equals (a) the Large Industrial Rate (inclusive of any surcharges/credits, the Rebate and the Surcharge), plus \$0.00025 per kWh, plus or minus (b) an adjustment for specified variable costs, based on the Smelters' actual energy requirements and energy curtailed at the request of Big Rivers or, in some cases, the Smelters.	Eliminate the "plus \$0.00025 per kWh" from the definition of Base Energy Charge so the Smelters would be paying an amount equal to the Large Industrial Rate, plus or minus adjustments for their variable energy consumption.
Surcharge	Retail Agreement § 4.11	The Smelters will pay a Surcharge in multiple parts.	<ul style="list-style-type: none"> <li>A fixed annual payment, of \$7,300,000 from 2012 through and including 2016, and \$10,182,813, from 2017 through 2023;</li> <li>The product of Base Fixed Energy and \$0.60 per MWh;</li> <li>The product of Base Fixed Energy and the number of cents (between zero and 60) per MW</li> </ul>	Eliminate provision to reduce the Smelters' overall cost of power.

Case No. 2012-000935  
 Attachment for Response to AG 1-172  
 Witness: Robert W. Berry  
 Page 8 of 53

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
			<p>per hour that Big Rivers' budgeted annual average fuel costs for coal-fired generation per MWh for a given fiscal year exceed the amounts set forth in Schedule 4.11(c) of the Retail Agreement for that fiscal year, subject to a true-up; and</p> <ul style="list-style-type: none"> <li>A fixed reduction to the surcharge of \$86,588 per month for Alcan and \$113,412 per month for Century, in each case for the first 96 billing months of the contracts.</li> </ul>	
Tier Adjustment Charge	Retail Agreement § 4.7	The expected total amount of additional revenue it needed to achieve a TIER of 1.24, subject to extensive exceptions and limitations, one-twelfth of which was the " <u>TIER Adjustment Charge</u> ".	One-twelfth of the estimated Tier Adjustment for the fiscal year.	Eliminate provisions to remove the Smelters' obligation to pay the TIER Adjustment Charge and end the support of Big Rivers' achievement of a 1.24 TIER, as calculated in the agreement, to lower the Smelters' overall cost of power.
Rebate	Retail Agreement § 4.9	If Big Rivers' TIER in any year exceeds 1.24, as calculated under the Smelter Agreements, then during the next fiscal year Big Rivers may elect to rebate on a kWh basis a portion of the excess amount, subject to certain limitations, to the Members. Big Rivers is seeking a rider to its tariff to affect this transfer to the	A pro rata portion of the amount it received from Big Rivers on a kWh basis (the " <u>Rebate</u> ") or a pro rata portion of the excess to Kenergy for distribution to the Smelters (the " <u>Equity Development Credit</u> ").	Eliminate provision because it only exists to rebate excess amounts paid by the Smelters under the TIER Adjustment Charge.

PROVISION	SECTION REFERENCE	DESCRIPTION	CHARGES/CREDITS	PROPOSAL / CONSIDERATION
Potline Reduction Sales	Retail Agreement § 10.3	<p>Members.</p> <p>A Smelter, upon the ceasing of aluminum smelting operations on one of its potlines (a "<u>Potline Reduction</u>"), may request that Kenergy cause Big Rivers to sell 115 MW (plus or minus 10 MW) per hour to the market ("<u>Potline Reduction Sales</u>") if : (a) such Smelter is reasonably likely to be able to continue aluminum smelting operations with respect to all of its other potlines; (b) such Smelter reasonably estimates the Potline Reduction will equal or exceed 12 months; and (c) no Potline Reduction Sales have been made for a period of twelve consecutive months prior to the date of such notice.</p>	The Smelter will be entitled to a credit equal to the net proceeds of the sales.	Eliminate provision because this provision was developed to provide financial relief to the Smelters in circumstances when they were paying the TIER Adjustment Charge but not operating one of its potlines.
Operational Covenant	Coordination Agreement § 3.13	Big Rivers will covenant that it will operate its system for the benefit of the Members consistent with prudent utility practices and will apply the same standards to operating decisions that may affect the Smelter Base Rate or the Tier Adjustment. Big Rivers will covenant that it will not make an operating decision if the substantive basis for the decision is a Smelter's payment obligation	N/A	This provision was included because, when the TIER Adjustment Charge existed, Big Rivers could make a decision whose economic cost was borne by the Smelters alone. Because the Smelters no longer bear this risk, the provision should be eliminated.

Attachment for Response to AG 10172  
 Case No. 2012-00535  
 Witness: Robert W. Berry  
 Page 10 of 53

HS/SA:750919543.3

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
		with respect to the Tier Adjustment.		
Depreciation Rates	Coordination Agreement § 3.10	In addition, Big Rivers will not seek any change to its depreciation rates that would be projected to cause the weighted average depreciation rates for the period from the start of New Transaction to December 31, 2016, to exceed the rates set forth in the financial model filed with the KPSC, except under certain circumstances.	N/A	Events have overtaken the purpose of this provision. The Commission has required Big Rivers to include a depreciation study in its next rate case and the provision only extends through 2016.
Restructuring	Retail Agreement § 16.5	Big Rivers protects the economics of the Retail Agreement if (i) Big Rivers or a Member engages in a restructuring, merger, acquisition of another utility system, or addition of a new member, and such transaction results in a 5% increase in the Big Rivers' sales to its Members on a pro forma basis or (ii) Big Rivers is acquired (a " <u>Restructuring</u> "). Big Rivers may however seek approval of an increase in the Large Industrial Rate which will increase amounts otherwise payable by the Smelters pursuant to the Smelter Base Rate upon the occurrence of a Restructuring.	Kenergy, the Smelters, and Big Rivers will determine a good faith estimate of the cumulative increase or decrease in the TIER adjustment that such a Restructuring would cause in Big Rivers over the 24 Billing Month period following the date of the effectiveness of Restructuring (the " <u>Restructuring Amount</u> ") and would increase or decrease the Smelters' charges for 48 months by 1/48th of the Restructuring Amount.	Eliminate this provision because it was included only to adjust amounts payable with respect to the TIER Adjustment Charge.

<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
Budgets	Coordination Agreement § 3.4	Big Rivers provides the Smelters with a copy of Big Rivers' then-current projected operating and capital budgets for the following fiscal year. This estimated budget may be reviewed by a mutually agreed independent expert if requested by one or more Smelter who will evaluate the proposed budgeted operating expense and capital expenditures. The Smelters have the opportunity to present the conclusions of the third party to the Coordinating Committee and to Big Rivers' Board. Big Rivers also provides the Smelters with a copy of certain significant capital expenditures or operating expenses in excess of Big Rivers' budget made during the fiscal year and will allow the Smelters to make a presentation to Big Rivers' board in some cases.	N/A	This provision was included because the TIER Adjustment Charge was impacted by amounts Big Rivers budgeted. Because the amounts payable by the Smelters are no longer impacted by amounts budgeted, the provision should be eliminated.
Coordination Committee	Coordination Agreement § 4	The Smelter Agreements provide for the establishment of a "Coordinating Committee", consisting of representatives of the Members, Alcan, Century, and Big Rivers' management, organized for the purpose of analyzing information relating to	N/A	Eliminate this provision for the same reasons as the elimination of the provision regarding budgets.

Attachment for Response to AG 10172  
 Case No. 2012-00035  
 Witness: Robert W. Berry  
 Page 12 of 53



<u>PROVISION</u>	<u>SECTION REFERENCE</u>	<u>DESCRIPTION</u>	<u>CHARGES/CREDITS</u>	<u>PROPOSAL / CONSIDERATION</u>
		Big Rivers' operational and financial performance, including among others, (i) analysis criteria and procedures for evaluating plans and expenditures, (ii) budgets, (iii) fuel procurement or supply, and (iv) actual budget performance and variances.		
Capitalization Policy	Coordination Agreement § 3.15	Big Rivers agreed to capitalize expenditures for the replacement of the items related to Big Rivers' generation facilities identified in a list of retirement units set forth in a schedule to the Coordination Agreement. In effect, this provision retained WKE's units of account relating to these assets.	N/A	This provision was included because Big Rivers could make changes in its capitalization policy that could disproportionately affect the Smelters under the TIER Adjustment Charge. Because the Smelters no longer bear this risk, the provision should be eliminated.
Provision of Information	Coordination Agreement § 3.9	Big Rivers agreed to provide the Smelters operational and financial information regarding the performance of Big Rivers.	N/A	This provision was included because Big Rivers' financial and operational performance could disproportionately affect the Smelters under the TIER Adjustment Charge. Because the Smelters no longer bear this risk, the provision should be eliminated.

June 24, 2012

Mark Bailey  
President & CEO  
Big Rivers Electric Corporation  
201 Third Street  
Henderson, KY 42419

Re: BREC's June 22, 2012 Proposal

Dear Mr. Bailey:

Century Aluminum and Rio Tinto Alcan appreciate BREC's prompt response to the companies' proposal presented at our June 20<sup>th</sup> meeting. However, BREC's proposal simply does not address the immediate problem – closure of the smelters due to high power rates and the unavoidable revenue loss to BREC - and, thus, is not responsive to the Governor's concerns and direction.

Under BREC's proposal, BREC would continue to serve the smelters under the current power contracts but, subject to PSC approval, the contracts would permanently amended to:

- Eliminate the non-cost-based rate charges that only the smelters pay, i.e., the Tier charge, the contract Surcharge, and the \$0.25/MWh adder above the Large Industrial rate; and
- Remove from the smelter rate the amount, identified by the PSC in the last rate case, by which the smelter rate subsidizes BREC's other customers.

BREC states that this will provide \$27.2 million in rate relief in 2014. However, BREC asserts that any further rate relief "will require the involvement of other

parties” and characterized this interim rate relief that the “base on which others can construct the long-term solution.”

At the June 20<sup>th</sup> meeting, BREC agreed that the unavoidable revenue loss to BREC if the smelters close is \$110 million/year even if BREC mitigates by closing the Wilson and Coleman generators with the loss of 184 jobs at BREC and 2½ million tons/year of Kentucky coal. BREC’s proposal would reduce the smelter rate by only \$3.73/MWh producing a rate of about \$45.60/MWh, well above the current market price for power and well above the power rate that the smelters need to operate. BREC’s proposal will not prevent smelter closures; the rate relief offered is too small.

BREC’s proposal would only eliminate the current non-cost-based contract charges and the subsidy that the smelters pay, which the PSC has already found should be phased out. This is all BREC offers; any further rate long-term rate relief must be provided by “others”. Under BREC’s proposal the smelter jobs will be lost, the 184 BREC jobs will be lost, and hundreds of Kentucky coal jobs will be lost.

In addition, BREC would amend the contract to require the smelters to forego their right to give notice of termination until after the end of the interim rate period. At the level of rate relief offered by BREC this would increase the smelters’ financial exposure. However with adequate interim rate relief the smelters would commit to operate during the interim period unless the economy collapsed as in 2008-09.

We believe the only viable approach to saving the smelter jobs, the BREC jobs, and Kentucky coal jobs, consistent with the Governor’s direction, is to develop interim rate relief based on the \$110 million of unavoidable revenue loss to BREC if the smelters are forced to close. Attached is our proposal, revised to base the rate relief on \$110 million and with additional detail on reimbursement of BREC’s expenses. In addition, provided adequate initial rate relief, the smelters are open to discuss a rate adjustment during the interim period if LME prices rise above certain levels.

We want to stress again the urgency of the situation. We are available at any time to discuss this proposal.

Sincerely,

---

Pam Schneider  
Rio Tinto Alcan

---

Michael B. Early  
Century Aluminum

cc: Mike Haydon  
Holland Spade

6/24/12

### Agreement in Principle

1. Parties: Century Kentucky, RTA, and BREC
2. Term: 36 months
3. Start date: Upon approval by PSC of contract amendment, new rates applicable for sale to Kenergy for resale to Century Kentucky and RTA ( the “Smelters”), and new rates applicable for sale to BREC’s member cooperatives for resale to their non-Smelter customers –all as provided in sections 4 and 5 below.
4. Contract amendment with smelters: The parties agree to amend the contract with each Smelter to modify the rate provisions for the Term such that the otherwise applicable rate (in terms of \$/MWh) shall be reduced by \$15.01/MWh which is determined by the Unavoidable Loss Amount of \$110 million divided by 7.3 million MWh. The parties agree that the existing contracts may be amended only to the extent necessary to implement or give effect to the rate reductions agreed to herein.
5. PSC filing: Within 60 days after execution of this term sheet, BREC agrees to file with the PSC and support approval of the Smelter contract amendments. BREC agrees to prepare, file with the Smelter contract amendments, and support approval of (a) a new rate rider, implementing the rate reduction in the amendments as agreed to herein, applicable to rates for sale to Kenergy for resale to the Smelters and (b) new rate riders applicable to the rates for sale to its member cooperatives for resale to their non-Smelter retail customers that recover from such customers the Unavoidable Loss Amount. BREC agrees to take all permitted actions to seek and obtain expedited consideration and approval by the PSC of the contract amendments and rate riders.

BREC agrees to provide the Smelters with a reasonable opportunity to review and comment on any proposed filings with the PSC.

Case No. 2012-00535  
Attachment for Response to AG 1-172  
Witness: Robert W. Berry  
Page 17 of 53

BREC agrees not to request in such filings recovery of any costs other than the Unavoidable Loss Amount or to seek any modification or increase its base rates or other charges. BREC will not request and will oppose any motion to consolidate this filing with any other filing.

6. Smelter support: The Smelters agree to support the filing in section 5, provided that the Smelters may support or oppose the proposed allocation of the Unavoidable Loss Amount between the Rural and Large Industrial rate classes.

7. BREC Board: The parties acknowledge that BREC's obligations under sections 4 and 5 are subject to approval by its Board. BREC agrees to fully support such amendments and rate filings and to actively seek prompt approval from its Board, no later than 15 days after agreement of this term sheet.

8. Cost reimbursement: The Smelters agree to reimburse BREC for up to \$XX for costs incurred in preparing the amendments in section 4 and the filings in section 5, provided BREC provides the Smelters with its budget for this effort, such contribution does not exceed 50% of the total, and the amendments and new rates are approved substantially as filed.

The Smelters also agree to reimburse BREC for up to \$YY for costs incurred in the PSC process in section 5, provided BREC provides the Smelters with a budget for this effort, such contribution does not exceed 50% of the total, and the amendments and new rates to the Smelters are approved substantially as filed.

9. Public Affairs: BREC agrees to initiate and participate in a joint public affairs campaign, in coordination with the Smelters and others, to inform the public about the amendments and new rates in the filings and to promote approval of the amendments and new rates. The Smelters will contribute \$ZZ to BREC to offset the costs of such campaign.

10. Long term solution: During the Term the parties agree to work diligently and in good faith with the Governor, the Legislature, and other interested parties to develop and implement a comprehensive long term power supply and rate structure that will assure the economic viability of the Smelters and BREC and the

direct and indirect employment and related economic opportunities that their respective businesses and operations provide to the Commonwealth of Kentucky.

11. BREC will support parallel modifications to, and PSC approval of, the rate provisions in each Kneegny/Smelter contract.

**COPY**

August 20, 2012

Kenergy Corporation  
6402 Old Corydon Road  
Henderson KY 42420  
Attn: President & CEO

Via Fax: (270) 826-3999  
With duplicate sent by overnight courier.



Re: Notice of Termination

Mr. Starheim:

Pursuant to §7.3.1 of the Retail Electric Service Agreement dated July 1, 2009, Century Aluminum Company provides you with this notice of termination of the contract, with termination to be effective on August 20, 2013. Attached, as required by §7.3.1.(b), is the certificate of the President of Century Aluminum Company.

Very Truly Yours,

A handwritten signature in cursive script, reading "John E. Hoerner".

John E. Hoerner  
Vice President  
North American Operations

cc: Big Rivers Electric Corporation  
201 Third Street  
Henderson KY 42420  
Attn: President & CEO  
Via Fax: (270) 827-2558  
With duplicate sent by overnight courier.





Certificate of Michael A. Bless

1. I am Michael A. Bless, President and Chief Executive Officer of Century Aluminum Company, the parent company of Century Aluminum of Kentucky General Partnership which owns and operates a primary aluminum smelter at Hawesville, Kentucky.
  
2. On August 20, 2012, pursuant to the direction of its Board, Century Aluminum Company provided notice of termination to Kenergy Corporation and Big Rivers Electric Corporation under §7.3.1 of the Retail Electric Service Agreement dated July 1, 2009, with such termination to be effective on August 20, 2013.
  
3. Pursuant to §7.3.1.(b) of the contract and consistent with the termination notice, I represent and warrant that Century Aluminum Company has made a business judgment in good faith to terminate and cease all aluminum smelting at the Hawesville smelter and has no current intention of recommencing smelting operations at the Hawesville smelter.

\_\_\_\_\_  
Michael A. Bless  
President and CEO  
Century Aluminum Company

August 20, 2012

## Mark Bailey

---

**From:** Greg Starheim <GStarheim@kenergycorp.com>  
**Sent:** Friday, August 24, 2012 11:40 AM  
**To:** Mark Bailey; Jim Miller (jmiller@smsmlaw.com)  
**Cc:** Chris Hopgood (chopgood@dkgnlaw.com); Greg Starheim  
**Subject:** ACCEPTANCE LETTER  
**Attachments:** Acceptance Letter\_Century Term\_Aug12.pdf

Sent to Hoerner, et. el. this am.

Greg Starheim  
President & CEO



6402 Old Corydon Road  
P.O. Box 18  
Henderson, KY 42419  
Office: (270) 689-6104  
Cell: (270) 231-7079  
Fax: (270) 686-5981  
Email: [gstarheim@kenergycorp.com](mailto:gstarheim@kenergycorp.com)

---

Confidentiality Notice: This e-mail message, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, copy, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message.

Case No. 2012-00535  
Attachment for Response to AG 1-172  
Witness: Robert W. Berry  
Page 22 of 53



P.O. Box 1389 • 3111 Fairview Drive  
Owensboro, Kentucky 42302-1389  
(270) 926-4141 • FAX (270) 685-2279  
(800) 844-4732

August 24, 2012

John E. Hoerner  
Vice President  
North American Operations  
Century Aluminum Company  
2511 Garden Road  
Building A, Suite 200  
Monterey, CA 93940



Re: Notice of Termination

Dear Mr. Hoerner:

We have received your letter of August 20, 2012, giving notice of termination pursuant to Section 7.3.1 of the Retail Electric Service Agreement dated July 1, 2009, between Century Aluminum of Kentucky General Partnership and Kenergy Corp. We have examined the letter, find that it complies with Section 7.3.1 for termination for closing of the Hawesville Smelter, and accept the notice of termination.

We are very sorry that the considerable efforts expended by Kenergy Corp., Big Rivers Electric Corporation ("Big Rivers"), Century and others did not produce a proposal that would enable Century to continue operating its Hawesville smelter. These will be sad and difficult times for everyone involved.

Big Rivers informs us that it has received a copy of your notice of termination. It will begin immediately taking steps to minimize the impact on the balance of the Big Rivers system of the closing of the Century Smelter on August 20, 2013.

Very truly yours,

Gregory J. Starheim  
President and CEO

Case No. 2012-00535  
Attachment for Response to AG 1-172  
Witness: Robert W. Berry  
Page 23 of 53

cc: Big Rivers Electric Corporation  
201 Third Street  
P.O. Box 24  
Henderson, Kentucky 42419-0024  
Attn: President and CEO

Century Aluminum Company  
P.O. Box 500  
State Route 274 North  
Hawesville, Kentucky 42348  
Attn: Plant Manager

Century Aluminum Company  
2511 Garden Road  
Building A, Suite 200  
Monterey, CA 93940  
Attn: General Counsel

**FACSIMILE**

**Century** ALUMINUM  
Hawesville  
Operations

Date: August 31, 2012

To: Mark Bailey

Fax Number: 270-827-2558

From: John Hoerner

RE: Century Aluminum of Hawesville Power  
Number of Pages: 4  
(Including This Page)

*non-confidential*  
*AG 1-172*  
*produce public*

Thank you!  
Susan O'Bryan  
Administrative Assistant  
270-685-2493, ext. 2231  
[sobryan@centuryky.com](mailto:sobryan@centuryky.com)

Century Aluminum of Kentucky  
1627 State Route 22012-00535  
P.O. Box 500  
Hawesville, KY 42348  
Attachment for response to AG 1-172  
Witness: Robert W. Berry  
270-685-2493 Phone  
270-852-2882 Fax

# CenturyALUMINUM

August 31, 2012  
Big Rivers Electric Corporation  
201 Third Street  
Henderson, KY 42420  
Attn: President & CEO

Dear Mr. Bailey:

I am writing on behalf of the 700 men and women who stand to lose their jobs here at the Hawesville aluminum smelter plant. Over the last two weeks, many of our employees have told me that they are so frustrated that you, along with the Big Rivers' management team, seem committed to a path that will guarantee the Hawesville plant closes and that utility rates for all of Big Rivers customers will go up at least 20 percent.

Frankly, we're all scratching our heads trying to figure out why you would choose to force this devastating impact on our region instead of accepting the solution we have proposed, a compromise that will save hundreds of jobs at the plant and ensure a lower rate increase for all Big Rivers customers – maybe even get rid of a rate increase altogether.

And what's worse is that rather than telling people the truth, Big Rivers has attempted to cover up your refusal to negotiate a fair deal for the Hawesville plant and for your customers, by trying to make Hawesville the fall guy for the stubborn and destructive path you have chosen.

I'm fed up, just like the rest of the employees at the Hawesville plant, and I won't stand by, letting you continue to deceive people that way.

You and I have been in meetings together, face-to-face, with the Governor's staff and the Big Rivers' Board of Directors as witnesses. We have discussed the facts regarding the need for a reduction in our power costs in order for the Hawesville plant to survive. Yet, you have not been honest and forthright with your customers and our employees about what was said in those meetings.

Since you refuse to tell the public the whole truth, I will. Here are the facts:

**1. The Hawesville smelter NEVER asked for \$110 million in rate reductions. Yet, Big Rivers continues to say it.**

*The \$110 million was a number that you presented to me, in writing, as the amount of rate increase you would pass onto to Big Rivers customers if BOTH smelters in the region close. Yet, you continue to tell the community and ratepayers that Hawesville asked for \$110 million when we didn't, but won't tell them that you will raise their rates \$62 million if Hawesville closes and \$110 million if both smelters close.*

**2. If the Hawesville smelter shuts down, all Big Rivers customers are guaranteed to get hit with at least a 20 percent increase in their power bill.**

*You admitted to me that your customers will get hit with a 20 percent increase if Hawesville closes and you have said so to reporters. Unfortunately you also try to confuse the issue by saying the Hawesville plant's request will cost more and result in 37 percent increase with the average residential bill increasing \$1000 per year. You know that is not true. The 37 percent increase is based on the \$110 million number, which Hawesville has never asked for and is not seeking. In addition, for an average residential customer the 20 percent increase is about \$220 per year, NOT the \$1000 a year you claim.*

**3. If the Hawesville smelter closes, not only will the smelter jobs be lost, hundreds of coal jobs would be lost and, despite your denial, you will also plan to fire some of your own employees.**

*You told me in our meeting with the Governor's staff, which you confirmed to the newspapers that if the Hawesville plant shuts down Big Rivers will have to shut down power plants -- which will mean hundreds of Big Rivers employees would lose their jobs -- since our plant is your largest customer. I know it, the Governor's staff knows it and you should tell your employees the truth.*

**4. When you informed us that Big Rivers customers would see their rates increase 20 percent if the Hawesville plant closed, we offered to accept a solution that would save jobs and allow a smaller increase for electricity customers, if any at all.**

*In fact, under our proposal, if aluminum prices went high enough, there would be no rate increase for customers at all. But you refused even to consider our idea. Your continuing refusal guarantees that our employees, your employees and coal employees will lose their jobs AND rate payers will pay at least a full 20 percent more for electricity.*

**5. There is a rainy day fund of \$150 million that could be used -- and that Big Rivers has used before -- to completely avoid any rate increase for Big Rivers customers.**

*You refused to even discuss the use of those funds under our proposal and instead guaranteed at least a 20 percent rate increase for Big Rivers customers.*

**6. I met with the Big Rivers Board of Directors because you and the members of your board did not believe us that the Hawesville smelter needed a rate cut to remain open. We personally presented our financial numbers to you and your board, who collectively admitted the reports showed Hawesville is losing more than \$5 million a month at the smelter.**

*Following our presentation, without any review or discussion by your board, you immediately refused to change your position (without even meeting to discuss it) and proclaimed that avoiding the closure of the smelter was "not a priority" for you. To this date, you have continued to refuse to move off your original offer.*

Those are the facts Mr. Bailey. Since you won't tell people, I had to.

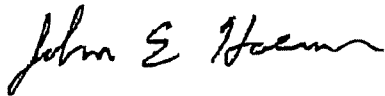
But setting the record straight is not what's most important. The most important thing is getting a fair deal done so that we can protect these jobs and the already-stretched pocketbooks of rate payers.

I am again offering a solution that will save smelter jobs, Big Rivers jobs and coal jobs AND result in a lower rate increase possibly no rate increase at all – instead of continuing down the path you have chosen which will result in losing hundreds of jobs AND at least a 20 percent increase on all Big Rivers customers.

If you won't agree to work with me to prevent the dire consequences that will result from your plan, then at least agree to let the Public Service Commission decide – as they are supposed to – which proposal is best for the rate payers and communities of Western Kentucky.

This week Big Rivers said "We care about Century employees and their families. We want to do what's right." Now is your chance, Mr. Bailey. Show our employees you mean what you say.

Sincerely,



John Hoerner

Vice President of North American Operations, Century Aluminum



---

# Century ALUMINUM

September 14, 2012

Mark Bailey  
President and CEO  
Big Rivers Electric Corporation  
201 Third Street  
Henderson, KY 42419

Re: Century Aluminum

Dear Mr. Bailey:

After meetings with both parties, the Governor's staff indicated that Big Rivers wanted Century to submit a definite proposal for market access. At the Governor's request, Century submits the attached proposal for the Hawesville smelter to leave the Big Rivers power system as expeditiously as possible and to purchase power for its load on the open market.

The attached term sheet, which has been previously discussed with the Governor's staff, sets out the key terms of our proposal and addresses the major actions and approvals necessary for Century to access power in the competitive market and have that power reliably delivered to the smelter. The key components of the proposal are: (1) early termination of the current power contracts; (2) a new contract under which Kenergy purchases market power for resale to Century at a pass-through rate; (3) Big Rivers provides transmission and other services necessary to assure reliable delivery of market power to Century; (4) the parties agree to seek expedited review and approval of the new Kenergy contract and rate by the PSC; (5) Big Rivers and its member Cooperatives obtain PSC approval of new rates that address the lost revenues due to the loss of Century's load; and (6) Century agrees not to seek cost-based power from Big Rivers in the future if Big Rivers lack generation capacity to serve all/part of Century's load.

Given that Big Rivers has already indicated to the Governor's staff its willingness to agree to market access for Century, we would ask that you provide your response to the attached term sheet as soon as possible, but no later than September 21. In the alternative, we are happy to meet face to face with you and your colleagues any day next week to discuss our proposal and finalize an agreement.

Century Aluminum Company  
2511 Garden Road  
Bldg. A, Suite 200  
Monterey, CA 93940  
Attachment for Response to AG 1-172  
Witnessed by Robert W. Berry  
Page 29 of 53

Mark Bailey  
September 14, 2012  
Page 2 cont.

There is no issue more important to Century and its employees than securing a new power supply arrangement that will allow operations to continue at Hawesville. Century will commit whatever resources are needed to this process.

I look forward to your prompt response and please call if you have any questions.

Regards,



Michael A. Bless  
President and  
Chief Executive Officer

Enclosures

cc: Governor Steve Beshear  
Gregory Starheim

September 14, 2012

Term Sheet for Market Access

1. On or before November 15, 2012, BREC and Kenergy will request the PSC to approve early termination of the power contracts with Century, with such termination to be effective on the date arrangements are in place for service by Kenergy to Century from other suppliers. BREC and Kenergy shall obtain as expeditiously as possible all necessary approvals from third parties to request early termination of the contracts. BREC/Kenergy will request PSC approval no later than 90 days after filing.
2. On or before November 15, 2012, Kenergy will negotiate and file for approval with the PSC a new long-term power contract with Century providing for up to 482MW of power at a pass-through rate for market purchases by Kenergy. Kenergy will request PSC approval no later than 90 days after filing.
3. BREC shall support Kenergy's filing in ¶12 and will provide transmission under its FERC tariff and other services necessary for reliable delivery of up to 482MW of power under the contract. Without limitation, BREC will continue to operate Coleman as necessary to assure reliable delivery of up to 482MW of market purchases to Century until MISO determines that continued operation of Coleman is not necessary; will install capacitors on its system as necessary to maintain voltage levels for reliable delivery of up to 482 MW to Century; and will provide Kenergy with temporary access for up to 482 MW of the BREC.BREC load node as requested to provide service to Century.
4. BREC and Kenergy shall file a general rate case requesting, in part, to increase rates ("New Rates") to account for the revenue loss due to termination of the Century contracts. Neither BREC nor Kenergy will request, and will oppose any request, to consolidate this proceeding with the proceedings in ¶1 and ¶2. BREC and Kenergy shall request, and Century shall support, that the PSC approve and put such New Rates in effect on the same date that termination of Century's contracts is effective. To the extent that the effective date of termination of Century's contracts is before the effective date of the New Rates for BREC and Kenergy, BREC will request that reserve funds be used to offset BREC's revenue loss in that period and that the New Rates as filed be made effective, subject to refund, on the effective date of termination of Century's contracts.

5. Century will not subsequently request BREC to supply power at cost-based rates to Kenergy for resale to Century if BREC does not have generation to serve all/part of Century' load in the future.
6. None of these obligations or actions will be conditioned on, or delayed by, any actions by Rio Tinto Alcan.

**Paula Mitchell**


---

**From:** Mark Bailey  
**Sent:** Monday, July 16, 2012 8:10 PM  
**To:** Albert Yockey; Bob Berry; David Crockett; Eric M. Robeson; James Haner; Mark Hite; Marty Littrel; Paula Mitchell  
**Subject:** Fwd: Please Help us!!!!!!! Please Read Mark


FYI. Mark

Sent from my iPhone

Begin forwarded message:

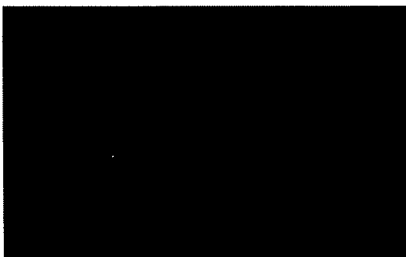
  
**Date:** July 16, 2012 7:52:18 PM CDT  
**To:** Mark Bailey <Mark.Bailey@bigrivers.com>  
**Subject:** Please Help us!!!!!!! Please Read Mark

Mr. ,

I am contacting you regarding the Century Aluminum Hawesville Smelter, and the power issue facing our future. I am in charge of Health and Safety in Hawesville, and I am a citizen of Daviess County, KY having been here most of my life. I have a wife who was sent from God who is in college, and a , who just would melt your heart if you saw him. I am asking for your help in assisting Century, and our employees to ensure the future of our plant, and the future of our families. Century Aluminum has been good to me and my family! The jobs that we have here at Century are worth fighting for! They give us a chance to have that American Dream. I am so thankful to have this job, and being honest, it makes me upset that you could take this wonderful blessing (my job) away from me! Do you have kids? Grandchildren? How would you feel as a provider if someone was threatening to take away your lifeline for your family? Would you not be upset? Hurt? Worried about the future? If you would be able to feed them? How would you feel as a man? I wish you knew our team members here at Century! We are not salary employees, union employees, but family! We are together on this Mark! 770 jobs are at risk, think about all those families! Please Mark, help us resolve this tragedy. We need your help sir! Our families need your help! Please work with Century Mark, so our families can have a future. My father-in-law as worked for Big Rivers for over thirty years. I have heard the good and the bad. He believes in Big Rivers, and I hope that we can too.

God Bless you Mark! I know this has to be tough for you. I hope you make the right decision. You are in a position Mark, where you can make a big difference in this life.

Choice is yours.....





**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Monday, July 16, 2012 9:58 PM  
**To:** Albert Yockey; Bob Berry; David Crockett; Eric M. Robeson; James Haner; Marty Littrel; Mark Hite; Paula Mitchell  
**Subject:** Fwd: Please help save our jobs

FYI. Mark

Sent from my iPhone

Begin forwarded message:

[REDACTED]  
**Date:** July 16, 2012 9:55:58 PM CDT  
**To:** Mark Bailey <[Mark.Bailey@bigrivers.com](mailto:Mark.Bailey@bigrivers.com)>  
**Subject:** Please help save our jobs

Dear Mr. Bailey

My name is [REDACTED]; I work at Century Aluminum, Hawesville plant. I'm writing to ask for your help. My family is one of the thousands of Big Rivers customers who will be devastated by the massive rate increases. This rate increase is inevitable if Big Rivers Electric doesn't start working with Century to find a long-term solution to this issue. I have 5 kids, 3 in middle school and 2 still in diapers. I need your help with getting Big Rivers Electric Cooperative to start working with Century Aluminum, elected officials and union leaders to save our Hawesville plant. I really need my job to support my family and can not afford to go without a steady income. I'm not the only person at Century with a large family and WE really need your help with our power contract. Big Rivers walked away from the negotiating table before a solution was found and this will eventually put hundreds of families out of a job. Kentucky can't afford to lose hundreds of jobs and with your help, we may not have to. Please help us save our jobs and our community. Thank you for your time and your support.

[REDACTED]

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Tuesday, July 31, 2012 11:10 AM  
**To:** Marty Littrel; Paula Mitchell  
**Subject:** FW: Century Aluminum

**FYI/action. Thanks, Mark**

---

**From:** [REDACTED]  
**Sent:** Tuesday, July 31, 2012 10:46 AM  
**To:** Mark Bailey  
**Subject:** Century Aluminum

Hi Mark,

My name is [REDACTED] - a 14 year employee of the plant that Century Aluminum currently operates. I have read in the papers recently that rate negotiations have started. I want you to know that I think this is great. Not only for me, but for thousands of people in the area. This plant has provided me, my wife, and two kids a good living and I would like to keep that going! I don't know enough about our contract or your business to say what should or shouldn't be, but I feel very strongly that if our power rates aren't reduced substantially, this plant will close and hundreds of families will lose their jobs. While I don't know the details of your operations, I do know that having a large 24/7 customer next door is a pretty nice arrangement for both plants. I sincerely hope that both sides can work something out that makes everyone a winner, including all the residential rate payers in the area.

Thanks

[REDACTED]  
Century Aluminum - Hawesville Operations  
e-mail [REDACTED]@centuryky.com  
[REDACTED]



**Mark Bailey**

---

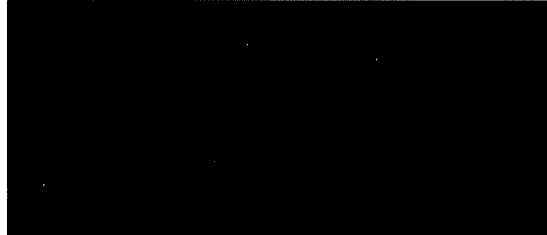
**From:** Marty Littrel  
**Sent:** Tuesday, July 17, 2012 6:19 AM  
**To:** Mark Bailey  
**Subject:** FW: Power Contract

Fyi

Sent from my Windows Phone

-----Original Message-----

**From:** [REDACTED]  
**Sent:** Tuesday, July 17, 2012 12:01 AM  
**To:** Marty Littrel  
**Subject:** Power Contract



Dear Sir,

You don't know who I am, but my life, and my families lives are somewhat in your hands. You see, I work at Century Aluminum in Hawesville. Like a lot of other families, that plant is how I make a living. I've worked there for over 14 years, and depend on it staying open. I have a wife and two boys, one of which has autism. Without my job at the plant, I will have no medical insurance for him to get the therapies he needs, or the income to take care of them.

I know you are in negotiations with Century on the new power contract. All I ask, like everyone else at the plant, is to think of all the lives that will be negatively impacted if an agreement wasn't reached, and the plant was closed.

Thank you for your time.

[REDACTED]

Sent from my iPad

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Friday, July 20, 2012 8:20 AM  
**To:** Paula Mitchell; Albert Yockey; Bob Berry; David Crockett; Eric M. Robeson; James Haner; Marty Littrel; Mark Hite; Billie Richert; James Sills; Wayne Elliott; Larry Elder; Bill Denton; Lee Bearden; Paul E. Butler  
**Subject:** Fwd:

FYI. Mark

Sent from my iPhone

Begin forwarded message:

**From:** [REDACTED]@CenturyKY.com>  
**Date:** July 20, 2012 8:16:41 AM CDT  
**To:** Mark Bailey <Mark.Bailey@bigrivers.com>

Mr. Bailey

In reading the letter you submitted to local media, I seem to be confused by your statement regarding rate increases. How would giving Century and Alcan the necessary concessions result in a higher rate for other industrial and residential customers than if the smelters were "mothballed"? We use 70% of your output, which would have to be made up by others, while the concessions would just be a small amount of this. Maybe you should be more honest with your own employees as some of their jobs are potentially in jeopardy if we close. It's unfortunate that Big Rivers has made bad decisions and investments in the past, resulting in an absurd amount of debt. We have paid the "subsidy" for this debt long enough. Please get back to the negotiating and work out an agreement.

[REDACTED]  
Century Aluminum of KY  
1627 State Route 271 N  
Hawesville, KY 42348  
[REDACTED]

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Thursday, July 19, 2012 9:34 PM  
**To:** Paula Mitchell  
**Subject:** Fwd: Negotiations with Century Aluminum

FYI. Mark

Sent from my iPhone

Begin forwarded message:

**From:** [REDACTED]@Centuryky.com>  
**Date:** July 19, 2012 4:52:56 PM CDT  
**To:** Mark Bailey <Mark.Bailey@bigrivers.com>  
**Subject:** Negotiations with Century Aluminum

Mark,

As a resident of Hancock County and an employee at Century Aluminum, I am writing to you to ask your help in solving a big, glaring issue here in our community. The issue I made mention of is the power contract negotiations that were recently walked away from.

I am currently a salaried maintenance employee, far inferior in position to the one you hold. I do however, respect the people in positions such as the one you have because I know with hard work and sacrifice you have earned that position. With this position, you have earned the right to make immense impacts on a number of people's lives. What I am asking is for you to make an effort to resolve the power issue, and in doing so help preserve the quality of education, the ability of small businesses and large businesses to succeed, and to help the community I live in prosper. Walking away from the negotiations and coming to a stalemate puts a lot of families at risk, risk that in these times of questionable healthcare and economic instability is a large burden for working families to bear. Thanks for your time,

[REDACTED]

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Thursday, July 19, 2012 9:49 AM  
**To:** Paula Mitchell  
**Subject:** FW: How much if my electric going to rise

**FYI. Mark**

---

**From:** [REDACTED] [mailto:[REDACTED]@CenturyKY.com]  
**Sent:** Thursday, July 19, 2012 9:22 AM  
**To:** Mark Bailey  
**Subject:** How much if my electric going to rise

Dear Mr. Bailey,

As you can see by my email address I am an employee at Century Aluminum. I just want to know how much my electric bill is going to go up if we shut our plant down and I lose my job? Please answer that. Why are our rates going up if the cost of coal is down? If I lose my job then you lose me as a customer more than likely because my husband will more than likely lose his job and we will not be able to pay our bills. I would rather see my electric bill go up and keep my job. This is coming from ONE OF YOUR RESIDENTIAL CUSTOMERS! I have worked here 14 years. I have a son that works here also. My husband works as a contractor at Southwire. If we shut our plant down then it will impact Southwire and my husband will be one of the fist to go. So the impact it will have on my family is 3 jobs lost. And you will lose 2 residential customers as to the fact that my son is one of your customers also. If we are some of the lowest rates in the county then can't we afford to raise ours just a little to keep thousands of jobs. I am begging you to go back to the table with Century. I like my job and would like to retire from here one day.

[REDACTED]  
Paying Kenergy Customer

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Thursday, July 19, 2012 9:59 AM  
**To:** Paula Mitchell  
**Subject:** FW: Negotiations with Century Aluminum Hawesville Smelter

**FYI. Mark**

---

**From:** [REDACTED] [mailto:[REDACTED]@centuryky.com]  
**Sent:** Thursday, July 19, 2012 9:49 AM  
**To:** Mark Bailey  
**Subject:** Negotiations with Century Aluminum Hawesville Smelter

Mr. Bailey,

As an employee of Century Aluminum I am more than mildly perplexed at the idea that there is no agreement yet on the electricity provided to The Hawesville Smelter. I understand that Big Rivers as well as Century are striving to show a profit. It is also my understanding that if a deal is not reached the money lost from providing Century power will be passed on to residents who currently use this power. This is absurd considering Big Rivers will be assisting in putting a lot of these people out of a job then requesting an increase to keep Big Rivers in the Black.

Please return to the negotiating table and help get a contract signed to save our jobs.

Thank you

[REDACTED]

[REDACTED]

**CenturyALUMINUM**  
**Hawesville Operations**

[REDACTED]

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Wednesday, July 18, 2012 4:55 PM  
**To:** Paula Mitchell  
**Subject:** FW: Save the Hawesville Smelter

**Paula, here it is once again. Thanks, Mark**

---

**From:** [REDACTED] [mailto:[REDACTED]@centuryky.com]  
**Sent:** Wednesday, July 18, 2012 2:59 PM  
**To:** Mark Bailey  
**Subject:** Save the Hawesville Smelter

I am writing in response to your decision to no longer negotiate with Century Aluminum regarding our power contract. It is very imperative that these negotiations continue so that an agreement can be made to keep the Hawesville Smelter open. I am a dedicated employee of Century and my husband, who is unemployed at the moment with no unemployment benefits, and my two terrific sons, [REDACTED] are dependent on my income and insurance here at the plant. I think it is a great injustice to the many citizens of this community to just sit back and not be willing to take a stance to try to keep us from shutting down. If our plant shuts down it will not only effect the people employed here at this plant but other plants and businesses surrounding us. Yes, you will be asking the residents and other businesses to help take up some of the slack that we are asking for, but think about the slack that will need to be taken if he do close our doors. You think your electric customers will be unhappy with a portion of that increase. How do you think they will feel when they have to absorb the entire cost?

Respectfully,

[REDACTED]  
Century Aluminum of Kentucky  
1627 State Route 271 N  
PO Box 500  
Hawesville, KY 42348

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Wednesday, July 18, 2012 1:00 PM  
**To:** Paula Mitchell  
**Subject:** FW: Help save the aluminum smelters

**FYI. Mark**

---

**From:** [REDACTED] [mailto:[REDACTED]@centuryky.com]  
**Sent:** Wednesday, July 18, 2012 12:55 PM  
**To:** Mark Bailey  
**Subject:** Help save the aluminum smelters

Mark,

As an employee at the Century aluminum smelter in Hawesville and a resident in the local community I am hoping that you can work through the power rate issues at hand and ensure we keep valuable jobs here in the community.

It would be devastating to the hundreds of hard working community members if an affordable power rate is not negotiated between Big Rivers and Century Aluminum's Hawesville smelter.

I trust that both sides will work diligently to come up with a solution for an affordable power rate for all those within the BREC.

Thanks,



**Century** ALUMINUM  
1627 St. Rt. 271 North  
Hawesville, KY 42348



Fax: 270-852-2883

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Wednesday, July 18, 2012 11:30 AM  
**To:** Paula Mitchell  
**Subject:** FW: Century Aluminum Power Issue

**Importance:** High

**FYI/action. Mark**

---

**From:** [REDACTED] [mailto:[REDACTED]@centuryky.com]  
**Sent:** Wednesday, July 18, 2012 10:56 AM  
**To:** Mark Bailey  
**Subject:** Century Aluminum Power Issue  
**Importance:** High

Mr. Bailey,

I need not explain the issue at hand nor tell you all that is at stake if Century Aluminum is forced to close. I know you are fully aware of the devastation that will occur if this happens. The question I have for you and many others is what do you plan to do to prevent the destruction of this community? As a mother, wife of a self-employed industrial contactor, daughter of locally retired parents, and an employee of Century Aluminum, I am extremely concerned with the future!

With above noted, I feel I have no choice but to insist you act in the best interest of all Western Kentucky rate payers to keep our rates as low as possible, and save the area jobs and community in the process!

Respectfully,

[REDACTED]  
Century Aluminum of Kentucky  
1627 State Route 271 N  
Hawesville, Kentucky 42348  
[REDACTED]



**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Wednesday, July 18, 2012 9:16 AM  
**To:** Paula Mitchell  
**Subject:** FW: Hawesville Smelter  
  
**Importance:** High

**FYI. Mark**

---

**From:** [REDACTED] [mailto:[REDACTED]@centuryky.com]  
**Sent:** Wednesday, July 18, 2012 9:13 AM  
**To:** Mark Bailey  
**Subject:** Hawesville Smelter  
**Importance:** High

Mr. Bailey,

I am a wife and the mother of 2 healthy, beautiful babies. My family means everything to me....we depend on my job at Century to pay the bills. Without my job the mortgage won't get paid, the car payment won't get paid, the electric bill won't get paid, etc....where then does that leave my family???? How will we survive???? This will be the case for not just me but for potentially thousands of people. If YOU don't do something about our power contract our community will virtually perish. Families will be homeless, crime and drugs will go on the rise. ARE YOU REALLY O.K WITH SITTING BACK AND WATCHING THIS ALL PLAY OUT????? HOW DO YOU SLEEP WITH YOURSELF AT NIGHT????? I don't care if you think it makes good business sense for your company....what you are doing is heartless and will have a detrimental effect on our community.

[REDACTED]  
Century ALUMINUM  
1627 St. Rt. 271 North  
Hawesville, KY 42348  
[REDACTED]

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Tuesday, July 17, 2012 1:23 PM  
**To:** Paula Mitchell  
**Subject:** FW: Fair price for power to the aluminum smelters

**FYI. Mark**

---

**From:** [REDACTED] [mailto:[REDACTED]@centuryky.com]  
**Sent:** Tuesday, July 17, 2012 1:16 PM  
**To:** Mark Bailey  
**Subject:** Fair price for power to the aluminum smelters

Mr. Bailey,  
I live in Hancock County and work at Century Aluminum.

It appears the aluminum smelters have been subsidizing the private consumers for quite a while, allowing Big Rivers to keep its prices low to the rural and small-town people.

Since the price individuals and families will pay for power is going to go up, whether the smelters stay open or if they close, I think the county and small towns would rather keep the jobs and the tax revenue they bring.

Be honest with the people about what is happening. And give the Hawesville smelter a fair price for power, so it can continue to supply the area with jobs for families.

Sincerely,

[REDACTED]

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Tuesday, July 17, 2012 8:16 AM  
**To:** Paula Mitchell  
**Subject:** FW: Century Aluminum

**Paula, Please print. Thanks, Mark**

---

**From:** [REDACTED] [mailto:[REDACTED]@centuryky.com]  
**Sent:** Tuesday, July 17, 2012 8:08 AM  
**To:** Mark Bailey  
**Subject:** Century Aluminum

Mr. Bailey

After reading the story in today's *Messenger Inquirer*, I can better understand the position that you find yourself as there are several sides to consider:

- 1) On one side, as you stated in your 2011 testimony before the House Energy and Commerce Committee, you have two aluminum smelters who consume 70% of your generation output. You also stated that the economic impact of losing the 2 smelters would be 5,000 jobs with \$193 million in wages and other benefits.
- 2) On another side, you have 112,000 retail customers who would have to pay for any benefit that may given to Century.
- 3) And finally, you have the EPA and their requirements to upgrade your equipment to meet their tougher compliance rules. Your 2011 testimony indicated the cost would be \$785 million. In today's *Messenger Inquirer's* story, you indicated the cost to be \$283 million if the smelters shut down.

It's a tough situation to be in. How do you balance the good of 112,000 residential customers, two aluminum smelters who are a vital part to the local economy and still meet the EPA compliance rules? It's not an easy question to answer. However, I do know that walking away from the negotiations with Century is not the best answer. Hopefully, your decision to walk away from the negotiations and forcing Century to shut down is not your attempt to reduce your cost to meet the EPA requirements. If that happens, the 112,000 customers will be picking up the tab for \$283 million with no opportunity for Century to continue to subsidize the residential customers.

You have an opportunity to be a leader and work out an agreement that would be beneficial to everyone involved. By walking away, you are missing that opportunity – please don't let it pass you by.

Thank you,

[REDACTED]  
Century Aluminum  
[REDACTED]

**Mark Bailey**

---

**From:** [REDACTED]@Centuryky.com>  
**Sent:** Tuesday, July 17, 2012 7:15 AM  
**To:** Mark Bailey  
**Subject:** Please help

Mark, I have worked at the Hawesville smelter since 1974. During that time a lot of families have earned their livelihoods by working at the smelter or at Big Rivers or at other support facilities. This area needs these good paying jobs so that the next generation can earn a fair living by working at jobs that create products. Please continue to do all that can be done to find a solution to keep this smelter running.

Respectfully,

[REDACTED]  
**Century Aluminum**  
Hawesville Operations

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Monday, July 16, 2012 12:45 PM  
**To:** jmiller@smsmlaw.com; John Talbert; Albert Yockey; Bob Berry; David Crockett; Eric M. Robeson; James Haner; Mark Hite; Marty Littrel; Paula Mitchell; Bill Denton; Jim Sills; Larry Elder; Lee Bearden; Paul E. Butler; Wayne Elliott; Burns Mercer; Greg Starheim; Kelly Nuckols; Sandy Novick  
**Subject:** FW:

Here's the second e-mail. Thanks, Mark

-----Original Message-----

**From:** [REDACTED] [mailto:[REDACTED]]  
**Sent:** Monday, July 16, 2012 12:22 PM  
**To:** Mark Bailey  
**Subject:**

Guys will you please go back to table and work out an agreement to help save the Century Aluminum smelter and all the jobs we have here. We love the place we work at don't want to have another place shutdown, please work something out on the power contract.

Thank you

[REDACTED]  
Century Aluminum  
[REDACTED]

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Monday, July 16, 2012 2:57 PM  
**To:** Albert Yockey; Bob Berry; David Crockett; Eric M. Robeson; James Haner; Mark Hite; Marty Littrel; Paula Mitchell  
**Subject:** FW: century aluminum jobs

FYI. Mark

---

**From:** [REDACTED] [mailto:[REDACTED]]  
**Sent:** Monday, July 16, 2012 2:14 PM  
**To:** Mark Bailey  
**Subject:** century aluminum jobs

mr. bailey,

i understand a companies need to make a profit. i understand big rivers need to meet current requirements by the federal government. if century closes, it will be harder for big rivers to make any money, as i'm sure century is a major customer. millions of dollars a month will be lost. and then what if they close? big rivers will look for someone else to spend as much? Hundereds of jobs will be lost by people who need to work and want to work. please, do what you can to help. we need each other.

[REDACTED] century employee [REDACTED]

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Monday, July 16, 2012 3:34 PM  
**To:** Albert Yockey; Bob Berry; David Crockett; Eric M. Robeson; James Haner; Mark Hite; Marty Littrel; Paula Mitchell  
**Subject:** FW: Please help with power issues

**FYI. Mark**

---

**From:** [REDACTED] [mailto:[REDACTED]@CenturyKY.com]  
**Sent:** Monday, July 16, 2012 3:30 PM  
**To:** Mark Bailey  
**Subject:** Please help with power issues

Mark, as a worker of Century's Hawesville smelter, and Hancock County native and a father of [REDACTED], I am asking for your help. A lot is at stake with the community as jobs in aluminum business is huge in this area with the smelters being the heart of it. With Century smelter and other jobs at risk I hope you have it in you to do what is best for all of Western Kentucky rate payers to keep our rates as low as possible, and save the area jobs in the process. Also question I'd like to ask is without the jobs here in this community who do you think will stick around and need your power? As there would be a lot of people moving and relocate to other places to find jobs.

Thanks for your time [REDACTED]

**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Monday, July 16, 2012 3:13 PM  
**To:** Albert Yockey; Bob Berry; David Crockett; Eric M. Robeson; James Haner; Mark Hite; Marty Littrel; Paula Mitchell  
**Subject:** FW: Please help us solve the power issue

**FYI. Mark**

---

**From:** [REDACTED] [mailto:[REDACTED]@centuryky.com]  
**Sent:** Monday, July 16, 2012 1:45 PM  
**To:** Mark Bailey  
**Subject:** Please help us solve the power issue

Mark, we have a lot at stake in this community with the Century smelter and other jobs at risk. As a father of [REDACTED] I am especially concerned with the future. I trust you will work hard in the best interest of all Western Kentucky rate payers to keep our rates as low as possible, and save the area jobs in the process. If I can be of help educating the public, please let me know.

Respectfully,

[REDACTED]  
**Century Aluminum**  
Hawesville Operations  
[REDACTED]



**Paula Mitchell**

---

**From:** Mark Bailey  
**Sent:** Monday, July 16, 2012 5:00 PM  
**To:** John Talbert; jmillersmsmlaw.com; Albert Yockey; Bob Berry; David Crockett; Eric M. Robeson; James Haner; Mark Hite; Marty Littrel; Paula Mitchell  
**Subject:** FW: Century Aluminum Hawesville KY Power Contract Effect

FYI. Mark

---

**From:** [REDACTED] [mailto:[REDACTED]]  
**Sent:** Monday, July 16, 2012 4:58 PM  
**To:** Mark Bailey; attorney.general@ag.ky.gov; hancockclarion@bellsouth.net  
**Subject:** Century Aluminum Hawesville KY Power Contract Effect

Hello,

My name is [REDACTED] I am employee at Century Aluminum, and have been working at this facility for five years. I value my job as many do here at this location. I want to discuss to you how much I would like to keep my job and have job security. Right now as we speak, Century is facing a dilemma with the power contract with Big Rivers Electric. The issue is to power cost and metal cost. The power cost is too high with the contract they hold with Big Rivers per the price per pound which is on the market today. I beg you to understand and make changes to that contract to allow them to be competitive and keep is running in this dying field on our country today. I know they have agreed on an contract in 2008 till many years down the road for power cost. The problem persist upon the power cost is lower on the market than Century has the contract with. If nothing is changed Century can no longer be in business. Which will increase everyone in this surrounding area to pay more in power for the lack of use that Century is using due to their shutdown. Can you image the impact it will hold on many families such as mine. No income, no job, no career, and no insurance. I am married with a child, and if I lose this job there will be no income for me and my family which I will lose everything I own and more. But this will not only effect just me. It will effect many jobs than just lost per plant employees, there are contractors who make a living at this plant. Also all of the merchants who sell goods to the plant and the list goes on. This will be terrible thing that will happen to this community and surrounding area. So I beg you to help me and my family and help yourself, to make a change to this contract. Let Century buy competitive power cost to operate in this dying field in this country today. We Need American Jobs!!!!

Thank You!!!!

[REDACTED] and Family



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 173) Provide all documents associated with the MISO**  
2 **evaluation of Big Rivers membership.**

3

4 **Response)** Big Rivers is not aware of any documents associated with a  
5 MISO evaluation of Big Rivers' membership. The only known MISO  
6 documents related to Big Rivers' membership were included in the  
7 Commission Case No. 2010-00043.

8

9 **Witness)** David G. Crockett



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 174) Are there any additional steps required to terminate the**  
2 **TIER rebate mechanism and requirement at the point Alcan**  
3 **terminates its Smelter Agreement, or would the TIER rebate**  
4 **mechanism and requirement expire automatically at that point?**

5

6 **Response)** There are two components of the TIER Adjustment Charge  
7 rebate mechanism – the TIER Adjustment Charge which applies to the  
8 Smelters, and the Rebate Adjustment (“RA”) Tariff that applies to the Non-  
9 Smelters. For the Smelters, when both the Century and Alcan contracts are  
10 no longer effective, the Smelter TIER Adjustment Charge mechanism will be  
11 eliminated without requiring regulatory action. For the Non-Smelters, the  
12 RA Tariff is only triggered by Section 4.9 of the Smelter Agreements, so from  
13 a practical standpoint, it will be eliminated when those contracts are  
14 terminated. Officially, the elimination of the RA Tariff will require Big Rivers  
15 to file seeking Commission approval to withdraw the tariff.

16

17 **Witness)** John Wolfram



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

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

**February 28, 2013**

1 **Item 175) *Assume Big Rivers Financial Model projections provided in***  
2 ***this case. Please state when Big Rivers' financial modeling indicates:***

3

- 4 ***a. the Economic Reserve will be exhausted; and,***  
5 ***b. the Rural Economic Reserve will be exhausted.***

6

7 **Response)**

8

9 a. Please see response to PSC 1-14(b).

10 b. Please see response to PSC 1-14(b).

11

12 **Witness) Travis A. Siewert**





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 176)** *Please refer to the current bylaws provided in response to*  
2 *PSC 1-1. Please provide documents which show and explain the*  
3 *purposes and reasons for the substantive changes (non-typographical)*  
4 *to the bylaws indicated by "blackline."*

5

6 **Response)** Big Rivers objects to the extent that this request seeks  
7 information that constitutes attorney work product or that is subject to the  
8 attorney-client privilege. Notwithstanding this objection, but without  
9 waiving it, Big Rivers states that the changes to Big Rivers' bylaws that have  
10 occurred since the test year in Big Rivers' last rate case, P.S.C. Case No.  
11 2011-00036, excluding typographical and format corrections, were made to  
12 reflect board-approved changes in titles and responsibilities of corporate  
13 officers. Big Rivers is not aware of any documents, other than the  
14 amendments themselves, that explain these revisions, but believes the  
15 amendments are self-explanatory.

16

17 **Witness)** Mark A. Bailey



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 177)** *Please refer to the Financial Policy provided in response to*  
2 *PSC 1-2, at item 4.d. Explain the distinction between interest rate*  
3 *hedging for “speculative” purposes, and for non-speculative purposes,*  
4 *and specifically how Big Rivers makes and applies the distinction*  
5 *between the two hedging purposes.*

6

7 **Response)** The distinction between interest rate hedging for “speculative”  
8 purposes, and for non-speculative purposes can be explained as:  
9 speculative is entering into a financial arrangement based upon the  
10 anticipated rise or fall of interest rates over a period of time; whereas non-  
11 speculative is entering into a bi-lateral financial arrangement to smooth out  
12 cash flows over a period of time. Big Rivers makes and applies this  
13 distinction between the two hedging purposes.

14

15 **Witness)** Billie J. Richert

**BIG RIVERS ELECTRIC CORPORATION**


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

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

**February 28, 2013**

1 **Item 178)** *Please refer to the Financial Policy provided in response to*  
2 *PSC 1-2, at item 5. Please provide copies of all documents presented*  
3 *to and considered by the Board in connection with the past three*  
4 *“Annual Fiscal Reviews.”*  
5  
6 **Response)** Attached are copies of the documents presented to and  
7 considered by the Board in connection with the past three “Annual Fiscal  
8 Reviews.”  
9  
10 **Witness)** Billie J. Richert



Your Touchstone Energy® Cooperative 

# **Financial Policy Annual Fiscal Review – 2011**

## **Board Meeting Date: 4/20/12**

Case No. 2012-00535  
Response to AG 1-178  
Witness: Billie J. Richert  
Page 1 of 31



# Cost of Capital

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
7.98%	7.93%	8.40%	8.33%	7.75%	7.82%

Calculated as follows:

$$\text{Cost of Debt} + \frac{\text{Depreciation} + \text{Property Taxes} + \text{Property Insurance}}{\text{13-Month Average Gross Plant in Service}}$$

# Cost of Debt

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
5.69%	5.73%	6.33%	6.33%	5.76%	5.83%

Calculated as follows:

$$\frac{\text{Interest Expense on Long-Term Debt}}{\text{13-Month Average Principal Balance}}$$

# Capital Expenditures\*

(In Thousands of \$)

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
38,746	42,683	58,388	22,760	18,682	13,189

\* Net of HMP&L's cost share and gross of capitalized interest (ties to the audited statement of cash flows).



# Margins

(In Thousands of \$)

<u>2011</u>	<u>2010</u>	<u>2009*</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
5,600	6,991	531,330	27,816	47,177	34,542

\* Includes \$537,978  
Unwind Gain.

# Equity (deficit)

## At December 31

(In Thousands of \$)

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
389,821	386,575	379,392	(154,602)	(174,137)	(217,371)

# Equity Ratio

## At December 31

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>27.49%</b>	<b>26.26%</b>	<b>25.20%</b>	<b>-14.39%</b>	<b>-13.27%</b>	<b>-17.33%</b>

Calculated as follows:

Total Margins and Equities

Total Assets

**Liquidity\***

**At December 31**

**(In Thousands of \$)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash & Investment Balance	44,849	44,775	60,126	38,425	148,317	95,936
RUS Series A Note Prepaid Status <sup>1</sup>	11,510	23,859	0	0	0	34,995
	<b>56,359</b>	<b>68,634</b>	<b>60,126</b>	<b>38,425</b>	<b>148,317</b>	<b>130,931</b>

<sup>1</sup>Excludes the 4/1/11 payment of the \$35 million Transition Reserve on the RUS Series A Note.

\*Post-Unwind Line of Credit = \$100 million; Pre-Unwind Line of Credit = \$15 million

# Times Interest Earned Ratio

## (TIER)

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1.12	1.15	9.85	1.37	1.64	1.47

Calculated as follows:

$$\frac{\text{Net Margins} + \text{Interest Expense on Long-Term Debt (including interest charged to construction)}}{\text{Interest Expense on Long-Term Debt (including interest charged to construction)}}$$

# Debt Service Coverage Ratio

## (DSCR)

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1.47	1.47	2.44	1.17	2.04	1.86

Calculated as follows:

Net Margins + Interest Expense on Long-Term Debt (including interest charged to construction) + Depreciation & Amortization

---


Principal Due on Long-Term Debt + Interest Expense on Long-Term Debt (including interest charged to construction)

## Member Sales

**(excluding Domtar's cogenerator)**

	2011	2010	2009	2008	2007	2006
<b>MWh</b>						
Rural	2,371,106	2,481,390	2,239,445	2,386,916	2,406,446	2,231,554
Large Industrial	973,093	930,168	919,587	925,793	921,359	956,502
Smelter	6,854,820	6,348,431	3,460,890	1,070,409	2,232,981	1,486,446
	10,199,019	9,759,989	6,619,922	4,383,118	5,560,786	4,674,502
<b>Rate - \$/MWh</b>						
Rural	46.78	45.15	41.13	35.90	35.22	35.58
Large Industrial	41.68	41.89	36.68	31.12	30.96	30.67
Smelter	44.48	44.05	47.54	47.99	53.69	36.22
Average	44.74	44.13	43.86	37.85	41.93	34.78
<b>Revenue – thousands of \$</b>						
Rural	110,912	112,033	92,098	85,700	84,756	79,402
Large Industrial	40,560	38,968	33,729	28,814	28,525	29,335
Smelter	304,879	279,665	164,523	51,369	119,892	53,846
<b>Case No. 2012-00535</b>						
<b>Response to AG 1-178</b>						
<b>Witness: Billie J. Richert</b>	456,351	430,666	290,350	165,883	233,173	162,583



Your Touchstone Energy® Cooperative 

# **Key Financial Performance Indicators (Annual Fiscal Policy Review) For 2010**

## **Board Meeting Date: April 15, 2011**

Case No. 2012-00535  
Response to AG 1-178  
Witness: Billie J. Richert  
Page 12 of 31





# Margins

(In Thousands of \$)

<u>2010</u>	<u>2009*</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>6,991</b>	<b>531,330</b>	<b>27,816</b>	<b>47,177</b>	<b>34,542</b>	<b>26,343</b>

\* Includes \$537,978  
Unwind Gain.



**Cushion Status**  
**At December 31**  
**(In Thousands of \$)**

	<u>2010*</u>	<u>2009*</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash & Investment Balance	44,775	60,126	38,425	148,317	95,936	67,259
RUS Series A Prepayment Status	23,859	0	0	0	34,995	55,357
<b>Total Cushion</b>	<b>68,634</b>	<b>60,126</b>	<b>38,425</b>	<b>148,317</b>	<b>130,931</b>	<b>122,616</b>

\*Lines of Credit = \$100 million; \$10 million was outstanding as of December 31, 2010  
 Case No. 2012-00535  
 Response to AG 1-178  
 Witness: Billie J. Richert  
 Page 14 of 31

# Equity (deficit)

## At December 31

(In Thousands of \$)

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>386,575</b>	<b>379,392</b>	<b>(154,602)</b>	<b>(174,137)</b>	<b>(217,371)</b>	<b>(251,913)</b>

# Capital Expenditures

(In Thousands of \$)

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
42,683	58,388	22,760	18,682	13,189	12,904

# Times Interest Earned Ratio

## (TIER)

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1.15	9.85	1.37	1.64	1.47	1.37

Calculated as follows:

Net Margins + Interest Expense on Long-Term Debt (including interest charged to construction)

Interest Expense on Long-Term Debt (including interest charged to construction)

# Debt Service Coverage Ratio

## (DSCR)

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1.47	2.44	1.17	2.04	1.86	1.79

Calculated as follows:

Net Margins + Interest Expense on Long-Term Debt (including interest charged to construction) + Depreciation & Amortization

---

Principal on Long-Term Debt + Interest Expense on Long-Term Debt (including interest charged to construction)

# Cost of Debt

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>5.73%</b>	<b>6.33%</b>	<b>6.33%</b>	<b>5.76%</b>	<b>5.83%</b>	<b>5.57%</b>

Calculated as follows:

$$\frac{\text{Interest Expense on Long-Term Debt}}{\text{13-Month Average Principal Balance}}$$

# Cost of Capital

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
7.93%	8.40%	8.33%	7.75%	7.82%	7.58%

Calculated as follows:

$$\text{Cost of Debt} + \frac{\text{Depreciation \& Amortization} + \text{Property Taxes} + \text{Property Insurance}}{13\text{-Month Average Gross Plant in Service}}$$



# Equity Ratio

## At December 31


<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
26.26%	25.20%	-14.39%	-13.27%	-17.33%	-20.56%

Calculated as follows:

Total Margins and Equities

Total Assets



Your Touchstone Energy® Cooperative 

**Key Financial Performance Indicators  
(Annual Fiscal Review)  
For 2009**

**Board Meeting Date: June 18, 2010**



# Margins

(In Thousands of \$)

<u>2009*</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>531,330</b>	<b>27,816</b>	<b>47,177</b>	<b>34,542</b>	<b>26,343</b>	<b>22,025</b>

\* Includes \$537,978 Unwind  
Gain.



## General Fund Cash & Temporary Investments

At December 31

(In Thousands of \$)

<u>2009*</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
60,126	38,425	148,317	95,936	67,259	54,886

\* Also have a \$100,000 line of credit.



# Equity (deficit) At December 31

(In Thousands of \$)

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
379,392	(154,602)	(174,137)	(217,371)	(251,913)	(278,256)



# Capital Expenditures

(In Thousands of \$)

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>58,388</b>	<b>22,760</b>	<b>18,682</b>	<b>13,189</b>	<b>12,904</b>	<b>12,203</b>



# Times Interest Earned Ratio

## (TIER)

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
9.85	1.37	1.64	1.47	1.37	1.32

Calculated as follows:

$$\frac{\text{Net Margins + Interest Expense on Long-Term Debt (including interest charged to construction)}}{\text{Interest Expense on Long-Term Debt (including interest charged to construction)}}$$



## Debt Service Coverage Ratio

### (DSCR)

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
2.44	1.17	2.04	1.86	1.79	1.76

Calculated as follows:

Net Margins + Interest Expense on Long-Term Debt (including interest charged to construction) + Depreciation & Amortization

---

Principal on Long-Term Debt + Interest Expense on Long-Term Debt (including interest charged to construction)





# Cost of Debt

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
6.33%	6.33%	5.76%	5.83%	5.57%	5.35%

Calculated as follows:

$$\frac{\text{Interest Expense on Long-Term Debt}}{\text{13-Month Average Principal Balance}}$$



# Cost of Capital

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
8.40%	8.33%	7.75%	7.82%	7.58%	7.38%

Calculated as follows:

$$\text{Cost of Debt} + \frac{\text{Depreciation \& Amortization} + \text{Property Taxes} + \text{Property Insurance}}{\text{13-Month Average Gross Plant in Service}}$$



# Equity Ratio At December 31

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
25.20%	-14.39%	-13.27%	-17.33%	-20.56%	-22.80%

Calculated as follows:

$$\frac{\text{Total Margins and Equities}}{\text{Total Assets}}$$



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 179) *Please provide the Sargent & Lundy environmental***  
2 ***compliance study produced by Big Rivers in Case No. 2012-00063. If***  
3 ***necessary, please provide under seal of confidentiality.***

4

5 **Response)** Big Rivers objects to this request on the grounds that it seeks  
6 information that is irrelevant and not likely to lead to the discovery of  
7 admissible evidence. Notwithstanding that objection, but without waiving it,  
8 please see the document responsive to AG 1-179 on the PUBLIC CDs  
9 accompanying these responses.

10

11 **Witness)** Robert W. Berry



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 180)** *Please provide the monthly payments, that Big Rivers has*  
2 *made to MISO for Network Integrated Transmission Service, as well as*  
3 *the corresponding monthly coincident peak demand, and the hour*  
4 *and date of the CP demand, for Kenergy, Jackson Purchase, and*  
5 *Meade County load, and each smelter, if the smelter load is treated*  
6 *separately, since Big Rivers began taking service under the MISO*  
7 **OATT.**

8

9 **Response)** Because Big Rivers is both the load and the transmission  
10 owner, each month, Big Rivers has offsetting charges for Network Integrated  
11 Transmission Service (NITS) for its load and revenue credits as the  
12 transmission owner.

13

14 **Witness)** Robert W. Berry





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 181) Please Provide Big Rivers formula rate filings, and the**  
2 **spreadsheets used to develop each filing, for each year that Big Rivers**  
3 **has made such filings under Attachment O of the MISO OATT.**

4

5 **Response)** Please see the following files provided in electronic format,  
6 which were used to develop Big Rivers' MISO Attachment O rate filings:

7

1. AG 1-181 (Siewert)(Attachment MISO OATT Attachment O  
BREC 2009)

8

9 2. AG 1-181 (Siewert)(Attachment MISO OATT Attachment O  
10 BREC 2010)

11 3. AG 1-181 (Siewert)(Attachment MISO OATT Attachment O  
12 BREC 2010 (rev01-06-12) Standard Form)

13 4. AG 1-181 (Siewert)(Attachment MISO OATT Attachment O  
14 BREC 2011)

15

16 **Witness)** Travis A. Siewert



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 182) *Please identify and describe the provisions of BREC's "All***  
2 ***Requirements" contract with Kenergy that would permit Kenergy to***  
3 ***serve Smelter load from "the Market."***

4

5 **Response)** Big Rivers objects to this request on the grounds that it seeks  
6 information that is protected by the attorney-client and attorney work  
7 product privileges. Big Rivers also objects to this request on the grounds  
8 that Big Rivers has previously provided all information and documents  
9 necessary for the intervenor to determine the response without further  
10 input. Notwithstanding these objections, but without waiving them, please  
11 see the attached documents.

12

13 **Witness)** Counsel

U. S. DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

RUS BORROWER DESIGNATION KY 62 Big Rivers Electric Corp.

THE WITHIN AMENDMENT TO WHOLESALE POWER AGREEMENTS DATED  
FEBRUARY 16, 1998, AND JUNE 11, 1962, BETWEEN BIG RIVERS ELECTRIC  
CORPORATION AND GREEN RIVER ELECTRIC CORPORATION

SUBMITTED BY THE ABOVE DESIGNATED BORROWER PURSUANT TO THE  
TERMS OF THE LOAN CONTRACT, IS HEREBY APPROVED SOLELY FOR THE  
PURPOSES OF SUCH CONTRACT.

  
FOR THE ADMINISTRATOR

DATED

7/15/98

AMENDMENT TO WHOLESALE POWER AGREEMENTS DATED  
FEBRUARY 16, 1988, AND JUNE 11, 1962, BETWEEN BIG RIVERS ELECTRIC  
CORPORATION AND GREEN RIVER ELECTRIC CORPORATION

THIS AMENDMENT TO WHOLESALE POWER AGREEMENTS is dated as of the 15<sup>th</sup> day of July, 1998, by and between BIG RIVERS ELECTRIC CORPORATION, P.O. Box 24, 201 Third Street, Henderson, Kentucky 42420 ("Big Rivers"), First Party, and GREEN RIVER ELECTRIC CORPORATION, P.O. Box 1389, 3111 Fairview Drive, Owensboro, Kentucky 42302-1389 ("Green River"), Second Party, both parties being cooperative corporations organized and operating under KRS Chapter 279 and related chapters and sections of the Kentucky Revised Statutes.

WHEREAS, the parties hereto entered into a wholesale power agreement dated June 11, 1962, as amended, regarding the terms and conditions on which Big Rivers would sell Green River all its wholesale power requirements for electricity (the "1962 Agreement"); and

WHEREAS, the parties hereto entered into an amended and restated agreement dated February 16, 1988, as amended once on June 14, 1989, twice on December 8, 1989, once on March 28, 1990, once on September 23, 1991, once on September 24, 1991, once on December 2, 1993, once on May 15, 1997, and once on November 21, 1997 regarding the terms and conditions on which Big Rivers would sell Green River all its requirements for electricity for resale to certain large industrial customers of Green River (the "1988 Agreement"); and

WHEREAS, the parties now desire to amend the 1988 Agreement to update the list of covered contracts to delete the Agreement for Electric Service Between Green River

Electric Corporation and NSA, Inc. dated June 14, 1982, as amended, and the Agreement for Electric Service between Green River Electric Corporation and Southwire Rod and Cable, dated June 8, 1989, and to exclude the Agreement for Electric Service between Green River Electric Corporation and Southwire Company of even date herewith; and

WHEREAS, the Parties now desire to amend the existing all requirements nature of the contracts between Big Rivers and Green River to terminate Big Rivers' responsibility to provide the wholesale power supply used by Green River to serve Southwire Company; and

WHEREAS, the Parties seek to establish Green River's ability to step outside the all requirements provisions of the 1962 Agreement and the 1988 Agreement under the circumstances identified in this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants of the parties hereto, the parties agree as follows:

**Section 1.** Exhibit 1 to the 1988 Agreement shall be and is hereby amended to read as set out in Schedule 1, which is attached hereto and incorporated herein by reference.

**Section 2.** The Agreements are amended to include the following provisions:

1. DEFINITIONS:

1.1 1962 Agreement: The wholesale power agreement dated June 11, 1962, as amended, regarding the terms and conditions on which Big Rivers now sells Green River all its wholesale power requirements for electricity.

1.2 1988 Agreement: The amended and restated agreement dated February 16, 1988, as amended, regarding the terms and conditions on which Big Rivers now sells

Green River all its requirements for electricity for resale to certain large industrial customers of Green River.

- 1.3 Agreements: Collectively, the 1962 Agreement and the 1988 Agreement.
- 1.4 Agreement for Electric Service: The Agreement for Electric Service between Green River Electric Corporation and Southwire Company, of even date herewith, as it exists on the Date of Implementation.
- 1.5 Ancillary Services: Those services that are necessary to support the transmission of energy from resources to loads while maintaining reliable operation of Big Rivers' transmission system, as set forth and described in Big Rivers' Open Access Transmission Tariff as filed with and approved by the KPSC and/or FERC, as applicable.
- 1.6 Big Rivers/LEC Transaction: The transaction contemplated by a series of agreements under which Big Rivers, LG&E Energy Corp. ("LEC"), and affiliates of LEC will enter into a Phase I or Phase II transaction wherein (i) Big Rivers will sell the output of, or lease, its generators to LEC affiliates and under which, *inter alia*, (ii) LEC affiliates, instead of Big Rivers, will provide wholesale power to Green River for resale to Southwire.
- 1.7 Big Rivers Transaction Tariff: The Tariff filed by Big Rivers with the KPSC to become effective in conjunction with the Big Rivers/LEC Transaction.
- 1.8 Date of Implementation: 12:01 a.m. on the day after the closing date of the Big Rivers/LEC Transaction.

- 1.9 Designated Third-Party Supplier: Any supplier of wholesale electric service who sells electric capacity or energy directly to Green River for resale to Southwire.
- 1.10 FERC: The Federal Energy Regulatory Commission or any successor agency.
- 1.11 KPSC: The Kentucky Public Service Commission or any successor agency.
- 1.12 LEM: LG&E Energy Marketing Inc., an affiliate of LEC.
- 1.13 OASIS: Open Access Same-time Information System, an information system and standards of conduct developed in accordance with Part 37 of FERC's regulations and all additional requirements implemented by subsequent FERC orders dealing with OASIS, on which Big Rivers will post its available transmission capacity pursuant to its Open Access Transmission Tariff and on which it will accept all requests for transmission service.
- 1.14 Open Access Transmission Tariff: Any transmission tariff approved by FERC following a filing by a public utility pursuant to 18 C.F.R. 35.28(c) or approved by FERC as constituting reciprocal transmission service following a submittal by a non-public utility pursuant to 18 C.F.R. 35.28(e) or approved by the KPSC.
- 1.15 RUS: The Rural Utilities Service or any successor agency.
- 1.16 Southwire: Southwire Company.
- 1.17 Tier 1 Service: The take-or-pay electric service provided by Green River to Southwire whereby Green River purchases power directly from an LEC affiliate for resale to Southwire, as set forth in the Agreement for Electric Service.



1.18 Tier 2 Service: The electric service associated with delivery of energy designated as "Tier 2 Energy," including Tier 2 Supplemental Energy, provided by Green River to Southwire whereby Green River purchases wholesale power directly from an LEC affiliate for resale to Southwire, as set forth in the Agreement for Electric Service.

1.19 Tier 3 Service: The electric service provided by Green River to Southwire whereby Green River purchases power directly from an LEC affiliate through December 31, 2000 and thereafter from Third-Party Suppliers selected by Green River for resale to Southwire as set forth in the Agreement for Electric Service.

1.20 WKEC: Western Kentucky Energy Company, one of the LEC affiliates.

1.21 Working Day: Any Monday through Friday of each week except legal holidays established by law in the United States of America or the Commonwealth of Kentucky.

2. Commencing on the Date of Implementation, Big Rivers shall be under no obligation to provide wholesale power to Green River for resale to Southwire and Green River shall be under no obligation to purchase wholesale power from Big Rivers for resale to Southwire. Big Rivers shall in no case have any Tier 1, Tier 2, Tier 3 Service, or any other wholesale power supply responsibilities to Green River with respect to any Southwire load, excepting only any Tier 3 Service power supply arrangements that later may be negotiated between Green River and Big Rivers for wholesale service for any period after December 31, 2000. Notwithstanding the above, Big Rivers shall be obligated to provide

Green River and/or any Designated Third-Party Supplier with unbundled transmission service and certain specified Ancillary Services, as set forth below in Paragraph 3. As of the Date of Implementation and thereafter, neither Green River nor Southwire, nor any subsequent wholesale supplier of power consumed by Southwire shall have any responsibility for any stranded investment costs, exit fees or other costs, whether or not foreseeable, of any kind whatsoever related to the financing, construction, operation, maintenance or decommissioning of Big Rivers' generating assets or the Big Rivers transmission system or other assets, or related to Green River's contractual obligation to Big Rivers with respect to Big Rivers' service to Green River to serve Southwire's load at the NSA Smelter or the Southwire Rod & Cable Mill; provided, however, that nothing in the above language shall excuse any party from any new contractual obligations agreed to by that party after the Date of Implementation relating to the financing, construction, operation, maintenance or decommissioning of any new, dedicated transmission facilities on Big Rivers' transmission system used for the provision of transmission service for the power consumed by Southwire. Notwithstanding the above, Green River shall have the obligation to pay Big Rivers amounts owing under Big Rivers' tariff for service rendered to Green River on behalf of Southwire prior to the Date of Implementation. Other than with respect to the wholesale power supply for Southwire's load, the all requirements provisions of the Agreements shall remain in effect.

3. Big Rivers covenants to Green River as follows:

- 3.1 Big Rivers will transmit over Big Rivers' transmission system (i) energy purchased by Green River from Designated Third-Party Suppliers for resale to Southwire as Tier 1, Tier 2 and Tier 3 Service, and (ii) energy constituting all or any portion of Southwire's Tier 1 purchase obligation under its Agreement for Electric Service that is to be resold by Green River pursuant to the Agreement for Electric Service. Big Rivers will provide transmission service to Green River or any Designated Third-Party Supplier for the above service in accordance with the type of transmission service reserved on Big Rivers' OASIS by Green River or any Designated Third-Party Supplier, or as transmission is otherwise available consistent with Big Rivers' Open Access Transmission Tariff.
- 3.2 Big Rivers agrees, with respect to Tier 1, Tier 2, and Tier 3 Service, provided by Green River to Southwire, to provide Green River or any Designated Third-Party Supplier with all transmission and Ancillary Services offered to WKEC and/or LEM as part of the Big Rivers/LEC Transaction and to offer Green River or any Designated Third-Party Supplier all rates, terms, and conditions for transmission (including firm and non-firm point-to-point service and network service) and all Ancillary Services in accordance with Big Rivers' Open Access Transmission Tariff, as such tariff is then in effect. Notwithstanding the above, Big Rivers agrees to provide reactive power to Green River with respect to the power delivered to Southwire as set forth in Paragraph 3.3 below.

3.3 For all power sold by Green River to Southwire through the expiration or earlier termination of the Agreement for Electric Service, Green River, in order to avoid liability for additional payments to Big Rivers for reactive power as set forth below, shall: (i) during the period from the Date of Implementation through December 31, 2000, require Southwire to maintain a power factor at the point of delivery specified in the Agreement for Electric Service as nearly as practicable to unity and in no case shall the power factor be allowed to fall below 0.90 leading or lagging with respect to the power delivered thereunder; and (ii) during the period from January 1, 2000 through the expiration or earlier termination of the Agreement for Electric Service, require Southwire to maintain its usage of reactive power at the point of delivery at a level such that the reactive power demand does not exceed the reactive demand that would occur at a power factor of 0.90 lagging at the metered demand up to 339,000 kilowatts (accordingly, the reactive power recorded by Southwire at the point of delivery shall not exceed 164,185 kilovars when the metered demand is at or above 339,000 kilowatts). Big Rivers, in consideration for certain payments to be received from LEC or its affiliates as part of the Big Rivers/LEC Transaction, agrees to provide reactive power to Green River at no additional charge so long as Southwire's usage of kilovars remains within the levels specified in (i) and (ii) above. In the event that Southwire's recorded reactive power demand exceeds the limitations set forth above, Green River agrees to purchase sufficient reactive power from a third-party

source to maintain the above specified power factor or usage of reactive power, or pay Big Rivers for such required amounts of reactive power, if available from Big Rivers. The above described reactive power limits shall not be applicable to any reactive power consumed on the proposed fifth pot line by Southwire.

Specifically with respect to any fifth pot line that may be constructed at the Southwire smelter for all Energy that Southwire purchases and receives from Green River, Green River shall require Southwire to maintain a power factor at the point of delivery that shall be at unity or leading, but in no event shall be lagging. Green River shall require Southwire, at its sole expense, to either install the necessary equipment or pay Green River's costs to acquire the necessary reactive power from third-party suppliers of generation-based ancillary services, to satisfy the limitation set forth in this paragraph.

3.4 Big Rivers agrees to continue to perform for Green River with respect to service to Southwire those services set forth in Schedule 2 to this Agreement, in a manner consistent with historical practices at no additional charge to Green River or Southwire in consideration for certain payments to be received from LEC or its affiliates as part of the Big Rivers/LEC Transaction. In addition to those services enumerated on Schedule 2, Big Rivers will continue to perform without additional charge those operations and maintenance services reasonably performed by a wholesale power supplier in a manner consistent with historical practices between Big Rivers and Green River. Any power supply meter reading and billing

services performed by Big Rivers for Green River and any Designated Third-Party Supplier consistent with this Section 3.4 shall be provided separately from Big Rivers' billing for transmission and ancillary services, which shall be provided in accordance with Big Rivers' Open Access Transmission Tariff and this Amendment.

3.5 Big Rivers agrees and recognizes that each of Green River and Southwire shall have the right to intervene, fully participate in, and challenge at any regulatory proceeding at the appropriate regulatory agency (i) the applicable transmission rates, (ii) the applicable transmission loss factor, and/or (iii) the appropriate methodology used to determine the applicable Big Rivers' transmission rates or transmission loss factor used in Big Rivers' Open Access Transmission Tariff.

4. Big Rivers' commitment to provide the transmission service, Ancillary Services, and other services set forth in Paragraph 3 above to Green River and/or any Designated Third-Party Supplier shall be contingent upon the following conditions:

4.1 Green River and/or any Designated Third-Party Supplier shall make a monthly payment to Big Rivers of the full amount owing for all such transmission service and Ancillary Services.

4.2 Green River and/or any Designated Third-Party Supplier shall arrange for transmission and any required Ancillary Services using Big Rivers' OASIS to determine the availability of, and to reserve transmission on, Big Rivers' transmission system for the type of transmission sought for the Tier 1, Tier 2 and

Tier 3 Service power purchased by Green River from Designated Third-Party Suppliers.

- 4.3 Green River and/or any Designated Third-Party Supplier shall pay for transmission service and all required Ancillary Services on Big Rivers' transmission system according to the rates, terms, and conditions contained in the Big Rivers Transaction Tariff and, where applicable therein, Big Rivers Open Access Transmission Tariff.
- 4.4 With respect to Tier 3 Service (after December 31, 2000) Green River shall purchase from its Designated Third-Party Supplier(s) sufficient amounts of energy to compensate for transmission losses in accordance with the applicable transmission loss factors and in the manner specified in the Open Access Transmission Tariff of Big Rivers.
- 4.5 The Designated Third-Party Supplier shall have delivered such Tier 1, Tier 2 or Tier 3 Service power to the Big Rivers transmission system as scheduled by Green River or that Designated Third-Party Supplier.
5. Green River agrees to purchase, or cause Designated Third-Party Suppliers to purchase, transmission services from Big Rivers under the following terms and conditions. During the period commencing January 1, 2001 and terminating December 31, 2010, Green River shall reserve and pay for, or cause one or more Designated Third-Party Suppliers to reserve and pay for, firm transmission services (including all transmission based ancillary services) on Big Rivers' transmission system at the applicable rates under Big Rivers'

Open Access Transmission Tariff to deliver all or a portion of the Tier 3 Service that Green River purchases for resale to Southwire. Green River further agrees that in the event that the amount paid to Big Rivers in any month during the subject ten-year period is less than \$83,300, Green River shall pay an additional amount to Big Rivers equal to the difference in such month between \$83,300 and the amount paid for such reserved transmission. Big Rivers agrees that provided Green River requires Southwire in the Agreement for Electric Service to take-or-pay for delivery of Tier 3 Service in an amount that is no less than \$83,300 per month during the subject ten-year period, then Big Rivers will hold Green River harmless for any portion of Southwire's take-or-pay transmission obligation not received by Green River from Southwire. Green River agrees to assign to Big Rivers any rights of action it may have against, or payment obligations from, Southwire in connection with a failure by Southwire to pay Green River the above described take-or-pay commitment to be set forth in the Agreement for Electric Service.

6. To the extent that Green River is in material breach of its responsibilities herein to Big Rivers relating to the wholesale power used to serve Southwire, Big Rivers shall be entitled to suspend the provision of transmission service, Ancillary Services, and other services for the wholesale power to be sold to Southwire until such time as Green River is no longer in such breach. Prior to any such suspension, Big Rivers shall give Green River fifteen (15) days' notice and an opportunity to cure such a breach. Copies of such notice also shall be sent in writing to Southwire and LEM at that time.



7. Big Rivers shall indemnify and hold Green River harmless from any liability to any Designated Third-Party Suppliers or Southwire that accrues as a result of a failure by Big Rivers to perform its obligations relating to Tier 1, Tier 2, or Tier 3 Service under this Amendment that is not excused by reason of Uncontrollable Forces or by an act or omission by Green River, its employees and agents that causes such failure to perform by Big Rivers.
8. Green River shall indemnify and hold Big Rivers harmless from liability for any liability to Designated Third-Party Suppliers occasioned by purchases of Tier 3 Service under this Amendment, except where such liability arises by action or omission of Big Rivers, its employees and its agents, other than Green River. Further, Green River shall indemnify and hold Big Rivers harmless for any expense incurred by Big Rivers or liability of Big Rivers to Designated Third-Party Suppliers as a result of a failure by Green River or Southwire to perform their obligations with respect to Designated Third-Party Suppliers under the Agreement for Electric Service or, with respect to Green River, any agreements with Designated-Third Party Suppliers, provided that such failure to perform such obligations is not due to an act or omission of Big Rivers or its employees and its agents, other than Green River.
9. In the event of any conflict between the provisions of this Amendment and those of the Agreements it amends, the provisions of this Amendment shall govern. Any obligation of Big Rivers under the Agreements to perform any covenant required of Green River under the Agreement for Electric Service with Southwire, shall not extend to the duties of

Green River as they relate to Tier 1, Tier 2, or Tier 3 Service. Other than as set forth in Paragraph 3 of this Amendment, Big Rivers shall have no obligations to Green River or Southwire relating to Green River's provision of electric service to Southwire, except as provided in Paragraph 10 of this Amendment, and any provisions of the Agreements inconsistent with this Amendment shall be of no further force and effect.

10. Except to the extent not permitted by Kentucky law and Internal Revenue Service laws, regulations and promulgated rules regarding cooperative operation and tax accounting that become effective after the Date of Implementation, Big Rivers agrees to record for financial reporting and tax accounting purposes patronage capital as follows:

- 10.1 Only margins from patronage source income will qualify for allocation as patronage capital. None of the LG&E Parties will be treated as a member or patron under the Big Rivers/LEC Transaction. Big Rivers will not credit to any patron's account any margin on Southwire sales or any other patronage capital that could be attributable to transactions involving LEM. Non-patronage income will be booked as equity of Big Rivers that shall be paid to members of Big Rivers on liquidation as payments on account of property rights of such members.

- 10.2 Upon a liquidation of Big Rivers, Big Rivers will pay all liabilities, including taxes, then pay the balance of capital accounts (membership fees and assigned capital credits) and, if monies remain, such monies will be paid to Big Rivers' members on account of property rights for the benefit of the members of Big Rivers' member distribution cooperatives (including Southwire) based upon the

historical patronage measured by kilowatt hours from Big Rivers over the life of the organization. The life of the organization is defined to begin at the date Big Rivers was created and is not redefined or otherwise modified by Big Rivers' bankruptcy filing, reorganization, or the confirmation of the plan of reorganization, or otherwise.

10.3 Big Rivers and Green River agree with each other that neither Big Rivers nor Green River will permit any amendments or modifications of its bylaws that would adversely affect Southwire's rights to distribution hereunder. Green River agrees with Big Rivers that Southwire will share on a non-discriminatory basis the allocations of patronage capital and payments on account of property rights of members distributed by Big Rivers to Green River and that such allocations shall be promptly distributed to Southwire.

11. This Amendment shall commence as set forth in Section 3 below, and shall terminate upon the later of the expiration or termination of that transaction or the termination or expiration of the Agreements. However, notwithstanding the foregoing, Big Rivers shall have no responsibilities to Green River with respect to service to Southwire after the earlier to occur of December 31, 2010 or the date of termination of the Agreement for Electric Service.

Section 3. This Amendment shall be effective on the date upon which the last of the following conditions precedent occurs:

1. This Amendment is approved by the Administrator of the Rural Utilities Service,  
and
2. This Amendment has been filed with and accepted by the KPSC; and
3. Southwire, Green River and Big Rivers shall have executed and filed all agreed orders of dismissal of litigation pursuant to Schedule 5.1(b)(15)(i) and Schedule 5.1(b) (15)(ii) of the Plan of Reorganization and any and all claims and causes of action to which Southwire is a participant against Big Rivers as debtor or restructured debtor, shall have been settled, comprised and released in a manner acceptable to Big Rivers, Green River and Southwire pursuant to Section 5.3(b) of the Plan of Reorganization, and
4. The Phase I or Phase II Transaction with LEC and its affiliates shall have become effective.

IN TESTIMONY WHEREOF, the parties hereto have executed this Amendment in multiple counterparts as of the date first hereinabove written.

BIG RIVERS ELECTRIC CORPORATION

By: 

\_\_\_\_\_  
President

ATTEST:

*Mark A. Hite*  
Secretary

GREEN RIVER ELECTRIC CORPORATION

By: *Dean Stanley*  
President and ~~General Manager~~ CEO

ATTEST

\_\_\_\_\_  
Secretary

Schedule 1

**CONTRACTS OF GREEN RIVER ELECTRIC CORPORATION  
FOR RESALE OF ELECTRIC SERVICE TO INDUSTRIAL CUSTOMERS**

(1) Agreement for Electric Service between Green River Electric Corporation and Martin Marietta Aluminum, Inc., dated May 15, 1978, as amended by Amendment No. 1 thereto, dated November 5, 1979. Martin Marietta Aluminum, Inc., changed its name to Commonwealth Aluminum Corporation effective January 11, 1985, and changed its name to Commonwealth Industries, effective \_\_\_\_\_.

(2) Amended and Restated Agreement for Electric Service between Green River Electric Corporation and Willamette Industries, Inc. - Kentucky Mills Division, dated September 16, 1991.

## Schedule 2

### Services to be Provided by Big Rivers to Green River with Respect to Service to Southwire

1. Perform line switching services in Big Rivers' generation switchyards to provide 161 kV line outages as requested by Southwire.
2. Maintain, test and repair Big Rivers' two way radio located in Southwire's control room which is used for emergency communication.
3. Maintain, test and repair ring-down communication telephone systems that connects Big Rivers' control center to the Southwire control room.
4. Maintain, test and repair the relays located in Big Rivers' generation switchyard control buildings that are associated with the pilot wire schemes between Big Rivers switchyards and the Southwire switchyard.
5. Maintain, test, repair and read all revenue meters and revenue metering associated equipment used to deliver power to Southwire.
6. Maintain, test, repair and read the meter pulse generation devices located in Big Rivers' generation switchyards used for Southwire load control efforts.
7. Inspect, maintain, and repair the 161 kV lines located between Big Rivers' generation switchyards and the Southwire switchyard.
8. Submit on a timely basis bills for Green River to Southwire and supply to Green River billing information regarding the monthly revenue meter readings.

*Bankruptcy Plan of Reorganization*  
**SCHEDULE 5.4(a)<sup>1</sup>**  
**AS MODIFIED JUNE 1, 1998**

**Terms for Settlement of Smelter Issues**

This Schedule 5.4(a) sets forth fundamental understandings in connection with the resolution of all Smelter issues and the preparation of other documents which, collectively, will encompass the Smelter settlement as incorporated into the First Amended Plan of Reorganization Proposed by Big Rivers Electric Corporation Under Chapter 11 of the Bankruptcy Code, as Amended and Restated June 9, 1997 (the "Plan"), as modified by the Plan Modifications. In the event of conflict between this schedule and any executed agreement, the agreement will govern. The understandings are as follows:

1. **Basic Economic Terms.** Big Rivers Electric Corporation ("Big Rivers"), Green River Electric Corporation ("Green River Electric"), Henderson Union Electric Cooperative Corp. ("Henderson Union"), and LG&E Energy Marketing Inc. ("LEM"), together with Alcan Aluminum Corporation ("Alcan"), NSA, Inc. ("NSA") and Southwire Company ("Southwire") (collectively the "Smelters"), have reached an understanding on the basic economic terms of new power contracts, as set forth in Schedule 5.3 (a), which is hereby incorporated herein as a part of this Schedule 5.4 (a).

2. **Stand-By Commitments and Creditor Non-Disturbance Agreements.**

(a) **Standby Agreement.** The parties agree that no Standby Power Agreement will be required because Big Rivers will no longer be the wholesale power supplier to Henderson Union and Green River Electric on behalf of the Smelters.

(b) **Non-Disturbance Agreement.** The parties agree that a non-disturbance agreement between the RUS and the Smelters will not be required because LEM has assumed a direct obligation to pay to RUS on behalf of Big Rivers an amount equal to the "Monthly Margin Payment," as defined in the Transaction Agreements, so that in no event will RUS, as creditor of Big Rivers, have any security or other financial interest in any of the smelter contracts or in any revenue generated by power sales to the Smelters.

3. **Supply Obligation.**

(a) **Termination of Supply Obligation by Big Rivers.** Commencing at 12:01 a.m. on the day after the Closing Date of the LG&E Energy Transaction ("Date of Implementation"), Big Rivers shall be under no obligation to

<sup>1</sup> Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan, as modified by the Plan Modifications.



provide power to Green River Electric and Henderson Union for consumption by Southwire and Alcan and Green River Electric and Henderson Union shall be under no obligation to purchase power from Big Rivers for consumption by Southwire and Alcan. Big Rivers shall in no case have any power supply responsibilities to either Green River Electric with respect to any Southwire load or to Henderson Union with respect to any Alcan load. Notwithstanding the above, Big Rivers shall be obligated to provide Green River Electric and Henderson Union and/or Green River Electric's and Henderson Union's designated wholesale power supplier with unbundled transmission service set forth in paragraph 6 below and certain quantities of reactive power set forth in paragraph 7 below.

(b) Commencement of LEM's Power Supply Obligation.

Commencing on the Date of Implementation, LEM will become the designated wholesale power supplier to Green River Electric and Henderson Union with respect to certain amounts of energy and capacity. Such energy and capacity will be purchased by Green River Electric and Henderson Union for resale to Southwire and Alcan, respectively. LEM and each of Henderson Union and Green River Electric will enter into an Agreement for Electric Service, the term of which will commence on the Date of Implementation and expire as of December 31, 2011 and December 31, 2010, respectively ("Wholesale Agreement"). Pursuant to such Wholesale Agreements, LEM will sell and the respective Distribution Cooperative will purchase Tier 1 Energy and Tier 2 Energy, each of which will be available throughout the term of the Wholesale Agreement; Tier 3 Energy, which will be available to a limited extent and for a limited period, as described further below; and Tier 3 Interruptible Energy and Tier 3 Backup Energy, each of which will be available only during the period from January 1, 2001 through the end of the term of the applicable Wholesale Agreement. Green River Electric and Henderson Union will sell to the Smelters, and the Smelters will purchase, such power as the Distribution Cooperatives receive from LEM under the same rates, terms and conditions as provided by LEM and such other energy and/or capacity as permitted by contract, but subject in all cases to the applicable Distribution Cooperative fee; provided, however, that to the extent applicable, such rates, terms and conditions have been filed with and approved by the KPSC.

(c) Bundled and Unbundled Services. To the extent LEM is the wholesale supplier of energy sold to the Distribution Cooperatives for resale to the Smelters, LEM will, to the extent agreed to, as set forth in definitive documents, reserve and pay for transmission service for all power which it delivers to the Distribution Cooperatives. The Distribution Cooperatives will reimburse LEM, and the Smelters will reimburse the Distribution Cooperatives, for such transmission service in the manner provided in the Wholesale Agreements and the associated retail contract between each Distribution Cooperative and its Smelter ("Retail Agreement"). Pursuant to the Wholesale Agreements, the cost of transmission service and certain ancillary services consisting of Regulation and Frequency Response Service, Energy Imbalance Service, Operating Reserve - Spinning Reserve Service and Operating Reserve - Supplemental Reserve Service (the "Bundled Ancillary Services") are embedded in the stated energy rates applicable to Tier 1 Energy, Tier 2 Energy and Tier 3 Interruptible

Energy and also in the rate for Tier 3 Backup Energy but only to the extent that LEM charges the Distribution Cooperative a rate of \$0.0307 per kWh for such Tier 3 Backup Energy. LEM will charge for Tier 3 Backup Energy at a rate equal to the greater of \$0.0307 per kWh or 110% of amounts LEM pays to obtain and deliver such energy, including any amounts that LEM pays for transmission and ancillary services on any third-party transmission systems and 100% of the transmission costs on Big Rivers' transmission system, provided that LEM will not charge a rate for Tier 3 Backup Energy greater than the maximum rate for energy imbalance service permitted under its rate schedule for the sale of Ancillary Services as filed with FERC. Tier 3 Energy provided by LEM to the Distribution Cooperatives under the Wholesale Agreement will include Bundled Ancillary Services within the stated energy rates. Reactive Power will not be provided to the Distribution Cooperatives or the Smelters directly by LEM under the Wholesale Agreements (unless specifically agreed to in writing by LEM), but rather, will be provided as described in Paragraph 7 below.

(d) Amounts Owning To Big Rivers Prior to Transfer.

Notwithstanding section 3(a) above, Southwire and Alcan shall have the obligation to pay Green River Electric and Henderson Union, respectively, and Green River Electric and Henderson Union shall have the obligation to pay Big Rivers, amounts owing under Big Rivers' tariff for service rendered by Big Rivers to Green River Electric for resale to Southwire and by Big Rivers to Henderson Union for resale to Alcan prior to the termination of Big Rivers' power supply obligation.

4. Structure of Tier 3 Service.

(a) Rates. From the Date of Implementation up to and including December 31, 2000, the cost of Tier 3 power purchased by Southwire and Alcan from Green River Electric and Henderson Union, respectively, will be \$19.20 multiplied by the sum of one plus the applicable transmission loss factor. On and after January 1, 2001, through December 31, 2010 and 2011 for Southwire and Alcan, respectively, Tier 3 Energy shall be directly acquired by the Smelters from third party suppliers and outside of Tier 3 at such time as (1) such direct market access is permitted by applicable law and (2) there is no existing contractual obligation of Green River Electric or Henderson Union to acquire Tier 3 Energy for resale to Southwire or Alcan, as applicable. Subject to the terms of paragraph 24, on and after January 1, 2001, and until otherwise permitted by law through December 31, 2010 and 2011, for Southwire and Alcan, respectively, Tier 3 Energy will be made available by Green River Electric and Henderson Union for resale to Southwire and Alcan at rates which shall be filed with and approved by the KPSC. Such filings by Green River Electric and Henderson Union shall reflect a pass-through of Tier 3 Energy costs incurred by Green Rivers Electric and Henderson Union after consultation with the Smelters as to the Smelters' power needs in accordance with subparagraph 4(c).

(b) All Requirements Wholesale Contracts Amended. The all-requirements contracts between Big Rivers and each of the Distribution Cooperatives

will be amended to provide that the power supply to be sold to the Distribution Cooperatives for resale to the Smelters need not be provided by Big Rivers.

(c) **Consultation With Smelters.** For purchases of Tier 3 Energy for delivery after December 31, 2000, the Distribution Cooperatives shall consult with the Smelters with respect to specifications as to the type of service, terms, conditions and characteristics of Tier 3 power to be solicited from third-party suppliers.

5. **Bundled Rates Not Subject to Change.** The Tier 1 Energy Rate, Tier 2 Energy Rate, Tier 3 Interruptible Energy Rate and the rate for Tier 3 Back-Up Energy (when priced at \$30.70 per MWh) as charged by LEM to the Distribution Cooperatives through the expiration of the Wholesale Agreements are bundled rates and are not subject to change for any reason, including changes in the Transmission Provider's OATT. The Tier 3 Energy Rate charged by LEM to the Distribution Cooperatives during the period from the Date of Implementation through December 31, 2000 includes (1) a base energy component, which includes the Bundled Ancillary Services and is not subject to change for any reason, and (2) a component for transmission losses, based on the applicable transmission loss factor, which may be changed from time to time, under Big Rivers' OATT. All such rates, when charged by the Distribution Cooperatives to the Smelters, may be changed, upon a filing with and approval by the KPSC, only as a result of legislative, regulatory or legal actions that affect costs at the Distribution Cooperative level.

6. **Transmission of Tier 3 Power.**

(a) **Reservation of Transmission.** The transmission services to be provided by Big Rivers to LEM and/or the Distribution Cooperatives on behalf of the Smelters for Tier 3 service beginning on the Date of Implementation shall be reserved by LEM and/or the Distribution Cooperatives by means of Big Rivers' Open Access Same-time Information System ("OASIS") in accordance with the procedures contained in Big Rivers' OATT and the provisions of the Retail Agreements. Big Rivers agrees to offer all transmission services offered in its OATT to LEM and/or the Distribution Cooperatives, as applicable, on behalf of the Smelters (including network and firm and non-firm point-to-point service) at rates as they are then in effect in such tariff.

(b) **Transmission Rates; Right to Oppose.** Transmission rates for the transmission service on Big Rivers' transmission system used by LEM and/or the Distribution Cooperatives for the wholesale power sold to the Smelters as Tier 3 Service shall be provided in accordance with the then-applicable rates contained in Big Rivers OATT. The rates for firm point-to-point transmission service and network transmission service offered by Big Rivers shall include all charges for transmission based ancillary services, including scheduling and dispatch by Big Rivers and reactive power provided from the then-existing level of transmission capacitor banks on Big Rivers' transmission system. Big Rivers and the Distribution Cooperatives agree that Southwire and Alcan shall have the right to intervene and challenge at any regulatory

proceeding at the appropriate regulatory agency the applicable rate, the applicable transmission loss factor, and/or the appropriate methodology used to determine the applicable rate or transmission loss factor.

(c) Ancillary Services. Bundled Ancillary Services are included in the rate for Tier 3 Service sold by LEM to the Distribution Cooperatives for the benefit of the Smelter through December 31, 2000. Thereafter, the transmission of Tier 3 power will require the Distribution Cooperatives to acquire FERC-required generation-based ancillary services, either from Big Rivers through its OATT, from LEM, or from a third party supplier. LEM agrees that it or one of its affiliates will sell such generation-based ancillary services at FERC-approved tariff rates to the Distribution Cooperatives under Big Rivers' OATT.

(d) Transmission Losses; Right to Oppose. Transmission losses on Big Rivers transmission system with respect to Tier 3 service will be supplied to Big Rivers by LEM or any other third party power supplier at a level in accordance with the transmission loss factor specified in Big Rivers' OATT; provided that the Smelters and the Distribution Cooperatives do not waive and specifically reserve for themselves and recognize the other's right to intervene and fully participate in any FERC proceeding to challenge the loss factor or methodology to be adopted. The right of the Distribution Cooperatives, Southwire and Alcan to intervene and oppose transmission loss levels included in Big Rivers' OATT at FERC and/or the KPSC shall not be opposed by Big Rivers and shall apply to Big Rivers' initial filing and any subsequent filing. Southwire and Alcan shall be entitled to assert at the applicable regulatory commission their case for a different transmission loss factor or methodology applicable to their uses of the transmission system for Tier 3 service.

(e) Mechanics.

(i) Right of First Refusal Over Existing Transmission Used to Serve the Smelters. All Tier 3 transmission service shall be provided in accordance with Big Rivers' OATT and the applicable service agreement entered into by LEM and/or the Distribution Cooperatives during the initial sixty days after the filing of Big Rivers' OATT. Big Rivers agrees that LEM and/or the Distribution Cooperatives shall hold a right of first refusal for Big Rivers' transmission capacity currently used to provide the Distribution Cooperatives with wholesale power to supply the Smelters in accordance with Section 2.2 of Big Rivers' OATT. Should LEM or the Distribution Cooperatives, as applicable, desire at any time after the filing of the OATT to change the designated receipt point or points for the power that is to be delivered to them under a reserved firm point-to-point transmission contract, they shall be allowed to do so, provided that available transmission capacity then exists on Big Rivers' transmission system as reflected on Big Rivers' OASIS over the alternative path or paths desired. If such transmission capacity is not then available, either LEM or each Distribution Cooperative, as applicable, on behalf of its Smelter customer shall be given the option of retaining its current contract path and reserved amount of

transmission or taking such transmission as is available over the alternative transmission path selected, with the remainder to be left on the existing transmission path or paths.

(ii) Transmission Planning and Service Obligation for Additional Smelter Capacity. Through December 31, 2001, consistent with FERC Order No. 888, Big Rivers shall continue to have a transmission planning obligation with respect to the Southwire and Alcan loads served by Green River Electric and Henderson Union, and LEM or the respective Distribution Cooperative, as applicable, will cause Big Rivers to hold in reserve at no additional cost existing transmission capacity in an amount needed for Southwire and Alcan's reasonably forecasted load growth through December 31, 2001, provided such projections of forecasted load growth are made available to Big Rivers prior to the effective date of Big Rivers' OATT. Big Rivers will give each Smelter a written notice of filing and a copy of all filed materials at the time of any filing involving Big Rivers' OATT. The point-to-point transmission paths to be held in reserve for Southwire's and Alcan's reasonably forecasted load growth shall be those designated by Southwire and Alcan and supplied by LEM, Green River Electric and/or Henderson Union (as applicable) to Big Rivers. Transmission capacity held in reserve for Southwire's and Alcan's reasonably forecasted load growth during this period shall be posted on Big Rivers' OASIS and made available to third-parties by Big Rivers on a non-firm basis until such time as it is needed and contracted for at OATT rates by LEM or Green River Electric and Henderson Union, as applicable, on behalf of Southwire and Alcan; provided, however, that if such transmission capacity held in reserve by Big Rivers for Distribution Cooperative load growth attributable to the Smelters is not contracted for by LEM or Green River Electric or Henderson Union, as applicable, by December 31, 2001 Big Rivers shall thereafter be entitled to release such capacity held in reserve and post it for sale on a firm basis on its OASIS.

(f) Rates No Less Favorable. For transmission service to LEM or the Distribution Cooperatives (as applicable) on behalf of the Smelters, Big Rivers shall not charge LEM or the Distribution Cooperatives more than the lesser of (i) the amount that Big Rivers imputes to itself for its own off-system transactions, or (ii) the amount Big Rivers charges to any third-party after the effective date of its OATT for comparable transmission service and ancillary services. The terms and conditions of transmission service and ancillary services offered by Big Rivers to LEM, any third party power supplier or the Distribution Cooperatives on behalf of the Smelters shall not be (i) less favorable than those applied by Big Rivers to itself for its own off-system transactions under its OATT or (ii) less favorable than those applied by Big Rivers to any third-party taking service after the effective date of the OATT.

## 7. Reactive Power.

(a) Power Factor Limitation. Big Rivers, the Distribution Cooperatives and the Smelters have agreed that for all power taken by the Distribution Cooperatives on or before December 31, 2000 under Tier 1, Tier 2, and Tier 3, the

Distribution Cooperative shall maintain and shall require its respective Smelter customer to maintain a power factor at the point of delivery as nearly as practicable to unity and in no case shall the power factor be allowed to fall below 0.90 leading or lagging with respect to power delivered hereunder. Big Rivers, the Distribution Cooperatives and the Smelters have agreed that for all power taken after December 31, 2000 under Tier 1, Tier 2 and Tier 3 (including Tier 3 Interruptible and Tier 3 Backup Energy), the Distribution Cooperative shall maintain and shall require its respective Smelter customer to maintain its usage of reactive power at the point of delivery at a level such that the reactive power demand does not exceed the reactive power demand that would occur at a power factor of 0.90 lagging at the metered demand up to 339,000 kW for Southwire and 233,000 kW for Alcan. In the event that either Smelter's recorded reactive power demand exceeds the limitations set forth above, that Smelter thereafter shall instruct its respective Distribution Cooperative supplier (at that Smelter's expense) to purchase sufficient reactive power from a third-party source or from Big Rivers.

(b) **New Alcan Facilities.** The above described reactive power limits in subparagraph (a) shall not be applicable to any reactive power consumed over new facilities (such as a 4th potline) installed after the effective date of the OATT by Alcan at the Sebree Smelter, the reactive power requirements of which will need to be separately evaluated and assessed by Big Rivers, Henderson Union and Alcan at such time as the new facilities are constructed.

(c) **New Southwire Facilities.** The above described reactive power limits shall not be applicable to any reactive power consumed on the proposed fifth pot line at the Southwire smelter. Specifically, for all Energy that Southwire purchases and receives from Green River Electric with respect to any fifth pot line that may be constructed at the Southwire smelter, Southwire shall maintain a power factor at the point of delivery that shall be at unity or leading, but in no event shall be lagging. At its sole expense, Southwire shall install the necessary equipment, or acquire the necessary reactive power from third-party suppliers of generation-based ancillary services, to satisfy the limitation set forth in this subparagraph.

8. **Southwire Contract.** Southwire will be the contracting party for service from Green River Electric and all service for both the NSA smelter and the Southwire rod and cable mill will be consolidated into a single delivery point. Payments under this Retail Agreement will be due on the first working day after the 24th day of the month following the month of service. Payments for Tier 3 Energy purchased by Green River Electric for resale to Southwire other than from LEM shall be due two working days before payment is due to the Tier 3 Energy supplier. Southwire will agree to provide an undertaking to LEM that it will perform its obligation to Green River Electric under the Retail Agreement. Prior to December 31, 2000, Southwire will provide acceptable security to Green River Electric for Tier 3 third party purchases for energy, transmission and ancillary services.

9. Alcan Contract. Alcan will be the contracting party for service from Henderson Union. Payments under this Retail Agreement will be due on the first working day after the 24th day of the month following the month of service. Payments for Tier 3 energy purchased by Henderson Union for resale to Alcan other than from LEM shall be due two working days before payment is due to the Tier 3 Energy supplier. Alcan will provide an undertaking to Henderson Union and to LEM, similar to the 1990 undertaking, that if the net worth of Alcan falls below \$300 million, Alcan will provide an irrevocable standby letter of credit securing payment of its take-or-pay obligations during the term of the Retail Agreement. Alcan will also agree to provide an undertaking to LEM that it will perform its obligations to Henderson Union under its Retail Agreement. Prior to December 31, 2000, Alcan will provide acceptable security to Henderson Union for Tier 3 third party purchases for energy, transmission and ancillary services.

10. No Stranded Investment or Exit Fee.

(a) Big Rivers' Costs. Upon the closing of the LG&E Energy Transaction, the Smelters shall not be liable to Big Rivers, or to either Distribution Cooperative for any liability of the Distribution Cooperative to Big Rivers, for any stranded investment costs, exit fees or other costs, whether or not foreseeable, of any kind whatsoever related to the financing, construction, operation, maintenance or decommissioning of the Big Rivers generating assets or the Big Rivers transmission system or other assets, or related to the Distribution Cooperatives' contractual obligations to Big Rivers; provided, however, that nothing in the above language shall excuse any party from any new contractual obligations agreed to by that party after the Date of Implementation relating to the financing, construction, operation, maintenance or decommissioning of any new, dedicated transmission facilities on Big Rivers' transmission system used for the provision of transmission and associated services for the power sold to and consumed by the Smelters.

(b) Contractual Obligation To Serve. Neither Distribution Cooperative shall be under any contractual obligation to provide capacity, energy or transmission service to the Smelters beyond the expiration or earlier termination of its Retail Agreement.

11. Take-or-Pay Power. Take-or-pay power shall only be Tier 1 amounts priced at 14.0 mills per kWh. The participants agree that the Distribution Cooperatives, for the benefit of the Smelters, shall have the contractual right to sell to third parties power that is the subject of a take-or-pay obligation provided that it is not during the same hour purchasing Tier 2 or Tier 3 Energy. Tier 2 and Tier 3 Energy are not subject to resale except as provided in Paragraph 24 (c).

12. Tier 1 Volume.

(a) Tier 1 amounts and prices for service from LEM to the Distribution Cooperatives and from the Distribution Cooperatives to the Smelters are as set forth in Schedule 5.3(a). For Alcan, Tier 1 capacity is 98 MW for the period beginning on the Date of Implementation through December 31, 2002, and 48.5 MW for the next nine year period. For Southwire, Tier 1 capacity is 129.5 MW for the period beginning on the Date of Implementation through December 31, 2002 and 48 MW for the next eight-year period; provided, that if Southwire commits to construct a fifth potline, the Tier 1 capacity for Southwire will be 37 MW for the period 1/1/2003--12/31/2010.

(b) Southwire agrees to purchase firm transmission service (including all transmission based ancillary services) from Green River Electric for service to its fifth potline under the following terms and conditions. Green River Electric agrees to contract with Big Rivers under Big Rivers' OATT for transmission service to serve Southwire's fifth potline in an amount that assures that Big Rivers will receive at least \$83,300 per month over the ten (10) year life beginning January 1, 2001.

13. Distribution Cooperative Fee. Each kilowatt hour purchased by the Smelters under Tier 1, Tier 2, Tier 3, Tier 3 Interruptible and Tier 3 Backup shall be subject to a fee charged by Green River Electric and Henderson Union of one-tenth of a mill (\$.0001), provided that, after December 31, 2000, the fee shall be subject to change by order of the KPSC upon application of either or both Parties.

14. Standstill Agreement. Big Rivers and the Smelters have agreed to a standstill agreement pursuant to which they will jointly suspend all proceedings in the dissolution, directors' fees, torts, rescission, and breach of contract suits pending in Henderson Circuit Court (No. 95-95-CI-00040, No. 95-CI-00404, and No. 95-CI-00495), Hancock Circuit Court (No. 94-CI-014) and Franklin Circuit Court (No. 94-CI-00584 and No. 95-CI-00299). Big Rivers and the Smelters agree to cooperate in making such agreements and obtaining such court orders as may be necessary to suspend or postpone all discovery, hearings, and other activity in such cases. It is contemplated that such actions will remain pending until other conditions precedent to closing of the LG&E Energy Transaction have been satisfied or until any party files a notice that any proceeding will be recommenced. Such actions shall be dismissed upon the effective date of the Plan.

15. KPSC Review of Fuels Cases. Upon entry of an order approving the Plan Modifications, and subject to the proviso below, the Smelters (a) agree to a moratorium of any proceedings related to the fuel cases until the earlier of (i) the closing of the LG&E Energy Transaction, (ii) December 31, 1998, or (iii) entry of a KPSC order that is unacceptable to the Smelters in the document approval case established under the April 30, 1998 KPSC Order or in the KPSC rehearing order in Case No. 97-204 (b) will not oppose, object to or interfere with the efforts of Big Rivers to seek and obtain such a moratorium; and (c) will not oppose, object to or interfere with the efforts of Big



Rivers to seek and obtain an order or orders from the KPSC and/or the Franklin Circuit Court providing that, upon the occurrence of the latter of the Effective Date or the closing of the LG&E Energy Transaction, all of the fuel cases shall be and shall be deemed to be dismissed with prejudice; PROVIDED, HOWEVER, that any such orders and any such moratorium shall be without prejudice to and shall not diminish, alter or affect the rights of smelters or Big Rivers in the fuel cases in the event the Effective Date or closing of the LG&E Energy Transaction does not occur, or the moratorium(s) entered under (a) above is withdrawn or there is an unacceptable KPSC order as provided in (a)(iii) above. Upon the closing of the LG&E Energy Transaction, all Smelter related claims asserted or that could have been asserted in the fuel cases, whether pending before the KPSC or the Franklin County Circuit Court, and any other possible fuel refund claims, are discharged, released and of no further force or effect, and Big Rivers will dismiss its application in Case No. 96-215. Any refunds from such cases received by the Smelters after May 31, 1998 will then be returned to Big Rivers. Upon the closing of the LG&E Energy Transaction, all of the fuel cases and any related proceedings shall be and shall be deemed to be dismissed with prejudice, and the Smelters will not oppose, object to or interfere with the effort of any party to have all of the fuel cases and any related proceeding dismissed with prejudice.

16. Amendment No. 1. Subject to the consensual Plan becoming effective and closing of the LG&E Energy Transaction, the Smelters will withdraw the appeal to the Commission's order in Case No. 95-011, concerning Amendment No. 1 for the period 1988-1990.

17. Environmental Surcharge and Fuel Reviews. The participants have settled the environmental surcharge review proceedings before the KPSC, Case No. 96-327 and subsequent proceedings under KRS 278.183.

18. Restitution Case. Subject to the closing of the LG&E Energy Transaction, amounts received by Big Rivers as restitution or payable on its fidelity policy or recovered as damages through the closing of the LG&E Energy Transaction will be divided 50-50 between RUS and the ratepayers, payable at closing of the LG&E Transaction. The Smelters will then dismiss their appeal of the KPSC restitution order (Case No. 94-453) now pending in the Franklin Circuit Court.

19. Third-Party Claims in Coal Cases. The participants agree to mutually evaluate claims against third parties in the coal cases pending in the Union Circuit Court and the United States District Court, Western District of Kentucky, and to cooperate in the pursuit and resolution of these and any other claims. All Post-Closing Date Fraud Recoveries will be divided 50-50 between RUS and the ratepayers (including the Smelters) after payment of Big Rivers' and the Smelters' legal costs, including attorney fees, incurred in pursuit and resolution of these claims after the Plan becomes effective.

20. Refund Methodology. Big Rivers will propose that amounts paid to ratepayers under paragraphs 18 and 19 shall be paid to the Smelters and other retail customers under a refund methodology approved by the KPSC which takes into account historic energy usage by the Smelters and other retail customers consistent with the time period in which the revenue for fuel purchases under the related coal contracts was collected.

21. Patronage Capital and Payments. Except to the extent not permitted by Kentucky law and Internal Revenue Service laws, regulations and promulgated rules regarding cooperative operation and tax accounting that become effective after the Date of Implementation, Big Rivers will record for financial reporting and tax accounting purposes patronage capital as follows:

- (1) Only margins from patronage source income will qualify for allocation as patronage capital. None of the LG&E Parties is a member or patron under the LG&E Energy Transaction. Big Rivers will not credit to any Patron's account any margin on Smelter sales or any other patronage capital that could be attributable to transactions involving LEM. Non-patronage income will be booked as equity of Big Rivers that shall be paid to members on liquidation as payments on account of property rights of members.
- (2) Upon liquidation, Big Rivers will pay all liabilities, including taxes, then pay the balances of capital accounts (membership fees and assigned capital credits) and, if monies remain, such monies will be paid to members on account of property rights for the benefit of the members of Distribution Cooperatives (including the Smelters) based upon historical patronage measured by kilowatt hours from Big Rivers over the life of the organization. The life of the organization is defined to begin at the date Big Rivers was created and is not redefined or otherwise modified by Big River's bankruptcy filing, reorganization, or the confirmation of the plan of reorganization, or otherwise.
- (3) Neither Big Rivers nor any of the Distribution Cooperatives will permit any amendments or modifications of its Bylaws that would adversely affect the Smelters' rights to distribution hereunder. The Distribution Cooperatives agree that the Smelters will share on a nondiscriminatory basis in the allocations of patronage capital and payments on account of property rights of members distributed by Big Rivers to the Distribution Cooperatives and that such allocations shall be promptly distributed to the Smelters.

22. Enhancement and Finality. The Smelters will support the Plan, as modified by the Plan Modifications, and will claim no portion of the enhanced value allocated to the Smelters by the Court's Memorandum-Opinion dated February 2, 1997. The Smelters will not be obligated to close the transaction unless all requisite orders of the KPSC approving the Smelters rates as set forth in Schedule 5.3 (a) and all portions of Schedule 5.4(a) over which the KPSC has jurisdiction and FERC's acceptance of

rates for LEM's sales to the Distribution Cooperatives have been entered, and none of such orders has been stayed, vacated or reversed.

23. Non-Disclosure Agreements. The participants agree that the non-disclosure letter dated December 14, 1995 is no longer in effect.

24. Modifications. For good and valuable consideration, LEM shall cause the following:

(a) As to Alcan, LEM will provide (i) \$1,300,000 per year beginning 2001 through and including 2011, payable in equal monthly installments of \$108,333 plus (ii) a variable monthly amount from the Date of Implementation through the end of 2003 equal to the monthly amounts of Tier 3 transmission charges multiplied by 34.3%.

(b) As to Southwire, LEM will provide the following: (1) \$350,000 per year beginning 2001 through and including 2010, with payment made in equal monthly installments of \$29,166, and (2) LEM will provide firm (non-interruptible) Tier 3 power service (anticipated to be 107 MW upon completion of the fifth potline currently under construction) to Green River Electric for service to Southwire under the following terms. For one-half of Southwire's Tier 3 requirements, for the period January 1, 2001 through December 31, 2002, the fixed price to Southwire for capacity, energy and Bundled Ancillary Services will be \$5.40 per kW per month for 53.5 MW of contract demand and \$0.01205 per kWh. For the other one-half of Southwire's Tier 3 requirements for the period January 1, 2001 through December 31, 2005, the fixed price to Southwire for capacity, energy and Bundled Ancillary Services will be \$6.35 per kW per month for 53.5 MW of contract demand and \$0.01205 per kWh. Both pricing agreements reflect a 98% load factor and do not include the Green River Electric adder. Transmission and transmission losses will be purchased and paid for separately by Southwire.

(c) As set forth in a definitive agreement to be entered into prior to closing, curtailed Tier 2 Energy and curtailed Tier 3 Energy may be sold by LEM to third parties for the benefit of the Smelters to the extent a Smelter curtails its operations to free up such energy. The distribution cooperative shall neither take title to nor exercise dominion and control over any power so curtailed. No distribution cooperative fee will be paid pursuant to Section 13 herein regarding such curtailed power.

25. Cooperation. The parties will reasonably cooperate in connection with efforts to fulfill conditions to closing of the LG&E Transaction. Big Rivers, RUS, Chase (at such time as the Smelters confirm to Chase that they are ready to close the transactions contemplated hereby (i.e., all documents, tariffs, etc., which they are required to sign or entitled to approve) are in final form and satisfactory to them) and the Distribution Cooperatives agree to support any applications filed by the Smelters before the KPSC and/or the Bankruptcy Court to extend to September 1, 1999 the interim rates which became effective on September 2, 1997. The Bank of New York

agrees to support any such applications to the extent that it seeks to extend the interim rates through December 31, 1998. The Bank of New York, Chase and Big Rivers agree to request the KPSC to hold in abeyance any action on the petitions for rehearing filed by them with respect to the KPSC order dated April 30, 1998, except the request by Big Rivers to maintain the interim rates in effect, and agree to dismiss said petitions upon the closing of the LG&E Energy Transaction.

26. Other Smelter Documents. The terms and conditions of the Assurances Agreement, Security and Lockbox Agreement, Systems Disturbance Agreement, the amendments to the existing Wholesale Agreements between Big Rivers and each of Henderson Union and Green River Electric and all Schedule 5.4(a) Documents including the Smelter Retail Agreements and tariffs, the Big Rivers Transaction Tariff, the Agreement for Tier 3 Electric Service (2001-2002) between LEM and Green River Electric, the Agreement for Tier 3 Electric Service (2001-2005) between LEM and Green River Electric and the Wholesale Agreements between LEM and the Distribution Cooperatives shall be reasonably satisfactory to the Smelters, LEM and the Distribution Cooperatives, as applicable.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BIG RIVERS ELECTRIC )  
CORPORATION, LOUISVILLE GAS AND )  
ELECTRIC COMPANY, WESTERN KENTUCKY )  
ENERGY CORP., WESTERN KENTUCKY )  
LEASING CORP., AND LG&E STATION TWO INC. ) CASE NO. 97-204  
FOR APPROVAL OF WHOLESALE RATE )  
ADJUSTMENT FOR BIG RIVERS ELECTRIC )  
CORPORATION AND FOR APPROVAL OF )  
TRANSACTION )

INDEX

	PAGE
BACKGROUND .....	1
HISTORY .....	5
DISCUSSION OF ISSUES .....	8
Unforeseen Cost Issue .....	8
Market Power Purchases .....	15
Smelters' Tier 3 Purchases .....	15
Other Industrials' Market Power Purchases .....	18
Commission Analysis .....	19
Revenue Decrease Allocation and Rate Design .....	21
AG Rate Issues .....	23
Willamette Rate Issues .....	25
Large Industrial Customer Rates .....	27
Smelter Tariff Provisions .....	28

Other Transaction Issues .....	30
Lease of Generating Units .....	30
Transmission Service and Interconnection Agreement .....	31
Evidences of Indebtedness .....	31
Station Two Subsidiary .....	32
EWG Status .....	32
Wholesale Power Contracts .....	33
Consolidation of Pending Fuel-Related Cases .....	33
Depreciation Study .....	37
Debt Service Plan .....	37
Monitoring and Reporting .....	39
SUMMARY AND CONCLUSION .....	40
Transaction Documentation Approval .....	42
ORDERING PARAGRAPHS .....	44

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BIG RIVERS ELECTRIC )  
CORPORATION, LOUISVILLE GAS AND )  
ELECTRIC COMPANY, WESTERN KENTUCKY )  
ENERGY CORP., WESTERN KENTUCKY )  
LEASING CORP., AND LG&E STATION TWO INC. ) CASE NO. 97-204  
FOR APPROVAL OF WHOLESALE RATE )  
ADJUSTMENT FOR BIG RIVERS ELECTRIC )  
CORPORATION AND FOR APPROVAL OF )  
TRANSACTION )

O R D E R

BACKGROUND

On June 30, 1997, Big Rivers Electric Corporation ("Big Rivers") and the LG&E Parties<sup>1</sup> (collectively referred to as "Applicants") filed an application requesting the Commission to approve or declare nonjurisdictional numerous rate, financing and operating agreements that are an integral part of Big Rivers' efforts to implement the First Amended Plan of Reorganization ("Reorganization Plan") approved by the U.S. Bankruptcy Court in Big Rivers' Chapter 11 proceeding. These agreements provide for a long-term lease of Big Rivers' generating units to WKEC, reduced wholesale rates for Big Rivers'

---

<sup>1</sup> The LG&E Parties are wholly-owned subsidiaries of LG&E Energy Corp. ("LEC"). The subsidiaries which are co-applicants with Big Rivers are Louisville Gas and Electric Company ("LG&E"); Western Kentucky Energy Corp. ("WKEC"); Western Kentucky Leasing Corp. ("Leaseco"); and WKE Station Two Inc. ("Station Two Subsidiary"), formerly known as LG&E Station Two Inc. In addition, LG&E Energy Marketing Inc. ("LEM"), formerly known as LG&E Power Marketing Inc. is a party to numerous agreements making up the proposed transaction.

four member distribution cooperatives, and the financings necessary to effectuate a restructuring of Big Rivers' debts.

The Applicants requested a declaration from the Commission that implementation of the Reorganization Plan does not constitute a transfer of ownership or control over Big Rivers within the meaning of KRS 278.020(4) or 278.020(5). In the alternative, they requested that if the Commission determines that there is a transfer of control within the meaning of the statute, that the Commission approve the transfer of control, as implemented through a series of Reorganization Plan documents.<sup>2</sup> Approval was also requested of a Transmission Service and Interconnection Agreement, including to the extent required, Big Rivers' Open Access Transmission Tariff, which is to be filed at the Federal Energy Regulatory Commission ("FERC"). The Applicants have filed in this case numerous versions of the Reorganization Plan documents, as well as the corresponding tariffs which reflect the provisions of those documents.

In summary, the proposed transaction is structured into two phases. Under Phase I, WKEC will operate and maintain the Big Rivers' generating units, Big Rivers will sell all power generated to LEM, and LEM will resell to Big Rivers power sufficient to meet its wholesale obligations. All power not resold by LEM to Big Rivers can be sold by LEM for

---

<sup>2</sup> The Reorganization Plan documents include the Participation Agreement; the Facilities Operating Agreement; the Cost Sharing Agreement; the Power Purchase Agreement; the Lease and Operating Agreement; the Mortgage and Security Agreement; the Guarantee Agreement; the Nondisturbance Agreement; and the Tax Indemnification Agreement. See Application, at 14-15.



its own account. Leaseco will purchase from Big Rivers the generation-related inventory<sup>3</sup> at its fair market value, all personal property at its net book value, and will be assigned certain intangible assets.<sup>4</sup> After necessary federal regulatory approvals are received, and prior to or contemporaneously with the commencement of Phase II, Leaseco will be merged with and into WKEC.

In Phase II, WKEC will lease Big Rivers' generating facilities for a 25-year term, perform all necessary operations and maintenance services, and sell the output of the generating facilities to LEM. WKEC will be an Exempt Wholesale Generator ("EWG") in accordance with Section 32 of the Public Utilities Holding Company Act of 1935 ("PUHCA") and its wholesale sales of power will be under the exclusive jurisdiction of FERC.

Station Two Subsidiary will subcontract with Big Rivers to perform operations and maintenance services for the Henderson Municipal Power & Light ("HMP&L") Station Two facility, and Big Rivers will assign to Station Two Subsidiary certain of its rights and obligations under contracts with HMP&L for operation of HMP&L's Station Two facility. Big Rivers' wholesale power supply contracts with its four member cooperatives will be revised, as well as the member cooperatives' retail contracts with the aluminum Smelters.<sup>5</sup>

---

<sup>3</sup> Included in this inventory is all of Big Rivers' fuel and scrubber reagent, spare parts, SO<sub>2</sub> emission allowances, and all materials and supplies held for use in conjunction with the operation of the generating facilities.

<sup>4</sup> Intangible assets include real property leases, equipment leases, permits, and contracts used in connection with the operation of the generating facilities.

<sup>5</sup> The aluminum smelters are the Southwire Company and NSA, Inc. ("Southwire") and Alcan Aluminum Corporation ("Alcan").

The Reorganization Plan further provides that Big Rivers will contract with LEM to purchase power from LEM, at levels sufficient to cover all of the anticipated needs of Big Rivers' members. Big Rivers' outstanding debt with the Rural Utilities Service ("RUS"), formerly the Rural Electrification Administration, has been restructured and the current credit providers for Big Rivers' pollution control bonds have been replaced by new credit providers. Once the necessary approvals for the Reorganization Plan have been secured, Big Rivers will be out of the generating business while retaining its wholesale supply, transmission, and planning functions.

Big Rivers requested authority to implement on an interim basis rate reductions for wholesale electric service commencing on September 1, 1997 and continuing through the earlier of the closing date of the proposed transaction or August 31, 1998. The rate reductions proposed in Big Rivers' interim rates mirrored those of its proposed permanent rates. The Commission, by Order dated August 29, 1997, suspended the interim rates for one day and allowed them to become effective subject to change for service rendered on and after September 2, 1997. The Commission also determined that the approved interim rates should remain in effect only until issuance of a final rate Order determining the reasonableness of the proposed permanent rates.<sup>6</sup>

The Commission received requests for and granted intervention to the Office of the Attorney General ("AG"), Southwire, Alcan, Green River Electric Corporation ("Green River"), Henderson Union Electric Cooperative Corporation ("Henderson Union"), Jackson Purchase Electric Cooperative Corporation ("Jackson Purchase"), Meade County Rural

---

<sup>6</sup> Case No. 97-204, Order dated August 29, 1997, at 4.

Electric Cooperative Corporation ("Meade County"), Chase Manhattan Bank ("Chase"), Bank of New York, Commonwealth Industries Inc., Willamette Industries Inc. ("Willamette"), PacifiCorp Power Marketing Inc., and the Kentucky Association of Plumbing, Heating and Cooling Contractors, Inc.

Informal conferences were held at the Commission's offices on July 16, 1997, October 8, 1997, and February 4, 1998. Public hearings were held on November 18 - 24, 1997 and March 18, 1998. Initial briefs were filed on January 30, 1998 with reply briefs filed on February 13, 1998. Supplemental briefs which were limited to the "unforeseen cost" issue were filed on March 30, 1998, with supplemental reply briefs filed on April 6, 1998.

#### HISTORY

Big Rivers is a rural electric cooperative utility, organized pursuant to KRS Chapter 279, which provides generating and transmission services to its four owner members. Each of its members is a rural electric cooperative utility engaged in the distribution of electricity and collectively they serve 91,500 customer members in 22 western Kentucky counties.

Big Rivers began experiencing financial problems in the mid-1980's shortly after completing construction of its newest generating station, the Wilson Generating Station ("Wilson"). Those problems were precipitated by a number of factors, including the relatively high cost of Wilson, a significant reduction in load growth, and claims by the Smelters that any rate increase would render their operations noncompetitive in world markets and drive them out of business. Big Rivers was eventually able to negotiate a

debt restructuring agreement with its creditors which the Commission approved in 1987 along with higher rates for all customers, including new rates for the Smelters which varied with the price of aluminum.

The revenue levels necessary to satisfy Big Rivers' debts as restructured in 1987 could not be achieved solely from power sales to its four member cooperatives. Rather, additional revenues needed to be generated each year through the sale of increasing levels of power to non-member wholesale customers. Unfortunately, the wholesale market for power was soft during this time and Big Rivers' sales efforts were unsuccessful in producing the revenue levels necessary. By the early 1990's Big Rivers recognized that it would soon be in a default position and it began discussions with RUS on the need for further debt restructuring.

Big Rivers' fortunes also changed from bad to worse during this period with the criminal and civil investigations and trials involving bribes and kickbacks in connection with its coal contracts and a former general manager. In an effort to find a long-term solution to its mounting financial problems, Big Rivers hired a "turn-around" specialist to advise and assist management in pursuing available business options. This action led to Big Rivers' solicitation of business offers and the eventual decision in early 1996 to pursue a business arrangement with PacifiCorp Holdings, Inc. ("PacifiCorp"). Under the terms of that transaction, a subsidiary of PacifiCorp would lease Big Rivers' generating units for 25 years and sell back to Big Rivers certain quantities of power at pre-established prices. While negotiating the terms of this transaction, Big Rivers was also negotiating with its major creditors to achieve a consensual restructuring of its debts and with its system's two

largest retail customers, two aluminum smelters, to achieve long-term rate reductions and rate stability. When its efforts to achieve a consensual debt restructuring were unsuccessful, Big Rivers filed on September 25, 1996 a petition for reorganization under Chapter 11 of the Bankruptcy Code.

Big Rivers' Plan of Reorganization, as originally filed with the Bankruptcy Court on January 22, 1997, included the lease transaction with PacifiCorp and lower electric rates that had been negotiated with the two smelters, one large non-smelter industrial customer and the four member cooperatives. The following month the Bankruptcy Court initiated an auction process to determine whether the PacifiCorp lease was providing maximum value to the Big Rivers' estate. The only entity to submit a bid in this process was LEC, and on March 19, 1997 the Bankruptcy Court accepted LEC's lease proposal on the basis that it would provide greater value to the Big Rivers' estate.

Big Rivers' Plan of Reorganization, as amended, which now included a lease transaction with subsidiaries of LEC and the lower rates previously negotiated with certain customers, was approved by the Bankruptcy Court on June 9, 1997. While the Bankruptcy Court has exclusive jurisdiction over a debtor's plan of reorganization, that jurisdiction does not include the right to approve a change in rates for a debtor utility whose rates are subject to regulation. Rather, the Bankruptcy Code, 11 U.S.C. §1129(a)(6), requires a debtor utility to obtain all necessary rate approvals from the appropriate regulatory agencies as a condition for final approval of a reorganization plan that includes a change in rates.

## DISCUSSION OF ISSUES

### Unforeseen Cost Issue

The Big Rivers' tariffs for service to Alcan and Southwire, which are to remain in effect for 12-13 years, specified that the Smelter rates contained therein would not be adjusted to reflect any cost or payment incurred by Big Rivers or the member distribution cooperatives for any expenditures due to legislation, regulatory action, legal action, or due to any other reason, whether foreseeable or unforeseeable (commonly known as the unforeseen cost issue).<sup>7</sup> This tariff provision was premised on the assumption that there would be no major changes in environmental law or regulation during the remaining term of the Smelter contracts, which extend to 2010 for Southwire and 2011 for Alcan.<sup>8</sup>

Contrary to this assumption, on October 10, 1997, the U. S. Environmental Protection Agency ("EPA") issued a notice of proposed rulemaking which would significantly reduce the existing emission levels for nitrogen oxide (NOx). The emission reductions, if implemented, have the potential to significantly increase Big Rivers' capital and operating costs such that wholesale rate increases would be necessary. This tariff provision became the focus of extensive cross-examination during the November 1997 hearing. Numerous questions were raised concerning the financial ability of Big Rivers to absorb this or any other unforeseen costs without increasing rates and whether exempting

---

<sup>7</sup> First Revised Exhibit 3(b), filed September 25, 1997, Item 9, at 48, 76, and 77 of 115. The tariffs referenced the following examples of such action: carbon tax, BTU tax, CO<sub>2</sub> emissions reduction, or any other environmental or energy tax, charge, or liability.

<sup>8</sup> Transcript of Evidence ("T.E."), Volume I, November 18, 1997, at 100.

the Smelters from paying an appropriate share of unforeseen costs would obligate all other customers to pay the Smelters' share. At the conclusion of the November 1997 hearing, the Commission stated that the absence of a resolution of the unforeseen cost issue was a serious deficiency and suggested that the affected parties attempt to negotiate a mechanism to allocate future unforeseen costs in an equitable manner to each class of ratepayers.<sup>9</sup>

Big Rivers and the LG&E Parties notified the Commission on January 27, 1998 that a resolution of the unforeseen cost issue had been agreed to by some of the parties<sup>10</sup> and a term sheet for the resolution was submitted on February 3, 1998. In summary, the unforeseen cost resolution includes the following provisions:

- 1) LEM will supply directly to Henderson Union and Green River the wholesale power needed to serve Alcan and Southwire, with LEM assuming all the risks for the Smelter loads.
- 2) Big Rivers will continue to supply wholesale power to Henderson Union and Green River for their non-smelter loads, as well as the total loads of Jackson Purchase and Meade County.

---

<sup>9</sup> T.E., Volume V, November 24, 1997, at 235-236.

<sup>10</sup> The parties agreeing to the Resolution were Big Rivers, the LG&E Parties, Alcan, Southwire, Green River, Henderson Union, and Meade County.

- 3) LEM will pay directly to RUS, on the behalf of Big Rivers, the level of Smelter net margins originally included in Big Rivers' financial models.<sup>11</sup>
- 4) Big Rivers and LEM agreed to a number of changes concerning the financing of all future capital improvements envisioned for the Big Rivers' generating facilities.
- 5) Revisions were made to the RUS mortgage which provide Big Rivers a financing source for its share of future capital improvements.<sup>12</sup>
- 6) The use of arbitrage sale proceeds was revised, which would allow Big Rivers to make additional payments on its RUS mortgage as well as the RUS asset residual value note ("ARVP").
- 7) Big Rivers will pay to LEM \$1.85 million per year over the 25-year lease. The Smelters will pay to LEM an additional .5 mills per KWH on Tier 1 and Tier 2 power purchased.
- 8) Big Rivers was required by RUS to make additional up-front payments on its mortgage, and Big Rivers and LEM agreed to

---

<sup>11</sup> The original Big Rivers' financial model was provided in the Application as Appendix L. While revisions to the financial model have been prepared and submitted, all versions are based on the version contained in Appendix L. These subsequent revisions have been identified as "MH-5A," "MH-5B," "SUP-11," and "SUP-16."

<sup>12</sup> Referred to in the record as the "clawback" provision.



a financing arrangement which would allow Big Rivers to make the additional payments.

Big Rivers, the LG&E Parties, Alcan, Southwire, and Chase all expressed support for the unforeseen cost resolution.<sup>13</sup> Big Rivers stated that the resolution addressed the Commission's concerns regarding how Big Rivers would meet future unforeseen costs, including the possible impact of the EPA's NOx proposal, without the subsidization of the Smelters by non-Smelter customers.<sup>14</sup> The LG&E Parties noted that the resolution changes Big Rivers' initial funding responsibilities for capital expenses and allows it additional funds and increases its financial flexibility in the early years of the transaction.<sup>15</sup> Alcan and Southwire argue that the resolution should be given a chance to close since it has the potential to finally resolve the difficult Big Rivers' situation in a manner that is fair to all customer classes and creditors.<sup>16</sup> Chase contends that the resolution provides significant benefits to Big Rivers and its non-Smelter customers, in that Big Rivers is protected from credit risks associated with the Smelters, Big Rivers and its other customers are shielded from unforeseen costs attributable to the Smelters' load, and all customers will enjoy the same rates they were to receive under the Reorganization Plan.<sup>17</sup>

---

<sup>13</sup> The Bank of New York filed a statement on March 30, 1998 concurring with the statements filed by Chase, but did not file a separate brief.

<sup>14</sup> Big Rivers Supplemental Initial Brief at 4.

<sup>15</sup> LG&E Parties Initial Brief Addressing Future Unforeseen Cost Issue at 14-15.

<sup>16</sup> Alcan and Southwire Supplemental Brief on Unforeseen Cost Resolution at 15.

<sup>17</sup> Chase Brief Concerning "Unforeseen Costs" Issue at 3.

Willamette did not oppose the unforeseen cost resolution, noting that it was more fair and reasonable than Big Rivers' original proposal.<sup>18</sup> However, Willamette expressed its concern that the customers remaining with Big Rivers would have to bear the annual \$1.85 million payment to LEM, either directly through the cost of electric power or indirectly by other revenue that would otherwise be dedicated to offsetting costs borne by Big Rivers' customers.<sup>19</sup>

The AG opposed the unforeseen cost resolution, contending that the filing was incomplete and the record lacked sufficient evidence upon which to base a decision.<sup>20</sup> The AG further argued against the resolution because it would cause Big Rivers to incur additional expenses to maintain the Smelters' fixed rates and negate the Smelters' contribution to the debt payments, all to the detriment of the other customers.<sup>21</sup> The AG also claims that the resolution will cause Big Rivers, Green River, and Henderson Union to be in violation of KRS 279.095 because they will no longer be operated for the mutual benefit of their members.<sup>22</sup>

In support of the unforeseen cost resolution, Big Rivers prepared an economic analysis which compared the cash flows generated in its financial model under two scenarios. The first financial model, identified as MH-5A, included no expenditures for

---

<sup>18</sup> Willamette Initial Brief on the Unforeseen Cost Issue at 1.

<sup>19</sup> Id. at 6.

<sup>20</sup> AG Initial Brief on the Unforeseen Cost Resolution at 2.

<sup>21</sup> Id. at 7.

<sup>22</sup> Id. at 8-10.

unforeseen costs; while the second, identified as SUP-11, reflected the \$1.85 million annual payments.<sup>23</sup> The comparison revealed that, over the 25-year term, SUP-11 showed a cumulative decrease in cash flow of \$130.3 million on a nominal basis and a negative \$18.5 million cumulative net present value when compared to MH-5A.<sup>24</sup> In each year of the analysis, the ending cash balance was positive, but at lower levels in SUP-11 than in MH-5A. However, arbitrage sales were not modeled in either MH-5A or SUP-11.

In evaluating the reasonableness of the unforeseen cost resolution, the Commission has considered all of the arguments put forth by the parties and the economic analysis prepared by Big Rivers. In addition, the Commission has considered the potential impact that arbitrage sales would have on the economic analysis which compared the financial models MH-5A and SUP-11. Arbitrage sales are defined in the Reorganization Plan as all net revenues received in any particular calendar year resulting from one of three types of transactions. The first reflects the net benefit of purchasing power from third parties instead of purchasing such power from LEM during off-peak periods. The second reflects the net benefit of selling equivalent amounts of power using purchases from LEM during peak periods. The third reflects the net revenues of any new off-system power sales in

---

<sup>23</sup> MH-5A is a version of the Appendix L financial model updated before the November 1997 hearing, prior to the parties addressing the unforeseen cost issue. SUP-11 is based on MH-5A, but reflects the impact of the Resolution, and was filed on February 23, 1998, as part of the Robison, Schaefer, and Hite Supplemental Testimony.

<sup>24</sup> Response to the Commission's March 10, 1998 Order, Item 1, page 4 of 16.

excess of net revenues currently projected for such sales.<sup>25</sup> Originally, the net revenues from arbitrage sales were to be allocated 50 percent to Big Rivers and 50 percent as a payment on the RUS ARVP. As part of the unforeseen cost resolution, the allocation was changed to one third to Big Rivers, one third as payment on the RUS mortgage, and one third as payment on the ARVP. The Commission believes that arbitrage sales were an important benefit originally to Big Rivers' Reorganization Plan and that the unforeseen cost resolution's changes to arbitrage sales have increased that benefit.

The Commission finds that the unforeseen cost resolution is reasonable and addresses the concerns expressed at the November 24, 1997 hearing. The change in the way capital expenditures are financed, the adjustment in the allocation of operation and maintenance costs, the availability of financing resources for Big Rivers in the event additional unforeseen capital expenditures arise, the guarantee of the Smelter margins, and the revisions to arbitrage sale proceeds are all improvements to the overall transaction. The benefits of these improvements outweigh any detriments of the additional expenses for Big Rivers. While the ending cash flow is lower with the unforeseen cost resolution than without it, such a comparison is inappropriate. The financial model without the resolution included no expenditures for unforeseen costs, although Big Rivers was at risk for all such costs. The financial model with the resolution transfers that previously unquantifiable risk to the LG&E Parties for a known cost. The unforeseen cost issue has thus been resolved in a manner which produces significant additional benefits for non-

---

<sup>25</sup> Application Appendix C, page 35 of 121, First Amended Plan of Reorganization. The current projections for off-system sales are incorporated into the financial model, beginning in 2011.

Smelter customers without changing non-Smelter rates and is consistent with the cooperatives' obligations under KRS 279.095. Therefore, based on the representations and concepts expressed in the documents filed on or before February 27, 1998, the Commission approves in principle the unforeseen cost resolution.

#### Market Power Purchases

A central feature of Big Rivers' application is the proposal to allow Alcan, Southwire, and certain Large Industrial Customers the option of acquiring a portion of their power needs from third-party suppliers of their choice, no earlier than January 1, 2001.<sup>26</sup> This option is incorporated into the proposed Smelter tariffs as "Tier 3" and in the proposed Large Industrial Customer tariffs as "Market Power Purchases."

Smelters' Tier 3 Purchases. The interim tariffs permitted to go into effect on September 2, 1997 created three rate levels for Alcan and Southwire: Tier 1, Tier 2, and Tier 3. Under the interim tariffs, the maximum demand available under Tier 1 and Tier 2 energy is 233,000 KW for Alcan and 339,000 KW for Southwire, at a 98 percent load factor for each Smelter. Any demand in excess of these levels qualifies for purchase under Tier 3. The Smelter tariffs are structured as energy only rates which include the fixed costs typically recovered through a demand charge. The Tier 1 energy volumes

---

<sup>26</sup> This option was part of the original application, as well as a component of the Resolution.

constitute the Smelters' minimum purchase obligation<sup>27</sup> and the payment of the Tier 1 energy charges constitute their respective take-or-pay obligations to Big Rivers. The energy rates for Tier 1, Tier 2, and Tier 3 are fixed under the interim tariffs, and a separate transmission rate is included for Tier 3 energy only.<sup>28</sup>

Under the proposed tariffs,<sup>29</sup> the three tier rate structure is retained, with LEM supplying power directly to Henderson Union and Green River for consumption by the Smelters. The demand and energy levels are essentially the same as those in the interim tariffs. The rates for Tier 1 and Tier 2 energy are the same as in the interim tariff, with the exception of the additional .5 mill per KWH payment to LEM to resolve the unforeseen cost issue. Two changes occur on January 1, 2001. First, the Tier 2 energy rate, which had been fixed, will be subject to change annually in accordance with a schedule incorporated into the tariff. Second, the Tier 3 energy rate, which had also been fixed at the same rate as in the interim tariff, is terminated and LEM has no further obligation to supply the

---

<sup>27</sup> Alcan's minimum purchase obligation, Tier 1, is calculated by multiplying 2,304,960 KWH by the number of days in the billing month; the Tier 2 purchase allowance is the difference between the minimum purchase obligation and the amount calculated by multiplying 5,480,160 KWH by the number of days in the billing month. For Southwire, the minimum purchase obligation is based on 3,045,840 KWH and the Tier 2 purchase allowance is based on 7,973,280 KWH. See Second Revised Exhibit 3(a), filed August 22, 1997, pages 26, 27, and 36 of 52.

<sup>28</sup> The Tier 1 energy rate is \$.0307 per KWH; Tier 2 is \$.02098 per KWH; and the total Tier 3 rate, excluding transmission, is \$.01958 per KWH. The Tier 3 transmission rate is \$.98 per KW per month of Tier 3 demand. See Second Revised Exhibit 3(a), filed August 22, 1997, pages 25, 26, 34, and 35 of 52.

<sup>29</sup> The reference "proposed tariffs" reflects the terms and conditions contained in the documents filed on February 27, 1998. Also, these proposed tariffs reflect the impact of the resolution, which the Commission has accepted in principle.

Smelters power in excess of the Tier 1 and Tier 2 volumes. All power consumed in excess of the Smelters' Tier 1 and Tier 2 maximum demands can be acquired from any power supplier at market-based rates. For these purchases the Smelters are to assume the responsibilities of identifying the third-party supplier, setting the terms of the transaction, calculating the amount of losses involved, and securing the transmission path.<sup>30</sup> The Smelters' respective distribution cooperatives, Green River or Henderson Union, would sign the actual contracts with the third-party supplier and purchase the power to supply the Smelters.

The AG opposed the Tier 3 market purchase provision, contending that wholesale market access for retail customers by contract is retail wheeling which is not authorized by the Territorial Boundary Act for electric service, KRS 278.016-278.018. The AG argues that the parties that negotiated Tier 3 have achieved electric deregulation and dictated its terms, without the benefit of legislative direction or oversight, for all incremental power used by the two largest retail electric customers in Kentucky. If Tier 3 is approved, the AG contends, it will establish a precedent which will encourage large power users served by other utilities to ask for similar or better treatment, and as a policy matter, such a precedent should not be established.<sup>31</sup>

Big Rivers, the LG&E Parties, Alcan, Southwire, and Chase disagreed with the bases for the AG's opposition and cited numerous arguments to support the market purchase option. They contend that the option is not retail wheeling, is not contrary to

---

<sup>30</sup> Response to the Commission's October 21, 1997 Order, Items 4 and 26.

<sup>31</sup> AG Initial Brief at 7-10.

Kentucky law or public policy, need not await any legislative analysis of electric industry restructuring, and is not dissimilar to the right afforded to Gallatin Steel Company in 1995 to choose its wholesale power supplier. The market purchase option, they claim, is designed to reduce costs to the Smelters without raising costs for other customers,<sup>32</sup> while the Reorganization Plan as a whole brings the benefits of competitively priced power to all customers.<sup>33</sup>

Other Industrials' Market Power Purchases. Big Rivers proposed that three years after closing its Reorganization Plan certain Large Industrial Customers could acquire a portion of their power requirements under market-based conditions. To be eligible, a customer would have to have a peak demand of one MW or greater, sign a contract for a minimum term of five years, have a base contract demand of not less than 75 percent of its maximum contract demand, and have a minimum contractual monthly load factor of 70 percent.<sup>34</sup> Big Rivers estimated that six customers could be eligible for this market-based proposal.<sup>35</sup>

The AG opposed this proposal, claiming it was an attempt to offer other industrial customers rates similar to the market purchase Tier 3 proposal for the Smelters. While

---

<sup>32</sup> Big Rivers Reply Brief at 8-9.

<sup>33</sup> LG&E Parties Initial Brief at 16.

<sup>34</sup> Revised Big Rivers Transaction Tariff, filed February 23, 1998, Item 29 at Original Sheet No. 37.

<sup>35</sup> Response to the Commission's August 12, 1997 Order, Item 29. The customers are Commonwealth Aluminum, Kimberly-Clark (Scott Paper), Willamette, World Source, A-CMI, and Wal-Mart Store No. 701.



agreeing that the proposal did not create the same contractual market access as the Smelters would have, the AG argued that the proposal should be rejected because Big Rivers was giving up the right to serve a portion of its load, as well as the ability to earn a full contribution to fixed costs, for no apparent reason. The AG contends that there is no reason for a bankrupt utility to offer such a pricing option.<sup>36</sup>

The LG&E Parties supported the proposal, noting that if market power is priced below Big Rivers' system power, industrial customers who accepted the market-priced option could achieve lower average prices by blending system-priced power with market-priced power.<sup>37</sup> Chase stated that, like the market purchase Tier 3 proposal, this proposal for large industrial customers did not violate the certified service territory statute.<sup>38</sup>

Commission Analysis. Big Rivers has served its member distribution cooperatives for many years through a succession of full requirements contracts that have been required by the RUS to secure prior loan funds. As part of the negotiating process that led to the rates embodied in the Reorganization Plan, the RUS and other affected parties agreed to modify these full requirements contracts to accommodate the market power purchases for the Smelters and qualifying industrial customers. No similar accommodations have been forthcoming for any other customer.

The market purchase rate proposals constitute, at a minimum, the functional equivalent of retail wheeling for 8 out of 91,500 customers. If the electric industry in

---

<sup>36</sup> AG Initial Brief at 11.

<sup>37</sup> LG&E Parties Initial Brief at 14.

<sup>38</sup> Chase Initial Post-Hearing Brief at 4.

Kentucky is to be restructured to include retail wheeling, the Commission believes that such a restructuring should be undertaken voluntarily, in a reasoned and comprehensive manner which is designed to meet the overall needs of the Commonwealth and all its citizens, not just the specific needs of a single utility and a few large customers. Further, the Commission does not believe that electric restructuring can permanently be implemented on a case-by-case approach until a rigorous investigation of all aspects of the issue results in a determination that restructuring is in the public's best interest. Until that determination is made, proposals to offer 8 out of 91,500 customers the right to seek lower cost power through retail wheeling constitute unreasonable preferences in violation of KRS 278.170(1).

The existing regulatory scheme in Kentucky requires electric utilities to serve all customers within their certified territorial boundaries. For the Big Rivers' distribution cooperatives, this statutory obligation includes not only the distribution of electric energy to their customers, but also the selection and acquisition of an adequate source of supply to meet the foreseeable needs of their customers. The Commission does not believe that it has the authority to revise this statutory scheme to transfer, from the utility to a limited group of customers, the function of selecting a source of supply to meet those customers' needs. The market purchase options proposed here are dissimilar to the transaction approved in 1995 when East Kentucky Power Cooperative Corporation ("East Kentucky") lacked sufficient capacity to fulfill its contractual obligation to supply Owen Electric

Cooperative for service to Gallatin Steel Company.<sup>39</sup> The contracts and tariffs in that case indicate that East Kentucky fulfilled its contractual obligation by selecting the source of additional generating capacity, not by granting the retail customer the right to select the source of generation.

Therefore, the proposals to terminate the Tier 3 fixed rate after 2000 and to implement market purchase Tier 3 and the Market Power Purchase option for other industrial customers in three years are rejected. Green River and Henderson Union will be responsible for securing additional quantities of power for the Smelters after 2000. The cost for this power is unknown at this time and may result in future changes to the Tier 3 rate for the Smelters.

#### Revenue Decrease Allocation and Rate Design

For purposes of calculating the revenue impact of its proposed rates, Big Rivers utilized a test year ended December 31, 1996. Based on the rates in effect at the end of the test year, and various normalization adjustments to the actual demand and energy units billed during the test year, Big Rivers calculated its normalized test year revenues to be \$266,261,661.<sup>40</sup> Big Rivers calculated pro forma revenues of \$231,482,524, based on its proposed rates and several billing adjustments which reduce its billing demand from

---

<sup>39</sup> Case No. 94-456, East Kentucky Power Cooperative, Inc.'s Filing of a Proposed Contract with Gallatin Steel Company.

<sup>40</sup> Application Exhibit 17, at 1, 5 and 6.

a normalized level of 14.4 million KW to a pro forma level of 13.4 million KW. The result is a decrease in revenues of \$34.8 million, or 13.06 percent.<sup>41</sup>

Based on Big Rivers' pro forma revenue analysis, the proposed rates produce the following decreases and average rates for Big Rivers' three customer groups:<sup>42</sup>

<u>Customer Group</u>	<u>Existing Average Rates</u>	<u>Proposed Average Rate</u>	<u>Total Decrease</u>	<u>Percentage Decrease</u>
1. Smelters:	28.85 mills/KWH	24.7 mills/KWH	13.7 percent	\$20.2 million
2. Non-Smelter industrials:	34.60 mills/KWH	31.1 mills/KWH	12.8 percent	\$6 million
3. Rurals:	42.18 mills/KWH	37.2 mills/KWH	11.8 percent	\$8.6 million

The Commission finds that Big Rivers' comparison of its proposed rates to its existing rates is flawed. In determining customers' adjusted billing units, Big Rivers relied on its most recent Power Requirements Study to change the demand and energy billing units for several customers. For instance, Willamette's demand billing units were increased by 99,000 KW and its energy billing units were increased by 75 million KWH.<sup>43</sup> Big Rivers also included the impact of the market purchase option in calculating pro forma revenue. In determining the percentage rate decrease, Big Rivers compared pro forma revenue based on pro forma billing units to normalized revenue based on normalized billing units, thereby masking the true effect of the proposed rate change. The Commission believes that a more valid analysis would be one that compares customers'

---

<sup>41</sup> Id. at 1 and 8.

<sup>42</sup> "Existing Average Rate" and "Proposed Average Rate" derived from Application Exhibit 17 at 5-8; "Total Decrease" and "Percentage Decrease" from Application Exhibit 17 at 7-8.

<sup>43</sup> Application Exhibit 17 at 3 and 5.

annual bills based on pro forma billing units at both Big Rivers' old base rates and its proposed base rates.<sup>44</sup> Under such a comparison the average decrease for each customer group would be: Smelters - 18.0 percent; non-Smelter industrials - 12.3 percent; and Rurals - 9.2 percent.

Big Rivers presented a cost-of-service analysis which reflected both its pre-restructuring cost structure and its post-restructuring cost structure. The results of this analysis were consistent with the allocation of the proposed decrease amongst the customer classes.

AG Rate Issues. The AG objected to the proposed rates, focusing primarily on the rates offered to the Smelters. The AG urges rejection of the proposed Smelter rates and associated contracts because the Smelters are allowed to leave the Big Rivers system after 2011, their rates are fixed for the term of their current contracts, and their take-or-pay obligations are dramatically reduced.<sup>45</sup> Based on the AG's cost-of-service study, he also argues that the Tier 2 rates make no meaningful contribution to fixed costs, the Smelters make a smaller contribution to fixed costs than other classes, and the Smelters' rates are priced below their cost of service. The AG also argues that the proposed treatment of stranded costs and exit fees for the Smelters is unfair, unjust, and discriminatory.<sup>46</sup> Based

---

<sup>44</sup> For this analysis, Big Rivers' proposed base rates for the Smelters include the agree upon .5 mills per KWH to resolve the unforeseen cost issue.

<sup>45</sup> Brown Kinloch Direct Testimony at 16-28.

<sup>46</sup> AG Initial Brief on the Unforeseen Cost Resolution at 10. In this brief, the AG notes that his original objections to the proposed Smelter rates now focus on Henderson Union and Green River, rather than Big Rivers, due to the impacts of the resolution of the unforeseen cost issue.

on the results of his own cost-of-service study, the AG recommended rejection of the proposed rates for all customer classes and adoption of a \$5.36 per KW per month demand charge and a 19.58 mills per KWH energy charge for all customer classes and all sales.<sup>47</sup>

Big Rivers noted that the proposed rates are an integral part of the Reorganization Plan and are supported by its cost-of-service study.<sup>48</sup> Big Rivers criticized the AG's cost-of-service study as flawed in its treatment of the purchased power costs from LEM and for proposing rates which resulted in disproportionate rate reductions favoring the rural customers at the expense of the Smelters.<sup>49</sup>

Alcan and Southwire contend that the AG's cost-of-service study is flawed in assuming that purchased power costs were composed only of energy costs, omitting the lease and transmission payments as factors to be included, not considering the lower Smelter line losses, and allocating to the Smelters transmission costs below 161 KV.<sup>50</sup>

The Commission finds the AG's arguments to be less than persuasive. Since the Smelters new contracts will expire at the same time as their old contracts, they are not being allowed to leave the Big Rivers' system. Resolution of the unforeseen cost issue, coupled with the fixed cost of wholesale power from LEM, justifies the prohibition of future rate adjustments, except as noted herein, attributable to wholesale but not retail cost

---

<sup>47</sup> Brown Kinloch Direct Testimony at 42.

<sup>48</sup> Big Rivers Reply Brief at 11-12.

<sup>49</sup> Id.

<sup>50</sup> Alcan and Southwire Main Brief at 15 and 20.

changes. While the Smelters take-or-pay obligations have been reduced, Big Rivers suffers no harm because LEM has agreed to guarantee the margins from Smelter sales at levels above the take-of-pay obligations.

In addition, the record demonstrates that the AG's cost-of-service study is flawed in assuming that purchase power costs are composed only of energy costs, by allocating costs of transmission facilities below 161 KV to the Smelters, and by omitting consideration of the lease and transmission payments and the lower Smelter line losses. These flaws undermine his proposed alternative rates. The AG has also failed to justify why his proposed class rate reductions are more reasonable than Big Rivers. The Commission also finds unacceptable the underlying premise in the AG's proposal which is the need for a rate increase in 2012 of 29 percent in the demand charge and 4 percent in the energy charge.<sup>51</sup> Thus, the AG's rate proposals are not reasonable and will not be accepted.

Willamette Rate Issues. Willamette argues that the rates proposed for it are discriminatory, not based on cost of service, and are the result of negotiations that included neither itself nor a majority of the industrial customers. It contends that its decrease of 7.29 percent is not as large as that of some other customers in the large industrial class, its additional load has been ignored by Big Rivers, and it should be granted lower rates more in line with those of the Smelters given its status as the system's third largest customer with the third highest load factor. Willamette also argues that the impact of load factor on cost of service should be reflected in rates. In fact, Willamette

---

<sup>51</sup> T.E., Volume V, November 24, 1997, at 227-228.

Willamette compares favorably with that of the non-Smelter industrial class as a whole and, therefore Willamette suffers no undue discrimination by Big Rivers' rate proposal. In addition, Willamette has not demonstrated and the Commission finds no basis to believe that Willamette's proposal will generate the revenue levels needed by Big Rivers under the Reorganization Plan. The Commission further finds that Big Rivers' proposal does not unfairly single out Willamette for a lesser rate decrease than other customers within its class. Therefore, Willamette's rate proposals are denied.

Large Industrial Customer Rates Having rejected the Market Power Purchase option, the Commission finds it necessary to develop a schedule of rates for the large industrial class that will generate over the next 25 years the same approximate revenue stream as the rates proposed by Big Rivers. The Commission also finds merit in the argument raised by Willamette that differences in customers' load factors affect a utility's cost of service and such differences should be reflected in rates.

A simple approach to developing a new rate schedule for the non-smelter industrials would be to retain the \$7.37 demand charge proposed by Big Rivers and then calculate the energy charge necessary to generate the additional required revenues. However, a demand charge that is substantially lower than the previous charge of \$10.15 per KW necessitates an energy charge that would be significantly higher than the previous energy charge. Such a high energy charge, coupled with the impact of eliminating the Market Power Purchase option, would have a detrimental impact on high load factor customers because they would pay revenues markedly in excess of those produced by Big Rivers' proposed rates.



A rate design with a higher demand charge and corresponding lower energy charge will minimize such impact for the higher load factor customers that would have been eligible for the Market Purchase option. Therefore, the rates for the non-smelter industrial class will retain the \$10.15 demand charge that had been in effect prior to the interim rates and the entire decrease will be achieved through a reduction in the energy charge. The result is an energy charge of 13.715 mills per KWH for all energy sold. This energy charge is appropriate because, as Big Rivers pointed out, its post-restructuring variable costs of 18.44 mills per KWH as per its cost-of-service analysis are somewhat artificial because of the energy-only pricing structure contained in the power purchase agreement with LEM.<sup>56</sup> Had that pricing structure included separate demand and energy components, Big Rivers' cost of service would reflect much lower variable costs.<sup>57</sup> A comparison of the results of the Commission-developed rates to the results of Big Rivers' old rates using the pro forma billing units reflects an average decrease of 11.64 percent for the non-smelter industrial class with a 12.58 percent decrease for Willamette. Willamette will continue to have among the lowest rates on the Big Rivers system. Based on these factors, the Commission is satisfied that its rate design is fair, just, and reasonable for all customers in the non-smelter industrial class and should be adopted.

Smelter Tariff Provisions. The AG objected to two provisions in the Henderson Union and Green River Smelter tariffs. One provision would prohibit any adjustment to rates to reflect cost or payment incurred by Big Rivers or the cooperatives for any

---

<sup>56</sup> Application Exhibit 11 at 48.

<sup>57</sup> Id. at 49.

expenditures incurred due to legislation, regulatory, or legal action. The AG argues such a provision attempts to divest the Commission of its authority to change rates.<sup>58</sup> The other provision would allow the Smelters to avoid the payment of stranded costs or exit fees. The AG argues that the issue of stranded costs and exit fees will be a subject for electric industry deregulation, and that such a prohibition infringes upon the legislative prerogative, and unduly favors the Smelters.<sup>59</sup>

Big Rivers countered that under the terms of the Reorganization Plan, there should be no stranded costs or exit fees for anyone on the Big Rivers system to pay.<sup>60</sup> The LG&E Parties contend that the proposed resolution of the unforeseen cost issue eliminates any concerns that non-smelter customers would be at risk for future unforeseen costs related to the Smelter load.<sup>61</sup> Alcan and Southwire stated their belief that all stranded cost issues have been dealt with in the Reorganization Plan.<sup>62</sup>

For Big Rivers, the Commission finds that the lease transaction, coupled with the unforeseen cost resolution, will minimize any risk that non-Smelter customers would be allocated the Smelters' share of costs resulting from legislative, regulatory, or legal changes. Similarly, this transaction will minimize the risk of stranded costs or exit fees.

---

<sup>58</sup> AG Initial Brief at 3.

<sup>59</sup> Id. at 12.

<sup>60</sup> Big Rivers Initial Brief at 23.

<sup>61</sup> LG&E Parties Initial Brief Addressing Future Unforeseen Cost Issue at 17.

<sup>62</sup> Alcan and Southwire Supplemental Brief on Unforeseen Cost Resolution at 9.

allocable to the Smelters at the wholesale level. Thus, these provisions do not appear to be unreasonable for application to Big Rivers' wholesale costs.

However, the Commission finds that the same situation does not exist at the retail level. It is impossible to predict the cost changes that could occur over the next 13 years for Henderson Union and Green River and there is no agreement, analogous to the unforeseen cost resolution, to provide indemnification for changes in retail costs allocable to the Smelters. Neither the prohibition for cost adjustments due to legislative, regulatory, or legal action nor the prohibition of stranded costs or exit fees are reasonable at the distribution level and it is unreasonable to include these provisions in the distribution cooperative tariffs and contracts with the Smelters.

#### Other Transaction Issues

Lease of Generating Units. Big Rivers has proposed to lease, for a term of 25 years, all its generating units to WKEC while having a 25 year right to purchase power, within established minimum and maximum quantities, from LEM. The lease transaction is the centerpiece of the Reorganization Plan and it enables Big Rivers to divest itself of its generating capacity while purchasing only the quantities of power projected to be needed over the 25 year term. The Commission finds that the proposed lease transaction does constitute a change in control within the parameters of KRS 278.020(4) and 278.020(5) and is subject to our jurisdiction. Based on a review of the record and the lease transaction as evidenced by the documents on file as of February 27, 1998, the Commission finds that WKEC has the financial, managerial, and technical expertise to operate Big Rivers' generating units and the transfer is in accordance with law, for a

proper purpose and is consistent with the public interest. Therefore, the Commission will approve the lease transaction in principle, subject to verification that the final transaction documents do not materially change the transaction as reviewed in this case.

In addition, the Commission finds that the proposed accounting treatment for the lease transaction is in accordance with generally accepted accounting principles and the Commission concurs with that treatment. Big Rivers should provide the Commission with the accounting entries made to record the lease transaction within 10 days of their entry on the books of Big Rivers.

Transmission Service and Interconnection Agreement. The Applicants requested approval of the Transmission Service and Interconnection Agreement, as well as Big Rivers' Open Access Transmission Tariff, which will be filed at FERC. The Commission finds that, to the extent these documents are subject to our jurisdiction, they are reasonable and should be approved in principle subject to review of the final draft agreements to verify that there have been no material changes.

Evidences of Indebtedness. Big Rivers and the LG&E Parties have requested the Commission's approval for Big Rivers to issue evidences of indebtedness as contained in several of the transaction documents.<sup>63</sup> These financings are an integral part of the Reorganization Plan and are necessary to implement the debt restructuring and lease

---

<sup>63</sup> The documents in question are the Cost Sharing Agreement; the Lease and Operating Agreement; the Mortgage and Security Agreement; the agreement with new credit providers AMBAC and Credit Suisse First Boston, relating to the Pollution Control Bonds, to the extent required; and the security instruments evidencing liens given to LEM under the terms of the revised Participation Agreement.

transaction. The Commission finds that the proposed financing is for a lawful object within Big Rivers' corporate purpose, is necessary and appropriate for the proper performance of its wholesale electric service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

Station Two Subsidiary. Big Rivers and the LG&E Parties requested that the Commission approve Big Rivers' transfer to the Station Two Subsidiary of certain obligations with respect to HMP&L's Station Two facility. In addition, the LG&E Parties requested that the Commission declare the Station Two Subsidiary to be a jurisdictional utility because KRS 96.520 limits a municipal utility to selling excess power either out of state or to a Commission-regulated utility.

The Commission finds that the transfer of HMP&L Station Two facility obligations to the Station Two Subsidiary is reasonable and will be approved. At the March 18, 1998 hearing, the LG&E Parties stated that legislation was pending in the 1998 Regular Session of the Kentucky General Assembly which would eliminate the need to declare the Station Two Subsidiary to be a jurisdictional utility. This legislation has since been approved by the General Assembly and signed by the Governor.<sup>64</sup> Therefore, the request to declare the Station Two Subsidiary a jurisdictional utility is denied as moot.

EWG Status. Big Rivers and the LG&E Parties requested that the Commission declare each of Big Rivers' generating facilities to be an "eligible facility" within the meaning of Section 32(a)(2) of PUHCA. This finding is a prerequisite for WKEC to be

---

<sup>64</sup> Senate Bill 269 was passed by the Senate on February 27, 1998, the House of Representatives on March 23, 1998, and was signed by the Governor on April 1, 1998.

declared an exempt wholesale generator by FERC and thereby exempt from all provisions of PUHCA.

After examining the evidence, the Commission finds that the generating facilities of Big Rivers have been used for the generation of electric energy exclusively for sale at wholesale. The Commission further finds that allowing the Big Rivers generating facilities to be eligible facilities will benefit consumers by allowing Big Rivers to consummate its Reorganization Plan which includes the lease transaction, is in the public interest, and does not violate Kentucky law. At the request of the LG&E Parties, the Commission will condition this grant of eligible facility status upon the closure of the transaction between Big Rivers and the LG&E Parties.

Wholesale Power Contracts. Big Rivers and the LG&E Parties requested that the Commission approve the amendments to the wholesale power contracts with the member distribution cooperatives. As with other transaction documents, the Commission finds that these contracts as filed by February 27, 1998, should be approved in principle, subject to deletion of the Smelters' exemptions from distribution level cost changes due to legislative, regulatory, or legal action or distribution level stranded costs and exit fees. The final drafts of these contracts will be reviewed as part of the new proceeding to ensure that appropriate changes have been made to reflect the decisions herein and that no other material changes have been made.

Consolidation of Pending Fuel-Related Cases

In its Application, Big Rivers requested that this case be consolidated with two fuel-related cases currently pending at the Commission. This request was subsequently

expanded when Big Rivers filed its initial brief on February 13, 1998 to include additional fuel adjustment clause ("FAC") proceedings covering November 1, 1990 through April 30, 1994 which were remanded to the Commission in January 1998. Big Rivers argues that consolidation of these proceedings with the case at bar and the Commission's approval of the rates set forth in Big Rivers' Plan of Reorganization will render those cases moot.

As a result of an extensive investigation into Big Rivers' fuel procurement practices, the Commission on July 21, 1994, in Case No. 90-360-C,<sup>65</sup> found that Big Rivers had incurred unreasonable fuel costs as a result of its decisions to enter certain coal supply contracts and required Big Rivers to amortize and credit those costs to its customers. Based upon the record developed in Case No. 90-360-C, the Commission in subsequent FAC review proceedings<sup>66</sup> ordered Big Rivers to make additional credits to its customers.

---

<sup>65</sup> Case No. 90-360-C, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 1990 to April 30, 1993.

<sup>66</sup> Case No. 92-490-B, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from May 1, 1993 to October 31, 1993 (August 9, 1994); Case No. 92-490-C, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 1993 to April 30, 1994 (November 1, 1994); Case No. 94-458, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 1992 to October 31, 1994 (March 5, 1996); Case No. 94-458-A, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 1994 to April 30, 1995 (June 19, 1996); Case No. 94-458-B, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from May 1, 1995 to October 31, 1995 (July 9, 1996); Case No. 94-458-C, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 1995 to April 30, 1996 (October 16, 1996).

Case No. 2012-00535  
Attachment for Response No. 1-182  
Attachment 3 for Response No. 1-182  
Witness: Counsel

As a result of judicial reviews filed by Big Rivers and the Smelters, the Franklin Circuit Court affirmed the Commission's July 21, 1994 Order to disallow the unreasonable fuel costs, but remanded the matter to the Commission to determine whether two fuel contracts complied with the FAC regulation and whether the fuel costs associated with those contracts were prudent or the result of improper fuel procurement practices.<sup>67</sup> The Court further directed the Commission to determine, if appropriate, the amount of any additional refunds.

The Commission and Big Rivers appealed the Franklin Circuit Court ruling. Finding that the Franklin Circuit Court's judgment was not final, the Kentucky Court of Appeals on July 3, 1997 dismissed these appeals.<sup>68</sup> On January 14, 1998, the Kentucky Supreme Court denied the Commission's Motion for Discretionary Review.<sup>69</sup> As a result, these cases are again before the Commission.<sup>70</sup>

Having considered Big Rivers' request for consolidation, the Commission denies it. As the request relates to the remanded proceedings, it was not properly raised. The proceedings involving Big Rivers' FACs were not remanded to the Commission until

---

<sup>67</sup> Big Rivers Electric Corp. v. Pub. Serv. Com'n, No. 94-CI-01184, slip op. at 14 (Franklin Cir. Ct. Oct. 20, 1995).

<sup>68</sup> Pub. Serv. Com'n v. Big Rivers Electric Corp., No. 95-CA-3079-MR, slip op. at 2-3 (Ky. Ct. App. July 3, 1997).

<sup>69</sup> Pub. Serv. Com'n v. Big Rivers Electric Corp., No. 97-SC-610-D (Ky. Jan. 14, 1998).

<sup>70</sup> Not all of the Orders have been remanded to the Commission. Actions for review of Commission Orders in Cases No. 94-458, 94-458-A, 94-458-B, and 94-458-C are still pending before Franklin Circuit Court and have not been remanded to the Commission.



January 14, 1998. The issue was not before the Commission when the principal hearing in this matter was held and was raised for the first time in Big Rivers' initial brief.<sup>71</sup> The parties have not had an adequate opportunity to address the issue.<sup>72</sup>

Moreover, consolidation of the fuel cases into this proceeding is inconsistent with the express directives of the Franklin Circuit Court judgment. The Court directed the Commission to make certain determinations regarding two fuel contracts and the fuel costs incurred under those contracts. Consolidation will not advance this objective but impede it. Under Big Rivers' proposed approach, the Commission would consolidate the cases into this proceeding and then take no further action.

The Commission is not the appropriate forum to address Big Rivers' argument that the Bankruptcy Court's approval of the Plan of Reorganization extinguishes any right of ratepayers to pursue refunds and renders the Franklin Circuit Court judgment moot. That forum is the Franklin Circuit Court. As the matter currently stands, Franklin Circuit Court has directed the Commission to take certain actions. Its judgment has not been modified, suspended or revoked. No court of superior jurisdiction has relieved the Commission of its obligations under the judgment. Absent such court action, the Commission must comply with the judgment and make the required determinations. Given the voluminous record and complex issues in the remanded cases, those determinations should be made in a separate proceeding and not be consolidated with this proceeding.

---

<sup>71</sup> Big Rivers Initial Brief at 25-33.

<sup>72</sup> For that matter, Big Rivers failed to provide notice of its request to all parties in Case No. 90-360-C. The record fails to reflect that any notice of the consolidation proposal was given to Prestige Coal Company.

### Depreciation Study

Big Rivers disclosed during the proceeding that the required accounting for the lease transaction might result in the book value of Wilson being overstated, and that there might have to be an asset book value write down. However, before Big Rivers could finalize its determination of the need for a write down, it had initiated a new depreciation study, which has not yet been completed.

The Commission finds that within 30 days of Big Rivers' completion and acceptance of a new depreciation study, a copy should be filed with the Commission. No changes in depreciation rates should be implemented under that study until the Commission has reviewed the new study. Big Rivers should also promptly inform the Commission of its determination regarding the need for an asset book value write down and, if one is determined to be necessary, initiate the appropriate proceeding.

### Debt Service Plan

The AG objected to the debt service schedule contained in Big Rivers' financial model, contending that it was back loaded. The AG argued that only 36 percent of the principal on the RUS debt will be paid by the time the Smelters are expected to leave the Big Rivers system.<sup>73</sup> The AG notes that under the unforeseen cost issue resolution, more of the debt service is shifted to the later years of the transaction, when only the non-Smelter ratepayers are still on the system.<sup>74</sup>

---

<sup>73</sup> AG Initial Brief at 18.

<sup>74</sup> AG Initial Brief on the Unforeseen Cost Resolution at 2.

The Smelters argued that the AG's statement about the 36 percent figure is true, but completely misleading because debt service is not measured only by the repayment of principal, but by the sum of principal and interest. The Smelters stated that the projected debt service schedule, agreed to by the lenders, represents a largely leveled combination of interest and debt principal payments.<sup>75</sup>

The Commission has reviewed the arguments and concludes that the AG's analysis has not taken into consideration the entire scope of the impact of the transaction, as modified by the unforeseen cost resolution. The AG's argument fails to consider the fact that the repayments to RUS must equal a pre-determined present value, regardless of the timing of principal and interest payments. This arrangement allows Big Rivers a degree of flexibility during the early years of the transaction. In addition, the AG does not appear to have considered the impact of LEM's lease payments or the potential impact of arbitrage sales on the outstanding debt. Concerning the impact of the unforeseen cost resolution, Big Rivers apparently had no loan sources to fund the up-front capital expenditures as envisioned in the original plan. While the resolution did result in a shift of the debt service schedule, it also provided Big Rivers with a needed source of financing for its reduced capital expenditures responsibilities. Therefore, while the situation identified by the AG is an important consideration, taken in light of the overall benefits and provisions of the transaction as modified, the Commission finds that the arguments of the AG do not justify the rejection of the proposed debt service schedule.

#### Monitoring and Reporting

---

<sup>75</sup> Alcan and Southwire Main Brief at 31.

The proposed transaction, as modified by the resolution of the unforeseen cost issue, contains what the Commission believes to be a valuable incentive to Big Rivers: the ability to make arbitrage sales and Other Sales.<sup>76</sup> Big Rivers has placed a significant amount of reliance on its ability to make Other Sales and the revenues to be generated by those sales will be critical to its long-term financial restructuring.<sup>77</sup> To encourage Big Rivers to utilize this option to its greatest potential, and to ensure that the Commission is timely informed of Big Rivers' progress in making both arbitrage sales and Other Sales, the Commission will require Big Rivers to:

- Develop and file with the Commission within 60 days of the Transaction Closing Date, a strategic plan concerning arbitrage sales;
- Develop and file with the Commission within 30 days of the date of this Order, an interim sales plan, to be in effect until the strategic sales plan is implemented;
- File with the Commission within six months after the date of this Order, and every six months thereafter, a report on arbitrage sales and Other Sales; and
- File with the Commission a report, appended to its annual report, comparing its actual cash flows for the calendar year with the amounts included in the SUP-11 financial model filed in this proceeding.<sup>78</sup>

---

<sup>76</sup> Other Sales are off-system sales envisioned in Big Rivers' financial models to begin after the termination of the current Smelter contracts in 2011.

<sup>77</sup> From 2011 to 2022, Big Rivers forecasts annual gross sales revenues ranging from \$36.1 million to \$45.9 million, which represents 15 to 20 percent of all gross sales revenues during the period. See Robison, Schaefer, and Hite Supplemental Testimony, Exhibit SUP-11, lines 304 through 309. Percentage impact is determined by dividing line 307 by line 309 in any year after 2010.

<sup>78</sup> The report will be based on lines 363 through 411 of SUP-11, and include explanations for any deviations from the SUP-11 figures in excess of 10 percent.

## SUMMARY AND CONCLUSION

Throughout this proceeding the Applicants, the Smelters, and three distribution cooperatives have repeatedly stated that the proposed rates are an integral part of the Reorganization Plan, were the result of intense and extensive negotiations, and that any modifications could disrupt the carefully balanced interests of those who participated in the negotiations. Simultaneously, the AG and one distribution cooperative, Jackson Purchase, have vigorously opposed the proposed rates on the basis that the benefits of the reorganization have not been fairly distributed among all customer classes, resulting in unduly preferential rates for some customers. The Commission has taken all these statements into consideration and has made the findings and decisions set forth herein based on the evidence and the critical need for Big Rivers to emerge from bankruptcy as quickly as possible.

It has not been an easy task to balance all aspects of the transaction and the proposed rates with our statutory obligations under KRS Chapter 278. Our task was not made any easier by the inclusion of certain rate provisions which appeared to be the product of less than equal bargaining leverage among the parties to the Reorganization Plan. We recognize that there will need to be some changes to the transaction to accommodate our findings. However, we do not believe that those changes will significantly alter either the purpose or the intent of the transaction.

From the perspectives of Big Rivers and its major creditors, our decisions should not reduce the cash flow reflected in Big Rivers' financial models, thus preserving Big Rivers' ability to meet its operating expenses and debt service payments. In addition, as

a result of the resolution of the unforeseen cost issue, the margins that were projected to be earned on sales to the Smelters will now be guaranteed by LEM. Although we have denied the market power purchase option for large industrial customers, we have developed rates for this class which provide a reasonable rate-reduction, generally between 7 to 12 percent based upon anticipated loads, without requiring the commitment to a five year contract. For the rural consumers, the rate reductions implemented in September 1997 will remain in effect. In addition, the resolution of the unforeseen cost issue should provide significant financial protections to the rural and large industrial customers from the risks of new regulatory, legal or environmental costs not associated with their load.

From the perspective of the Smelters, our decisions retain the fixed prices for Tier 1 and Tier 2 power which is critical to their ability to compete in the world-wide aluminum market. Although we have denied the Tier 3 market purchases for the Smelters' incremental power needs, our decision to allow LEM to supply the Smelters' Tier 1 and Tier 2 power provides an extra margin of reliability and allows Green River and Henderson Union to reduce their full-requirements relationship with Big Rivers. While we have rejected the Smelters' exemption from unforeseen costs and exit fees at the distribution level, we have allowed such exemptions for any wholesale costs or fees attributable to Big Rivers. We truly believe that Big Rivers and the Smelters are vital to the economy of western Kentucky and their fortunes have been intertwined for many years. Even though our decisions today sever most of their existing ties, the Smelters' ability to purchase

reasonably priced power at fixed costs from LEM is the result of the availability of valuable generating assets on the Big Rivers system.

Transaction Documentation Approval

The application, as filed on June 30, 1997, contained the supporting transaction documents which were incomplete or otherwise noted as being subject to further revision. Over the next five months, the Applicants filed revisions to the transaction documents and many were not finalized as of the November 1997 hearing. To accommodate the Applicants, the Commission established December 19, 1997 as the due date for final drafts of the documents and January 15, 1998 as the date to resolve the unforeseen cost issue.

Documents were not in final draft form by late December 1997. The Applicants subsequently requested, and the Commission granted, an extension to January 30, 1998 to resolve the unforeseen cost issue. On January 27, 1998, the Applicants and the Smelters filed a joint notice that the unforeseen cost issue had been resolved in principle, but not yet reduced to writing, and subsequently requested to indefinitely suspend the briefing schedule. The Commission, by Order dated January 29, 1998, denied the request, citing KRS 278.190(3) as limiting our rate jurisdiction to 10 months, which would expire on April 30, 1998.

A supplemental procedural schedule dated February 13, 1998 was adopted to investigate the unforeseen cost resolution and it established February 23, 1998 as the final date for all documents. The Applicants filed some documents by that date, but indicated that others were incomplete and would be filed later that week. The AG objected to this delay and, by Order dated February 26, 1998, the Commission extended the due date to

February 27, 1998, but admonished the Applicants that any documents not filed by that date would not be considered in this case.

In contravention of the February 26, 1998 Order, the Applicants continued to file documents after the due date. Chase then objected, claiming a denial of due process, when the Applicants filed additional documents on March 19, 1998, after the supplemental public hearing.

The Commission well recognizes the importance of the pending transaction to Big Rivers' financial rehabilitation and the need to act as expeditiously as possible. However, the parties' due process rights must be respected and accommodated. In addition, the continual revisions to the transaction documents have frustrated the Commission's investigative efforts to the extent that we are no longer confident that the transaction contemplated by the Applicants is not materially different from the transaction reviewed at the March 18, 1998 hearing. Therefore, we will approve the transaction documents in principle as filed with the Commission on the due date of February 27, 1998.

To afford the parties and the Commission an opportunity to verify that no material changes have been made to the structure of the transaction, we will require the Applicants to file as quickly as possible, but no later than May 29, 1998, final drafts of all transaction documents that have undergone any changes since February 27, 1998. The documents should be filed in a new docket with copies to all parties to this case. The scope of review will be limited to determining whether the final transaction documents have materially changed since those filed by February 27, 1998 and to review the changes necessitated by this Order. Each document filed should contain a clear identification of each change



and be supported by a detailed explanation of the reason for the change. The review should take no more than 30 days and will include one round of discovery and an informal conference or hearing if necessary.

IT IS THEREFORE ORDERED that

1. Based on the documents on file with the Commission as of February 27, 1998, the proposed transaction, as modified by the resolution of the unforeseen cost issue, is approved in principle, subject to the modifications contained in this Order.

2. The market power provision in the Smelters' Tier 3 Rate and the Market Power Purchase option for certain Large Industrial Customers are hereby denied and the termination date on the Tier 3 fixed rate is rejected.

3. The rates for non-Smelter industrial customers are modified as discussed in this Order. The remaining rates proposed by Big Rivers and contained in the tariff draft bearing an issued date of February 23, 1998 are approved. All rates approved herein are effective for service rendered on and after the date of this Order.

4. The alternative rates proposed by the AG are hereby denied.

5. The alternative rate proposed by Willamette is hereby denied.

6. Provisions in the Smelters' tariffs and their contracts with the distribution cooperatives prohibiting rate adjustments to reflect costs or payments incurred by the distribution cooperatives for expenditures due to legislation, regulatory, or legal action are rejected.

7. Provisions in the Smelters' distribution cooperative contracts and tariffs exempting the Smelters from paying any stranded costs or exit fees relating to the distribution cooperatives are rejected.

8. The Applicants shall file, in a new case, the final drafts of the transaction documents supported by a clear identification of each change made and a detailed explanation of each change to the versions on file with the Commission as of February 27, 1998. The Applicants shall serve copies of all documents on the parties to this case, who shall be deemed parties to the new case.

9. The Transmission Service and Interconnection Agreement, and Big Rivers Open Access Transmission Tariff are approved in principle subject to review of the final drafts of the documents.

10. Evidences of indebtedness required of Big Rivers in conjunction with the transaction documents are approved in principle, subject to review of the final transaction documents.

11. The transfer of control of Big Rivers' generating units to WKEC and the transfer of the HMP&L Station Two facility obligations are hereby approved in principle, subject to review of the final version of the transaction documents.

12. Big Rivers' generating facilities are "eligible facilities" within the meaning of Section 32(a)(2) of PUHCA, subject to the closure of the transaction as contemplated by Big Rivers and the LG&E Parties.

13. Big Rivers shall file the accounting entries made to record the lease transaction within 10 days of entry into the books of Big Rivers.

14. The Wholesale Power Contracts between Big Rivers and the distribution cooperatives are approved in principle, subject to the revisions discussed in this Order and subject to the review of the final version of the contracts.

15. Big Rivers shall file a copy of the new depreciation study within 30 days of its completion and acceptance, and shall not implement any changes in depreciation rates recommended in that study until the Commission has reviewed the study.

16. Big Rivers shall not write down the book value of any generating station without prior Commission approval.

17. Within 30 days of the date of this Order, Big Rivers shall file its tariffs, reflecting all revisions and modifications as described in this Order.

18. Within 60 days of the transaction closing date, Big Rivers shall file a strategic plan for maximizing arbitrage sales.

19. Within 30 days of the date of this Order, Big Rivers shall file an interim sales plan, to be in effect until the strategic sales plan is implemented.

20. Within six months of the date of this Order, and every six months thereafter, Big Rivers shall file a report of arbitrage sales and Other Sales.

21. Big Rivers shall file a report, appended to its annual report, comparing its actual cash flows for the calendar year with the amounts included in the SUP-11 financial model filed in this proceeding. The report shall be based on lines 363 through 411 of

SUP-11, and include explanations for any deviations from the SUP-11 amounts in excess of 10 percent.

22. The reports required herein shall initially be submitted by Big Rivers subject to further modifications as deemed necessary by the Commission, to allow for the monitoring of Big Rivers' compliance with the transaction and the findings of this Order.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky, or any agency thereof, as to the securities authorized herein.

Done at Frankfort, Kentucky, this 30th day of April, 1998

By the Commission

ATTEST:

\_\_\_\_\_  
Executive Director

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BIG RIVERS )  
ELECTRIC CORPORATION FOR APPROVAL )  
OF THE 1998 AMENDMENTS TO STATION )  
TWO CONTRACTS BETWEEN BIG RIVERS ) CASE NO. 98-267  
ELECTRIC CORPORATION AND THE CITY )  
OF HENDERSON, KENTUCKY AND THE )  
UTILITY COMMISSION OF THE CITY OF )  
HENDERSON )

O R D E R

By Order dated April 30, 1998 in Case No. 97-204,<sup>1</sup> the Commission approved new rates for Big Rivers Electric Corporation ("Big Rivers"), and approved in principle a 25 year lease of its generating units to a subsidiary of LG&E Energy Corp. The Commission's decision was based on the transaction as reflected in the documents filed as of February 27, 1998. However, since many of the documents were revised after that date, the Commission directed that the final drafts of all jurisdictional documents be submitted in this case for a determination of whether material changes have been made to the structure of the transaction.

This case was established on May 15, 1998 when Big Rivers filed the 1998 Amendments to Station Two Contracts which relate to its operation of the City of Henderson's Station Two Generating Plant. Over the next 45 days, Big Rivers filed the

---

<sup>1</sup> The Application of Big Rivers Electric Corporation, Louisville Gas and Electric Company, Western Kentucky Energy Corp., Western Kentucky Leasing Corp., and LG&E Station Two Inc. For Approval of Wholesale Rate Adjustment for Big Rivers Electric Corporation and For Approval of Transaction.

final drafts of all transaction documents. A procedural schedule was entered providing all parties an opportunity to engage in discovery and a public hearing was held on July 6, 1998.

The Commission notes at the outset that this is anything but a routine review of documents relating to a rate adjustment and asset lease. Big Rivers is a debtor in possession under Chapter 11 of the United States Bankruptcy Code. The documents under review are essential and critical components of Big Rivers' plan of reorganization as approved by the Bankruptcy Court on June 1, 1998. All of the parties to Case No. 97-204 were made parties to this case. Most of them participated to some extent in this case, but no party objected to any of the documents under review herein. The absence of any objection, however, does not diminish the Commission's obligation to ensure that there have been no material changes in the transaction. This obligation takes on greater importance here since the term of the lease is 25 years and the power contracts have terms that extend up to 25 years.

Based on a comprehensive analysis of the final drafts of the transaction documents, the Commission finds that there have been several material changes made to the structure of the lease transaction. The most current economic analysis of the lease transaction, filed by Big Rivers on July 7, 1998 and identified as PSC2-38R, has been compared to the one identified as SUP-11, which formed the basis for our conditional approval in Case No. 97-204. To the extent the transaction has undergone a material change, it is discussed herein.

Transmission Service for Smelter Loads

The documents on file with the Commission as of February 27, 1998 provided as follows with respect to the Smelters' transmission service:

- 1) Green River Electric Corporation ("Green River") and Henderson Union Electric Cooperative Corp. ("Henderson Union") would arrange for and reserve transmission on Big Rivers' transmission system for Tier 1 Energy, Tier 2 Energy, and Tier 3 Energy purchased from LG&E Energy Marketing Inc. ("LEM") for resale to Southwire Company ("Southwire") and Alcan Aluminum Corporation ("Alcan").<sup>2</sup>
- 2) Transmission services were to be provided at Big Rivers' Open Access Transmission Tariff ("OATT") rates.<sup>3</sup>
- 3) Green River and Henderson Union were responsible for all transmission costs and were entitled to a transmission credit against the total payments owed to LEM. The credit equaled the amount the cooperative paid to Big Rivers for the transmission of Tier 1 Energy, Tier 2 Energy, Tier 3 Interruptible Energy, and Tier 3 Backup Energy.<sup>4</sup>
- 4) LEM would pay to the RUS, on behalf of Big Rivers, a monthly smelter margin payment ("monthly margin payments"), which reflected the net

---

<sup>2</sup> See Case No. 97-204, Document filing of February 23, 1998, Volume III, Tabs 15 and 16, at 8-12. The reference is to the Amendments to the Wholesale Power Agreements between Big Rivers and Green River and Big Rivers and Henderson Union, Paragraphs 3 and 4.

<sup>3</sup> *Id.* at 11.

<sup>4</sup> See Case No. 97-204, Documents filed February 27, 1998, the Agreements between Henderson Union and LEM and Green River and LEM, Schedule A, part g.

smelter margins originally included in Big Rivers' financial model. The monthly margin payments would remain fixed regardless of the amount of power actually supplied by LEM to the Smelters and the payments specifically excluded any transmission service revenues.<sup>5</sup>

Big Rivers, the LG&E Parties, and the Smelters had strongly stressed the significance of the guaranteed monthly margin payments and the significant benefit this arrangement represented to Big Rivers.<sup>6</sup> The Commission accepted this argument, noting in the April 30, 1998 Order that the guarantee of the smelter margins was an improvement to the overall transaction, which the Commission approved in principle.

The changes made to the transaction documents reviewed in Case No. 97-204 include the following relating to transmission service for the Smelters' load:

- 1) LEM will arrange for and reserve transmission on Big Rivers' transmission system for Tier 1 Energy, Tier 2 Energy, and Tier 3 Energy. LEM will continue to provide Green River and Henderson Union with the energy resold to the Smelters, with the types and amounts of transmission reserved by LEM for these sales being referred to as Member Transmission.<sup>7</sup>

---

<sup>5</sup> See Case No. 97-204, Supplemental Testimony of A. J. Robison, Stephen Schaefer, and Mark A. Hite, at 4, 5, and 8.

<sup>6</sup> See Case No. 97-204, Transcript of Evidence, Volume VI, March 18, 1998, at 11-12, 15, and 48; Big Rivers Supplemental Initial Brief at 14-16, LG&E Parties Initial Brief Addressing Future Unforeseen Cost Issue at 3; Alcan and Southwire Supplemental Brief on Unforeseen Cost Resolution at 4-5.

<sup>7</sup> Document filing of May 29, 1998, Volume II, Tab 8, at 19-25. The reference is to the Transmission Service and Interconnection Agreement, Sections 6.5.1. and 6.5.2.



- 2) LEM will continue to pay the monthly margin payments to the RUS on behalf of Big Rivers. However, these payments have been revised to include the revenue for smelter transmission service, which was originally shown separately in the Big Rivers financial model.<sup>8</sup>
- 3) As long as the full monthly margin payments are made pursuant to the terms of the transaction agreements, Big Rivers will deem the full cost of the Member Transmission to have been paid at the then applicable OATT rate as part of the monthly margin payments. Consequently, LEM's cumulative cost for Member Transmission charged by Big Rivers will never exceed the cumulative amount of the monthly margin payments.<sup>9</sup>

The impact of these changes on Big Rivers is that if its OATT transmission rate increases, it will no longer recover the full smelter margin payments and its cost of transmission service. The margin payments are now to be reduced by any increase in transmission rates above the levels agreed to by the Smelters.

Big Rivers contends that it had always borne the economic risk of future changes in transmission costs as applied to the fixed wholesale power rates for service to the Smelters for which the monthly margin payments are to be received. Big Rivers argues that the designation of a portion of the monthly margin payments as a transmission payment at OATT rates in no way changes the economic positions of Big Rivers and the

---

<sup>8</sup> Response to the Commission's June 12, 1998 Order, Item 7, page 37 of 81.

<sup>9</sup> Document filing of May 29, 1998, Volume II, Tab 8, at 22-23.

LG&E Parties, but merely provides Big Rivers with the same economic risk regarding transmission which it has always had.<sup>10</sup>

The significant changes to the smelter transmission arrangements presented by Big Rivers and the LG&E Parties have affected the Commission's evaluation of the overall lease transaction. The documents upon which the Commission based its April 30, 1998 approval in principle stated that smelter transmission service would be obtained at OATT rates. At that time, the monthly margin payments excluded transmission service revenues, making it impossible to adjust the payments for transmission cost changes. The revisions proposed in this proceeding allow the smelter margins modeled by Big Rivers to be used to offset any shortfall in transmission revenues resulting from the actual OATT rates exceeding the transmission rates agreed to by the Smelters. In the event of such a shortfall in transmission revenue, the proposed revisions to the smelter transmission service will result in lower overall revenues to Big Rivers and expose its non-smelter customers to potential rate increases.

Big Rivers contends that it has always borne this economic risk, and that the proposed revisions do not change the arrangement that was part of the unforeseen cost resolution. The documents on file with the Commission as of February 27, 1998 do not support this position. Based on those documents, Green River and Henderson Union had the initial risk of fluctuations in OATT rates for the smelter load transmission service; however, the transmission credit appeared to shift this risk to LEM. The revisions proposed in this proceeding now shift that risk back to Big Rivers.

---

<sup>10</sup> Response to the Commission's June 12, 1998 Order, Item 13(c), page 7 of 10.

Big Rivers has contended that it does not expect its transmission rates, as modeled in its financial model,<sup>11</sup> to change during the terms of the Smelters' contracts. Big Rivers claims that it is just as likely that its transmission rates will decrease as increase, but has offered no analysis or study to support its claim.

The Commission finds it likely, however, that for Big Rivers to improve its ability to make arbitrage sales, it may have to join an Independent System Operator ("ISO") to eliminate transmission rate pancaking. In the event the transmission rates established for the ISO are higher than Big Rivers' OATT, under the proposed revision, Big Rivers is faced with a no win situation. If it does not join an ISO, its ability to make critical arbitrage sales could be restricted. If it does join, it would incur additional costs for transmitting power to the Smelters, but would be unable to recover those costs from LEM or the Smelters. Big Rivers' inability to recover these costs would put pressure on its overall financial condition, and could eventually result in higher rates for its remaining customers.

Having considered all of the factors discussed herein, the Commission will accept the designation of LEM, rather than Green River and Henderson Union, as the party responsible for arranging and reserving transmission service with Big Rivers. The Commission also accepts the inclusion of the transmission revenues from the Smelters, as shown in Big Rivers' financial model, in the monthly margin payments. However, the

---

<sup>11</sup> The latest update of Big Rivers' financial model, identified as PSC2-38R, shows transmission rates through 2006 at \$.98/KW/month. In 2007, the rate for network transmission appears to increase to \$1.02/KW/month while non-firm point-to-point transmission is priced at \$1.04/KW/month. In the year immediately after the Smelter contracts are scheduled to expire, all transmission is shown at the \$1.04/KW/month rate.

Commission finds unreasonable the provision that allows increases in the OATT rates charged to LEM, except as modeled originally by Big Rivers, to be offset by the remaining portion of the monthly margin payment. That portion of the monthly margin payment reflecting the modeled net smelter margins exclusive of transmission revenues should remain as described in the documents on file with the Commission as of February 27, 1998.

In determining an equitable methodology for the recovery of unforeseen increases in transmission costs due to the Smelters' load, the Commission will be guided by the unforeseen cost resolution previously negotiated by the parties to the transaction. Under this approach, for any increase in Big Rivers' OATT rate in excess of that included in its financial model, 50 percent of the excess will be charged to LEM as part of its transmission costs. The bundled rates charged by LEM to Green River and Henderson Union will be equally adjusted. Consequently, the bundled rates charged by Green River and Henderson Union to Southwire and Alcan, respectively, will be adjusted to reflect the 50 percent of the increase in transmission costs. In the event that Big Rivers' OATT rate falls below the transmission rate included in its financial model, the rates charged to LEM, Green River, Henderson Union, Southwire, and Alcan will not be reduced. Any revenues in excess of the OATT rates should be retained by Big Rivers as an offset to the \$1.85 million payment it makes each year as its 50 percent contribution to resolve the Smelters' indemnification for future unforeseen costs.

Agreement for Electric Service to Commonwealth Industries, Inc.

One of the documents filed in this proceeding was a draft of a new Agreement for Retail Electric Service ("Agreement") between Green River and Commonwealth

Industries, Inc. ("Commonwealth"). As a preliminary matter, the Commission notes that filing of this Agreement was not anticipated. There was no indication by any party in Case No. 97-204 that the agreement for service to Commonwealth would be subject to any additional negotiations or revisions. Apparently, one or both of the parties to the Agreement were dissatisfied with the Commission's April 30, 1998 Order in Case No. 97-204, and seized the opportunity presented by this instant case to submit a revised contract for electric service. Although the Agreement is not within the intended scope of this case, in the interest of administrative efficiency we will consider the merits of the Agreement.

This Agreement, when compared to one reviewed in Case No. 97-204, contains several changes which tend to favor the interests of Commonwealth over those of Green River and its wholesale power supplier, Big Rivers. The most significant of these changes is the establishment of two primary levels of power and billing for service to Commonwealth: (1) Peaking Power - defined as power and associated energy taken at 35,000 KW and above at a load factor of 10 percent or less, up to a maximum of 5,000 KW; and (2) all other power ("non-peaking power") and associated energy, taken at 35,000 KW and below.

Under its previous agreement, Commonwealth was required to take-or-pay for the full \$10.15 demand charge applied to its contract demand of 40,000 KW, regardless of its actual demand level. Under the proposed Agreement, Commonwealth's non-peaking demand will be capped at a maximum of 35,000 KW to which the \$10.15 demand charge will be applied. All energy taken up to the 35,000 KW level will be billed at Big Rivers' wholesale energy rate plus a retail energy adder of \$.0003 per KWH. For

the Peaking Power, all demand in excess of 35,000 KW would incur no demand charge, but would be billed a "peaking energy charge of \$0.075" per KWH plus the retail adder previously mentioned.

Commonwealth contends that, compared to its previous agreement, this Peaking Power provision provides it with the proper financial incentive to manage its operation processes to eliminate the short term surges in power consumption that occur on its system from time to time. These surges in consumption cause its billing demand to spike above its 35,000 KW contract demand.<sup>12</sup> Commonwealth also argues that the pricing terms included in the proposed Agreement will produce a revenue level closer to the level envisioned in the Commission's April 30, 1998 Order in Case No. 97-204. Commonwealth makes these assertions based on its historic demand and energy billing units for calendar years 1996-1997.

Based on a review of the merits of the proposed Agreement, the Commission finds that it should be rejected. None of the proponents of the Agreement have shown good cause to justify granting Commonwealth terms or prices for electric service that are more favorable than those available to others within the same customer class, i.e. non-smelter industrial customers served from dedicated delivery points. A demand charge of \$10.15 for each KW in excess 35,000 KW will provide Commonwealth with a far greater financial incentive to avoid surges in consumption than will the proposed Peaking Power energy rate.

---

<sup>12</sup> In Case No. 97-204, Big Rivers modeled a continuous demand level of 35,000 KW for Commonwealth throughout the 25-year planning horizon without recognizing any "needle peaks" or "spike demands" in excess of 35,000 KW.

Particularly unpersuasive are Commonwealth's arguments regarding its annual electric bill as calculated under: 1) the rates proposed by Big Rivers in Case No. 97-204; 2) the rates approved by the Commission in Case No. 97-204; and 3) the rates under this proposed Agreement. Commonwealth's Exhibit 2, which is intended to be an analysis of its annual electric bill and the corresponding level of revenues flowing to Big Rivers, is misleading. The Commission did not design rates for only the 1996 normalized test year, as implied in this exhibit. The billing units in Commonwealth's Exhibit 2 do not correspond to those included in the Big Rivers' financial model which the Commission utilized to develop rates for Commonwealth and all other members of its class for the entire 25-year term of the lease transaction.

Commonwealth has calculated its annual electric bill to be higher than what it might have expected because it utilized a demand level consistently higher than the 35,000 KW included in Big Rivers' model. Had Commonwealth utilized its expected demand level of 35,000 KW, its calculation of revenues would have been less by \$487,200 per year.<sup>13</sup>

Customers' electric bills and the corresponding level of utility revenues are affected by both the rates and the customers' usage. It would be pure coincidence if Commonwealth or any other customer consumed power at levels identical to those in the normalized historic test year or the 25-year forecast. Commonwealth cannot reasonably expect to receive special treatment merely because it now asserts that its consumption levels will differ from those incorporated into the Big Rivers' model.

---

<sup>13</sup> (468,000 KW \* \$10.15) = \$4,750,200  
less: (420,000 KW \* \$10.15) = \$4,263,000 equals \$487,200.

### Capital Budgets

On April 6, 1998, Big Rivers and the LG&E Parties executed a document entitled "New Participation Agreement," which replaced the original Participation Agreement and the Amended and Restated Participation Agreement contemplated by the lease transaction. This New Participation Agreement reflected changes in the transaction documents related to the resolution of the unforeseen cost issue, as well as clarifications of the parties' intent and the correction of errors.<sup>14</sup> On June 10, 1998, Big Rivers and the LG&E Parties filed a document entitled "Second Amendment to the New Participation Agreement" ("Second Amendment"). The Second Amendment reflected numerous clarifications and corrections to the majority of the lease transaction documents, reflected the decisions announced in the Commission's April 30, 1998 Order, and resolved uncertainties related to environmental issues. In addition, the Second Amendment addressed and resolved differences of opinion between Big Rivers and the LG&E Parties concerning the appropriate composition of the annual capital budget.<sup>15</sup>

Subsequent to filing the documents in February 1998 to resolve the unforeseen cost issue, Big Rivers and the LG&E Parties discovered there were significant differences between the amounts each party projected for the annual capital budgets for Big Rivers' generating plants. At that time, there was no upper limit on Big Rivers' exposure for non-incremental capital costs, which were reflected in the annual capital budget. Thus, the annual capital budget levels represented a major area of uncertainty

---

<sup>14</sup> Response to the Commission's June 12, 1998 Order, Item 7, page 5 of 81

<sup>15</sup> Id., pages 13 through 22 of 81.



in Big Rivers' financial modeling. As reflected in the Second Amendment, the LG&E Parties agreed to limit Big Rivers' exposure to unlimited increases in the annual capital budgets. Big Rivers had originally projected non-incremental capital costs to be \$83.8 million over the life of the lease transaction. The Second Amendment capped this total exposure at \$147.7 million, an increase of \$63.9 million over the transaction term.<sup>15</sup>

While the Commission can appreciate Big Rivers' desire to limit its exposure to increases in the capital budgets, the impacts of incurring an additional \$63.9 million in costs on Big Rivers' financial model should be considered. Big Rivers was requested to provide an update of the SUP-11 version of its financial model that reflected the lease transaction as described in the documents filed in this case. The ending cash balance at the end of the lease term was shown in SUP-11 as \$171.8 million.<sup>17</sup> The updated financial model, PSC2-38R,<sup>18</sup> showed that the ending cash balance at the end of the lease term was \$24.8 million.<sup>19</sup> The difference between the SUP-11 and PSC2-38R versions of the financial model reflected numerous revisions to the financial model.

---

<sup>15</sup> Response to the Attorney General's First Information Request, Item 4, pages 2 and 3 of 5.

<sup>17</sup> See Case No. 97-204, Supplemental Testimony of A. J. Robison, Stephen Schaefer, and Mark A. Hite, Supplemental Exhibit 11, Printout of File SUP11.WK4, Year 2022, Line 404.

<sup>18</sup> Big Rivers had originally filed an updated financial model, PSC2-38, in its response to the Commission's June 23, 1998 Order, Item 38. However, at the public hearing on July 6, 1998, Big Rivers indicated that it had discovered some errors in that filing and submitted the revised financial model, PSC2-38R, as Big Rivers Cross-Examination Exhibit No. 2.

<sup>19</sup> Big Rivers Cross-Examination Exhibit No. 2, File PSC2-38R.WK4, Year 2022, Line 326.

including the additional \$63.9 million in non-incremental capital costs provided by the terms of the Second Amendment.

The Commission finds that the modifications to the annual capital budgets required by the Second Amendment are reasonable and should be approved. However, this and other modifications contained in Big Rivers' financial model heighten concerns about Big Rivers' financial condition during the later years of the lease. In the April 30, 1998 Order, the Commission required Big Rivers to file a supplemental annual report comparing its actual cash flows for the calendar year with the amounts included in the SUP-11 financial model. The report was to be based on lines 363 through 411 of SUP-11, and include explanations for any deviations from the SUP-11 amounts in excess of 10 percent. The Commission will continue this requirement, but will substitute the updated financial model PSC2-38R for SUP-11, with the report now based on lines 285 through 333 of PSC2-38R. In addition, to better monitor Big Rivers' financial condition over the term of the lease transaction, Big Rivers will be required to submit with its annual report an updated version of its financial model.<sup>20</sup> The updated financial model will cover the period beginning with the current annual report year and ending with the last year of the lease transaction. All changes in assumptions and variables from one year to the next should be explained in detail.

#### Revolving Credit Agreement

On June 26, 1998, Big Rivers filed a copy of a revolving credit agreement ("Credit Agreement") it has entered into with the National Rural Utilities Cooperative

---

<sup>20</sup> One hard copy of the updated financial model and one computer disc version should be provided.

Finance Corporation ("CFC"). Under the terms of the Credit Agreement, CFC will provide Big Rivers a maximum aggregate principle amount outstanding of \$15 million. For each 12-month period the Credit Agreement is in effect, Big Rivers will be required to reduce to zero all amounts outstanding for at least five consecutive business days, with the first reduction due within 360 days of the first advance. The term of the Credit Agreement is 5 years. Big Rivers believes that the CFC Credit Agreement does not require Commission approval.

The Commission's jurisdiction to approve evidences of indebtedness is set forth in KRS 278.300. Specifically excluded from that jurisdiction under KRS 278.300(8) is the approval of notes payable at periods of not more than 2 years from the date issued and renewable for not more than a total of 6 years. The Commission finds that the terms of the CFC Credit Agreement fall within this exemption and, therefore, we agree with Big Rivers that no Commission approval is needed.

#### Smelters' Tier 3 Service Contracts

The proposed power contracts between Green River, Henderson Union, and the Smelters contain specific provisions concerning contracts for Tier 3 service from third-party power suppliers. When seeking Commission approval to make a sale of Tier 3 power to the Smelters, Green River and Henderson Union are contractually obligated to request that such approval be effective 20 days from the date of notice.<sup>21</sup> However, KRS 278.180(1) requires a minimum of 30 days notice prior to changing a rate, unless good cause is shown to shorten the notice period to 20 days. Green River and

---

<sup>21</sup> See Agreement for Electric Service between Alcan and Henderson Union and Agreement for Electric Service between Southwire and Green River, Section 9.2.

Henderson Union have indicated that the parties would accept a revision to the power agreements that reflects the 30-day statutory requirement.<sup>22</sup>

The Commission finds that the power agreements between Green River, Henderson Union, and the Smelters should be revised to reflect the 30-day notice provision set forth in KRS 278.180(1). Including this notice in the power agreements will not prevent any of the parties to those agreements from requesting a shorter notice period on a case-by-case basis when a Tier 3 service contract is filed.

Promissory Note for LEM Advances

Big Rivers has requested that the Commission approve the promissory note associated with the LEM advances, noting that such approval was omitted from the April 30, 1998 Order in Case No. 97-204. While we believe that note to have been implicitly approved by that Order, the Commission now explicitly finds that the promissory note for the LEM advances is for a lawful object within Big Rivers' corporate purpose, is necessary and appropriate for the proper performance of its wholesale electric service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

1998 Amendments to the Station Two Contracts

Big Rivers has requested that the Commission approve the 1998 Amendments to the Station Two Contracts, which were filed with the Commission on May 15, 1998. The Commission finds that these documents are reasonable and should be approved.

---

<sup>22</sup> Response to the Commission's June 23, 1998 Order, Item 20.

Green River Wholesale Contract Amendment. Schedule 1

On June 6, 1998, Big Rivers submitted a substitute Schedule 1 to its wholesale power agreement with Green River. The substitute Schedule 1 reflects the inclusion of the proposed new service agreement between Green River and Commonwealth. Based on the decision herein to reject the new Commonwealth agreement, the Commission rejects the substitute Schedule 1 to the wholesale power agreement.

Standby Bond Purchase Agreements

On June 24, 1998, Big Rivers filed Standby Bond Purchase Agreements ("Standby Agreements") related to its 1983 and 1985 Pollution Control Bonds ("1983 and 1985 Bonds") and Credit Suisse First Boston, the new provider of letters of credit for those bonds. The Standby Agreements were required as part of the rating agencies' evaluation of the 1983 and 1985 Bonds. Big Rivers requested that the Commission permit the late filing of the Standby Agreements in this case.

As the Standby Agreements are an integral part of the overall financial restructuring of Big Rivers' obligations, the Commission will permit the late filing and hereby approves the Standby Agreements as part of all other financial agreements presented in this proceeding.

Confidentiality Petition for Marketing Plan

As part of its April 30, 1998 Order in Case No. 97-204, the Commission required Big Rivers to file an interim sales plan which would address how Big Rivers planned to pursue arbitrage sales opportunities until the lease transaction closed. On May 29, 1998, Big Rivers filed its Interim Sales Plan and a petition for confidential treatment of that document. On June 18, 1998, Alcan and Southwire responded to the petition,

requesting a modification to the petition that would permit all parties to Case No. 97-204 who have executed appropriate confidentiality agreements to obtain copies of the Interim Sales Plan. On June 23, 1998, Big Rivers filed its reply to the Smelters' response, expressing its opposition to the request. At the July 6, 1998 public hearing, Big Rivers requested that the Commission include a ruling on the petition for confidential treatment in its Order in this proceeding.

The Commission finds that it is not appropriate to rule on Big Rivers' petition for confidentiality or the Smelters' request for access in this proceeding. The Interim Sales Plan was filed in Case No. 97-204, and the petition and request will be adjudicated in that case. In addition, the Commission finds no reason to modify its normal procedures for the processing of requests for confidentiality.

#### Distribution Cooperative Tariff

Green River and Henderson Union have submitted proposed Smelter tariffs to the Commission for approval. The proposed tariffs incorporate both the agreements for electric service between the cooperatives and the respective Smelters and Schedule A of those agreements, which details the terms and rates for Smelter service. Alcan and Southwire have notified the Commission of their opposition to incorporating the agreements for electric service into the tariffs, contending that the proposed tariffs only need to incorporate Schedule A. At the July 6, 1998 hearing the Smelters identified this disagreement as an issue for the Commission to address in this Order.

The Commission finds that there has been no evidence offered by the Smelters to justify the exclusion of the agreements for electric service from the smelter tariffs as filed with the Commission. Consequently, the Commission will not require Green River

or Henderson Union to remove the language incorporating the agreements for electric service from the proposed tariffs.

Jurisdiction over OATT

On July 1, 1998, Big Rivers, Alcan, Green River, Henderson Union, and Southwire filed a joint motion requesting that the Commission assert jurisdiction over Big Rivers' OATT to the extent that the Federal Energy Regulatory Commission ("FERC") does not assert jurisdiction over the OATT. The July 1, 1998 motion notes that Big Rivers' status as a generation and transmission cooperative, combined with the limited jurisdiction of FERC over such entities, creates a "regulatory gap" in jurisdiction over many provisions of the OATT. The parties to the July 1, 1998 motion request that the Commission fill this regulatory gap by asserting jurisdiction, subject to five specific limitations enumerated in the motion.

Big Rivers was formed pursuant to the requirements of KRS Chapter 279. KRS 279.210 provides that every corporation formed under that chapter shall be subject to the general supervision of the Commission and shall be subject to all the provisions of KRS 278.010 to 278.450 inclusive, and KRS 278.990. Therefore, to the extent that FERC has not asserted jurisdiction over Big Rivers' OATT, the Commission will do so, in accordance with KRS Chapters 278 and 279. However, the Commission will assert this jurisdiction without the specific limitations referenced in the July 1, 1998 motion, as the applicants have not demonstrated why the expression of such limitations are necessary or reasonable.

### Fuel Adjustment Clause Cases

Big Rivers has requested that, concurrent with our decision in this case, all pending fuel adjustment clause ("FAC") cases be dismissed. Motions to dismiss are currently pending in each of those FAC cases. While the FAC cases have not been consolidated with the instant case, the Commission recognizes their importance to the closing of Big Rivers' lease transaction. Therefore, Orders will be issued in the near future holding in abeyance those FAC cases that have been remanded to the Commission and that are not directly affected by the Franklin Circuit Court Order of June 29, 1998 in Civil Action No. 94-CI-01184. Those cases will be closed once Franklin Circuit Court recalls and vacates its Judgment of October 20, 1995 in that action. As to those cases that are directly affected by the Franklin Circuit Court Order of June 29, 1998, we find that the motions to dismiss are moot and Orders to that effect will be issued by the Commission in the near future. As to all remaining FAC cases, the Commission intends to issue Orders in the near future closing those cases without the need for further action by Big Rivers.

### SUMMARY AND CONCLUSION

As announced in the April 30, 1998 Order in Case No. 97-204, the purpose of this proceeding was to review the final drafts of all jurisdictional documents to determine whether any material changes had been made to the lease transaction. As discussed in this Order, material changes have been made in the areas of smelter transmission service and Big Rivers' funding obligations to the annual capital budgets.

While we have denied the proposed methodology for the recovery of unforeseen increases in transmission costs due to the Smelters' load, we believe that the approved



methodology represents a fair and reasonable solution. While we have accepted the modifications to the annual capital budgets, these changes will be costly to Big Rivers over the next 25 years. Consequently, Big Rivers' long-term financial survival is not a certainty but, rather, is a goal that will have to be achieved by management. Critical to meeting this goal will be the successful marketing of power off-system. A greater degree of Commission monitoring will also be necessary and, thus, we have established additional financial reporting requirements for Big Rivers. The Commission remains optimistic that with continued hard work and dedication by Big Rivers, its financial viability will be assured and it will prosper hand-in-hand with the economy of Western Kentucky.

IT IS THEREFORE ORDERED that:

1. Based on the final drafts of all documents filed in this proceeding, Big Rivers' proposed lease transaction with the LG&E Parties is approved, subject to the modifications contained in this Order.
2. The proposed methodology for the recovery of unforeseen changes in transmission costs due to the Smelters' load is denied.
3. A 50/50 sharing methodology for the recovery of unforeseen changes in transmission costs due to the Smelters' load, as discussed in this Order, is approved.
4. The proposed revision to Schedule 1 of the Green River Wholesale Power Contract with Big Rivers and the proposed new agreement between Green River and Commonwealth are denied.
5. Ordering Paragraph No. 21 of the April 30, 1998 Order in Case No. 97-204 is modified to the extent that the PSC2-38R financial model, lines 285 through 333,

shall replace the reference to the SUP-11 financial model, lines 363 through 411. In addition, Big Rivers shall annually file an updated version of its financial model with its annual report to the Commission, covering the period beginning with the current annual report year and ending with the last year of the lease transaction. All changes in assumptions and variable from one year to the next shall be explained in detail.

6. All evidences of indebtedness required to be issued by Big Rivers in conjunction with the transaction documents are approved, including the LEM Promissory Note and the Standby Agreements. The CFC Credit Agreement is exempt from Commission approval.

7. The Smelter Tier 3 Service Contracts are modified to provide the Commission with 30 days notice of effectiveness, in accordance with KRS 278 180(1).

8. The 1998 Amendments to the Station Two Contracts are approved.

9. The Smelters' objection to the form of the Green River and Henderson Union Smelter Tariffs is overruled.

10. Big Rivers' OATT filed in this proceeding is hereby approved and the OATT shall be subject to the jurisdiction of this Commission to the extent that FERC has not asserted jurisdiction and preempted this Commission.

11. Within 30 days of the date of this Order, Big Rivers shall file its tariffs, reflecting all revisions and modifications as described in this Order.

12. Ordering Paragraph Nos. 13, 15, 16, 18, 20, and 22 of the April 30, 1998 Order in Case No. 97-204 shall remain in full force and effect as if separately ordered herein.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky, or any agency thereof, as to the securities authorized herein.

Done at Frankfort, Kentucky, this 14th day of July, 1998.

By the Commission

ATTEST:

  
Executive Director



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 183)** *Provide documents which show calculation of the monthly*  
2 *MRSM credits per the tariff, showing source data for each element of*  
3 *the calculation, for January 2011 to date.*

4

5 **Response)** Please see the attached PUBLIC CD containing schedules that  
6 show the calculation of the monthly MRSM credits from January 2011  
7 through January 2013. The attached schedules also show the calculation  
8 of the monthly Unwind Surcredit amounts as requested in AG 1-184.

9

10 **Witness)** Billie J. Richert



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 184)** *Provide documents which show calculation of the monthly*  
2 *Unwind Surcredit amounts per the tariff, showing source data for*  
3 *each element of the calculation, for January 2011 to date.*

4

5 **Response)** Please see Response to AG 1-183.

6

7 **Witness)** Billie J. Richert





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 185) Please provide documents which show Big Rivers' current**  
2 **debt service costs by debt issuance or obligation on an annual basis**  
3 **through 2018, including principal payments, interest payments,**  
4 **amortizations and other costs of debt.**

5  
6 **a. Provide a reconciliation of any differences between these**  
7 **current debt service costs, and the debt service costs**  
8 **depicted and included in the Financial Model provided in**  
9 **response to PSC 1-57.**

10  
11 **Response)** Please see attachment 1 of 2 for detail of Big Rivers' current  
12 debt service costs by debt obligation on an annual basis for the years 2013 –  
13 2018, including principal payments, interest payments, interest expense,  
14 and amortization of other costs of debt.

15  
16 a. Please see attachment 2 of 2 for a reconciliation of the  
17 differences between these current debt service costs and the  
18 debt service costs depicted and included in the Financial Model  
19 provided in response to PSC 1-57.

20  
21 **Witness)** Billie J. Richert

**Big Rivers Electric Corporation  
Case No. 2012-00535**

**Attachment (1 of 2) to Response for AG 1-185  
Debt Service Costs, Principal Payments, Interest Payments, Amortizations, and Other Costs of Debt  
2013 - 2018**

<u>Year</u>	RUS Series A Note				RUS Series B Note			
	Amortization of Debt Expense <sup>1</sup>	Interest Expense	Interest Payments	Principal Payments	Interest Expense	Interest Payments	Principal Payments	
2013	\$ 134,088	\$ 4,671,265	\$ 4,623,069	\$ -	\$ 7,723,905	\$ -	\$ -	
2014	\$ 134,088	\$ 4,673,952	\$ 4,626,220	\$ -	\$ 8,181,620	\$ -	\$ -	
2015	\$ 134,088	\$ 4,676,799	\$ 4,626,220	\$ -	\$ 8,666,459	\$ -	\$ -	
2016	\$ 134,455	\$ 4,679,815	\$ 4,654,651	\$ -	\$ 9,180,032	\$ -	\$ -	
2017	\$ 134,088	\$ 4,683,013	\$ 4,610,463	\$ -	\$ 9,724,033	\$ -	\$ -	
2018	\$ 134,088	\$ 4,686,400	\$ 4,613,545	\$ -	\$ 10,300,274	\$ -	\$ -	
<b>Total</b>	<b>\$ 804,895</b>	<b>\$ 28,071,244</b>	<b>\$ 27,754,168</b>	<b>\$ -</b>	<b>\$ 53,776,323</b>	<b>\$ -</b>	<b>\$ -</b>	

<sup>1</sup> Includes amortization of loss on reacquired RUS Series A debt and 2012 refinancing expenses.

**Big Rivers Electric Corporation  
Case No. 2012-00535**

**Attachment (1 of 2) to Response for AG 1-185  
Debt Service Costs, Principal Payments, Interest Payments, Amortizations, and Other Costs of Debt  
2013 - 2018**

<u>Year</u>	<b>1983 Series PC Bonds</b>				<b>Series 2001A PC Bonds</b>	
	<b>Amortization of Debt Expense</b>	<b>Interest Expense</b>	<b>Interest Payments</b>	<b>Principal Payments</b>	<b>Amortization of Debt Expense</b>	<b>Interest Expense</b>
2013	\$ 24,325	\$ 801,558	\$ 979,986	\$ 58,800,000	\$ 31,210	\$ 85,964
2014	\$ -	\$ -	\$ -	\$ -	\$ 31,210	\$ -
2015	\$ -	\$ -	\$ -	\$ -	\$ 31,210	\$ -
2016	\$ -	\$ -	\$ -	\$ -	\$ 31,296	\$ -
2017	\$ -	\$ -	\$ -	\$ -	\$ 31,210	\$ -
2018	\$ -	\$ -	\$ -	\$ -	\$ 31,210	\$ -
<b>Total</b>	<b>\$ 24,325</b>	<b>\$ 801,558</b>	<b>\$ 979,986</b>	<b>\$ 58,800,000</b>	<b>\$ 187,346</b>	<b>\$ 85,964</b>

**Big Rivers Electric Corporation  
Case No. 2012-00535**

**Attachment (1 of 2) to Response for AG 1-185  
Debt Service Costs, Principal Payments, Interest Payments, Amortizations, and Other Costs of Debt  
2013 - 2018**

<u>Year</u>	<b>Series 2010A PC Bonds</b>				<b>CoBank Series 2012A Term Loan</b>		
	<b>Amortization of Debt Expense</b>	<b>Interest Expense</b>	<b>Interest Payments</b>	<b>Principal Payments</b>	<b>Interest Expense</b>	<b>Interest Payments</b>	<b>Principal Payments</b>
2013	\$ 106,350	\$ 4,998,000	\$ 4,998,000	\$ -	\$ 9,968,951	\$ 9,969,376	\$ 7,403,962
2014	\$ 106,350	\$ 4,998,000	\$ 4,998,000	\$ -	\$ 9,640,312	\$ 9,640,312	\$ 7,762,404
2015	\$ 106,350	\$ 4,998,000	\$ 4,998,000	\$ -	\$ 9,295,778	\$ 9,295,778	\$ 8,137,739
2016	\$ 106,641	\$ 4,998,000	\$ 4,998,000	\$ -	\$ 8,959,444	\$ 8,959,444	\$ 8,531,222
2017	\$ 106,350	\$ 4,998,000	\$ 4,998,000	\$ -	\$ 8,555,927	\$ 8,555,927	\$ 8,943,730
2018	\$ 106,350	\$ 4,998,000	\$ 4,998,000	\$ -	\$ 8,158,960	\$ 8,158,960	\$ 9,376,184
<b>Total</b>	<b>\$ 638,391</b>	<b>\$ 29,988,000</b>	<b>\$ 29,988,000</b>	<b>\$ -</b>	<b>\$ 54,579,372</b>	<b>\$ 54,579,797</b>	<b>\$ 50,155,241</b>

**Big Rivers Electric Corporation  
Case No. 2012-00535**

**Attachment (1 of 2) to Response for AG 1-185  
Debt Service Costs, Principal Payments, Interest Payments, Amortizations, and Other Costs of Debt  
2013 - 2018**

<u>Year</u>	<b>CFC Series 2012B Refinance Note</b>			<b>CFC Series 2012B Equity Note</b>		
	<b>Interest Expense</b>	<b>Interest Payments</b>	<b>Principal Payments</b>	<b>Interest Expense</b>	<b>Interest Payments</b>	<b>Principal Payments</b>
2013	\$ 12,930,547	\$ 12,962,918	\$ 12,436,317	\$ 2,260,960	\$ 2,266,692	\$ 1,285,746
2014	\$ 12,579,824	\$ 12,608,818	\$ 11,009,058	\$ 2,190,467	\$ 2,196,513	\$ 1,355,926
2015	\$ 12,232,674	\$ 12,263,020	\$ 11,335,150	\$ 2,116,127	\$ 2,122,502	\$ 1,429,937
2016	\$ 11,897,177	\$ 11,929,686	\$ 11,677,299	\$ 2,037,729	\$ 2,044,452	\$ 1,507,987
2017	\$ 11,468,519	\$ 11,503,579	\$ 12,042,186	\$ 1,955,052	\$ 1,962,142	\$ 1,590,297
2018	\$ 11,040,067	\$ 11,078,399	\$ 12,435,011	\$ 1,867,861	\$ 1,875,339	\$ 1,677,100
<b>Total</b>	<b>\$ 72,148,808</b>	<b>\$ 72,346,420</b>	<b>\$ 70,935,021</b>	<b>\$ 12,428,196</b>	<b>\$ 12,467,640</b>	<b>\$ 8,846,993</b>

**Big Rivers Electric Corporation  
Case No. 2012-00535**

**Attachment (1 of 2) to Response for AG 1-185  
Debt Service Costs, Principal Payments, Interest Payments, Amortizations, and Other Costs of Debt  
2013 - 2018**

<u>Year</u>	<b>CoBank Revolving Line of Credit (Agreement Dated July 27, 2012)</b>			<b>CFC Revolving Line of Credit (Agreement Dated July 16, 2009)</b>		
	<b>Amortization of Debt Expense</b>	<b>Interest Expense/ Fees</b>	<b>Interest/ Fee Payments</b>	<b>Amortization of Debt Expense</b>	<b>Interest Expense/ Fees</b>	<b>Interest/ Fee Payments</b>
2013	\$ 99,987	\$ 280,069	\$ 280,069	\$ 24,996	\$ 132,560	\$ 132,560
2014	\$ 99,987	\$ 125,000	\$ 125,000	\$ 14,581	\$ 72,172	\$ 72,172
2015	\$ 99,987	\$ 125,000	\$ 125,000	\$ -	\$ -	\$ -
2016	\$ 100,261	\$ 125,000	\$ 125,000	\$ -	\$ -	\$ -
2017	\$ 58,074	\$ 72,917	\$ 72,917	\$ -	\$ -	\$ -
2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 458,296</b>	<b>\$ 727,986</b>	<b>\$ 727,986</b>	<b>\$ 39,577</b>	<b>\$ 204,732</b>	<b>\$ 204,732</b>

**Big Rivers Electric Corporation**  
**Case No. 2012-00535**

**Attachment (2 of 2) to Response for AG 1-185**  
**Reconciliation of AG 1-185 to Financial Model in PSC 1-57**  
**(2013 - 2016)**

<b>Year</b>	<b>Interest Expense</b>			<b>Reconciling Items</b>				<b>Remaining Difference</b>
	<b>AG 1-185</b>	<b>PSC 1-57 Financial Model (a)</b>	<b>Difference</b>	<b>PCB Interest (b)</b>	<b>ECP Borrowing (c)</b>	<b>Rounding</b>	<b>Total Reconciling Amounts</b>	
2013	\$ 43,441,150	\$ 46,305,677	\$ (2,864,527)	\$ 2,473,032	\$ 391,508	\$ (13)	\$ 2,864,527	\$ -
2014	\$ 42,264,175	\$ 47,162,885	\$ (4,898,710)	\$ 3,433,789	\$ 1,464,939	\$ (18)	\$ 4,898,710	\$ -
2015	\$ 41,985,837	\$ 47,086,317	\$ (5,100,480)	\$ 3,317,000	\$ 1,783,500	\$ (20)	\$ 5,100,480	\$ -
2016	\$ 41,752,197	\$ 46,728,476	\$ (4,976,279)	\$ 3,192,800	\$ 1,783,500	\$ (21)	\$ 4,976,279	\$ -
<b>Total</b>	<b>\$ 169,443,359</b>	<b>\$ 187,283,355</b>	<b>\$ (17,839,996)</b>	<b>\$ 12,416,621</b>	<b>\$ 5,423,447</b>	<b>\$ (72)</b>	<b>\$ 17,839,996</b>	<b>\$ -</b>

- (a) Annual interest expense on long-term debt per the Financial Model included as an attachment in response to PSC 1-57 (tab "Stmts RUS", III. Statement of Operations, Line 108, Interest on Long-Term Debt).
- (b) Additional interest expense included in Financial Model for planned refinancing of \$58 million 1983 Series PC Bonds due in June 2013.
- (c) Additional interest expense included in Financial Model for planned borrowing to finance 2012 ECP projects.





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 186)** *Please refer to “Big Rivers Budget 2013 – 2016” provided*  
2 *in response to PSC 1-57. Provide 2012 financial and operating*  
3 *information at the equivalent level of detail, in electronic spreadsheet*  
4 *format.*

5  
6 **Response)** See the accompanying spreadsheet containing Big Rivers' 2012  
7 Balance Sheet and Statement of Operations, which provides 2012 financial  
8 and operating information at the equivalent level of detail. This is being  
9 provided with a petition for confidential treatment on the CONFIDENTIAL  
10 CDs accompanying these responses.

11

12 **Witness)** DeAnna M. Speed



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 187)** *Provide the "User's Manual" or equivalent documentation*  
2 *for the Financial Model which shows and describes inputs, input*  
3 *sources, steps and operations of the model, etc.*

4

5 **Response)** The Big Rivers financial model is an in-house developed  
6 spreadsheet model. As such, it has no "User's Manual". Descriptions of the  
7 model, its various inputs, and calculations are presented in the direct  
8 testimony of Travis A. Siewert.

9

10 **Witness)** Travis A. Siewert



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 188)** *Please refer to the "Electric Rev" tab of the Big Rivers*  
2 *Budget 2013-2016. Please provide the calculations and supporting*  
3 *workpapers for the monthly amounts contained in the Revenue*  
4 *Adjustment Rates at rows 18-21 and 33-36 for 2013.*

5

6 **Response)** Amounts contained in the Revenue Adjustment Rates at rows  
7 18-21 and 33-36 of the "Electric Rev" tab in the Big Rivers Budget 2013-  
8 2016 file are calculated in the Financial Model and used in the Budget  
9 2013-2016 file. The Financial Model was provided in electronic format with  
10 formulas intact in the response to PSC 1-57.

11

12 **Witness)** DeAnna M. Speed



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 189)** *Provide a run of the Financial Model which uses actual*  
2 *financial and operating results for 2012 as inputs.*

3

4 **Response)** Big Rivers objects to this request on the grounds that it is overly  
5 broad and unduly burdensome. Big Rivers also objects to this request on  
6 the grounds that Big Rivers has previously provided all information and  
7 documents necessary for the intervenor to determine the response without  
8 further input. Notwithstanding these objections, but without waiving them,  
9 Big Rivers states that actual financial and operating information for 2012 is  
10 provided in electronic format in the Response to AG 1-186.

11

12 **Witness)** Travis A. Siewert





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 190) Please provide the complete spreadsheet labeled [BEGIN**  
2 **CONFIDENTIAL] BREC Budget 2013-2016 (confidential).xlsx referenced**  
3 **in the formula used in cells N120:A0134 in the "PCM" tab, and**  
4 **multiple cells in the range of O25:AP195 in the "O&M" tab, of the**  
5 **spreadsheet labeled PSC 1 - 57 -Financial Forecast (2013-2016) Filed**  
6 **- CONFIDENTIAL.xlsx provided in reply to PSC 1- 57 discovery. Please**  
7 **explain any differences between this spreadsheet and the spreadsheet**  
8 **labeled PSC 1 - 57 - Big Rivers Budget 2013-2016 -**  
9 **CONFIDENTIAL.xlsx [END CONFIDENTIAL] provided in response to PSC**  
10 **1 - 57 discovery.**

11

12 **Response)** The spreadsheet labeled "BRE C Budget 2013-2016  
13 (Confidential).xlsx" referenced in formulas in the "PCM" tab and in the  
14 "O&M" tab of the spreadsheet labeled "PSC 1-57 - Financial Forecast (2013-  
15 2016) Filed - CONFIDENTIAL.xlsx" is the same as the spreadsheet labeled  
16 "PSC 1 - 57 - Big Rivers Budget 2013-2016 - CONFIDENTIAL.xlsx", which  
17 was provided on the confidential CD accompanying the Response to PSC 1-  
18 57.

19

20 **Witness)** Travis A. Siewert



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 191) *Reference the Smelter Retail Electric Service Agreements, §***  
2 ***7.3.1.***

3  
4 ***a. Confirm that under this section, when a smelter gives***  
5 ***notice of termination of its power supply agreement, the***  
6 ***smelter is obligated to actually close its facilities and will***  
7 ***no longer be in operation.***

8 ***b. Confirm that both smelters' notice of termination falls***  
9 ***under this section.***

10 ***c. Confirm that both smelters will completely cease***  
11 ***operations in Kentucky. If not, why not?***

12  
13 **Response)**

14  
15 **a.** The language of the contract speaks for itself.

16 **b.** Both the Century and Alcan notices to terminate their  
17 respective retail electric service agreements were given under  
18 that Section 7.3.1.

19 **c.** Section 7.3.1 requires that a smelter provide the representation  
20 and warranty of a designated company official with the notice of  
21 termination stating that the company has made a business  
22 judgment in good faith to terminate and cease all aluminum  
23 smelting at the smelter location, and has no current intention of

**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 recommending smelting operations at the location. This  
2 representation and warranty has been provided by each  
3 smelter. As a result, the existing retail service agreements of  
4 the smelters are terminated effective on August 20, 2013, for  
5 Century, and on January 31, 2014, for Alcan. As of those  
6 dates, there will be no contract or tariff in place under which  
7 Kenergy can legally continue to provide service to a smelter  
8 beyond the contract termination date, unless prior to the  
9 termination date a contract is negotiated, signed, and approved  
10 by all entities from whom approval is required. Any information  
11 on the plans of a smelter beyond the information provided in  
12 this response should be sought from the smelter.

13

14 **Witness)** Robert W. Berry



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 192) Reference Big Rivers' responses to KIUC 2-1 in Case No,**  
2 **2012-00492, pp. 2 and 8 / 167. Confirm that Big Rivers is currently in**  
3 **negotiations with Century for a new agreement with Big Rivers and**  
4 **Kenergy.**

5

6 **a. Clarify as to whether Big Rivers and Century have already**  
7 **agreed to enter into a new agreement and merely work out**  
8 **the details, or whether it remains uncertain that the two**  
9 **parties can reach any new agreement.**

10 **b. Clarify the nature of Big Rivers' / Kenergy's role in any**  
11 **such new agreement. Will it be to supply power as it**  
12 **currently does, on an all-requirements basis, or will Big**  
13 **Rivers assist Century in obtaining market power via**  
14 **deregulated sales? Please provide as many details as**  
15 **possible.**

16 **c. Describe the status of any similar negotiations Big Rivers**  
17 **is having with Alcan.**

18

19 **Response)** Big Rivers objects to providing the details of ongoing  
20 negotiations that are commercially protected by confidentiality agreements.  
21 Big Rivers also objects to this request on the grounds that it seeks  
22 information that is protected by the attorney-client and attorney work

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

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

**February 28, 2013**

1 product privileges. Notwithstanding these objections, but without waiving  
2 them, please see the response to PSC 2-1 and the following statements.

3 a. Big Rivers and Kenergy have been in discussions with Century  
4 since September of 2012 about whether an agreement can be  
5 reached by which Century will remain open beyond the  
6 termination date of its existing retail service agreement and  
7 obtain electricity for its operations from the wholesale power  
8 market. The parties do not have an agreement as of the date of  
9 this response.

10 b. It is public knowledge that, pursuant to the agreements being  
11 negotiated, the future power supply for Century would come  
12 from the wholesale market, and Century would purchase  
13 transmission services from Big Rivers. Kenergy would be the  
14 retail electric supplier.

15 c. No similar negotiations among Big Rivers, Kenergy and Alcan  
16 have commenced as of this date.

17

18 **Witness)** Robert W. Berry





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 193) Reference Big Rivers' responses to KIUC 2-1 in Case No.**  
2 **2012-00492, p. 7/167.**

3

4 **a. Confirm that Fitch's downgrade of Big Rivers' 2010A**  
5 **bonds indicates: "The [smelter] contracts further provide**  
6 **for termination on one years' notice without penalties**  
7 **subject to certain conditions including the termination**  
8 **and cessation of all aluminum smelting operations at the**  
9 **relevant facilities." [emphasis added]**

10

11 **Response)** The statement above, taken from Fitch Ratings' press release  
12 dated February 5, 2013 regarding the downgrade of Big Rivers Electric  
13 Corporation's 2010A Pollution Control Refunding Revenue Bonds, is  
14 confirmed. The underlined portion of the quotation was not emphasized in  
15 the original Fitch Ratings' press release.

16

17 **Witness)** Billie J. Richert



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 194) Reference Big Rivers' response to KIUC 2-1 in Case No.**  
2 **2012-00492, pp. 26-27/167.**

3

4 **a. Confirm that Alcan's letter dated January 31, 2013 in**  
5 **which it gives notice of termination of its retail electric**  
6 **service agreement ("Alcan Notice"), states as follows: "I am**  
7 **advised that, notwithstanding the notice of . . . [Century]**  
8 **on August 20, 2012 to terminate its Retail Electric Service**  
9 **Agreement, dated July 1, 2009, Big Rivers and Kenergy**  
10 **have entered into negotiations with Century to waive the**  
11 **obligations of Section 7.3.1 of the Agreement and to**  
12 **otherwise assist Century to access market power in order**  
13 **to keep Century's . . . smelter open beyond August 20,**  
14 **2013."**

15 **b. Will Big Rivers confirm that its negotiations with Century**  
16 **and/or Alcan include waiver of Smelter Retail Electric**  
17 **Service Agreement §7.3.1? If not, why not? If so, cite to**  
18 **any and all authority received from the Kentucky Public**  
19 **Service Commission authorizing any such waiver.**

20 **c. Will Big Rivers provide the same offer to Alcan that it**  
21 **apparently is providing to Century?**

22 **d. Please explain the reference in the Alcan Notice, p. 2, to**  
23 **Big Rivers' proposal to "restructure the rate formula and**

**Case No. 2012-00535  
Response to AG 1-194  
Witness: Robert W. Berry  
Page 1 of 3**

**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

- 1            *other basic terms and conditions.” Please provide a*  
2            *detailed summary of the proposed changes, and whether*  
3            *any working agreements have been reached.*  
4            *e. Will any different or new restructure of the rate formula*  
5            *or other basic terms and conditions be different than those*  
6            *considered by the PSC in the Unwind case approval? If yes,*  
7            *please explain in detail.*

8  
9            **Response)** Big Rivers objects to providing the details of ongoing  
10           negotiations that are commercially protected by confidentiality agreements.  
11           Big Rivers also objects to this request on the grounds that it seeks  
12           information that is protected by the attorney-client and attorney work  
13           product privileges. Notwithstanding these objections, but without waiving  
14           them, please see the response to PSC 2-1 and the following statements.

- 15           a. The quotation is correct.  
16           b. Please see the objections above. Any agreements between or  
17           among Big Rivers, Kenergy, Century, and/or Alcan will be  
18           submitted to the Commission for approval.  
19           c. Please see the objections above. Please also see the response to  
20           AG 1-192.  
21           d. Alcan is a party to this case, and Big Rivers does not speak for  
22           Alcan. Please also see the response to AG 1-192(c).

**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 e. Please see the objections above. The smelter retail service  
2 agreement approved by the Commission in the Unwind case will  
3 be terminated. Please also see the response to AG 1-192.

4

5 **Witness)** Robert W. Berry



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

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

**February 28, 2013**

1 **Item 195) *If Big Rivers confirms that it is at least attempting to re-***  
2 ***negotiate fundamental terms and premises of the Smelter***  
3 ***Agreements, does Big Rivers believes it is appropriate to continue to***  
4 ***pursue its attempt to pass stranded costs on to remaining***  
5 ***ratepayers?***

6

7 **Response)** Please see the responses to AG 1-22 and AG 1-192.

8

9 **Witness)** Robert W. Berry





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 196) Reference the article at the hyperlink below, from the**  
2 **“Courier Press News,” dated Feb. 1, 2013.**  
3 **(<http://m.courierpress.com/news/2013/feb/01/rio-tinto-alcan->**  
4 **aluminum-smelter-gives-12-month-no/ ). Confirm that Kenergy**  
5 **President and CEO Greg Starheim is quoted in this article as saying**  
6 **that “. . . [the smelters’] senior executives [are] saying they’re going to**  
7 **shut the plant. . . . That termination notice is a legally binding**  
8 **document.”**

9

10 **a. Confirm that in that same article, Big Rivers’ President**  
11 **and CEO Mark Bailey is quoted as saying, “They’re saying**  
12 **their current plan is to cease operations in 12 months,**  
13 **and they have no current plans to restart.” If the smelters**  
14 **plan to continue operations, describe in complete detail**  
15 **how the smelters will obtain a power supply. Describe the**  
16 **role Big Rivers and Kenergy would play in obtaining that**  
17 **power.**

18

19 **Response)** Please see the response to AG 1-192.

20

21 **Witness)** Robert W. Berry



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 197) *If either Century or Alcan, or both, fail to comply with the***  
2 ***term of their respective agreements requiring them to cease***  
3 ***operations at their respective plants upon termination of their***  
4 ***agreements, does Big Rivers believe it has an effective remedy? If so,***  
5 ***would it pursue any remedy, including but not limited to recovery of***  
6 ***the stranded costs the smelters appear willing for other ratepayers to***  
7 ***pay?***

8

9 **Response)** Big Rivers objects to this information request on the ground  
10 that it calls for legal conclusions and strategies that are protected by one or  
11 both of the attorney-client privilege and attorney work product rule.  
12 Notwithstanding that objection, but without waiving it, Big Rivers states as  
13 follows.

14 Please see the response to AG 1-22. Century and Alcan have given  
15 notice terminating their respective retail service agreements under which  
16 they purchase the electric power required for their respective smelting  
17 operations. If there is no new agreement for power supply in place by the  
18 termination date of a smelter contract, the power supply for the respective  
19 facility will cease.

20

21 **Witness)** Robert W. Berry



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 198) *If one or both smelters continue operations in the***  
2 ***Commonwealth of Kentucky and obtain power from the unregulated***  
3 ***market, what, if any, amendments would Big Rivers seek to its***  
4 ***application in this matter? If so, please describe in detail.***

5

6 **Response)** Big Rivers objects to this request on the grounds that it calls for  
7 legal conclusions and strategies that are protected by the attorney-client  
8 privilege and work product doctrine. Notwithstanding that objection, but  
9 without waiving it, Big Rivers states as follows.

10 The smelters have terminated their agreements and, accordingly, Big  
11 Rivers cannot determine whether an amendment to Big Rivers' application  
12 in this matter will be sought.

13

14 **Witness)** Robert W. Berry



**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 199) *Reference the Richert testimony at p. 38, regarding the***  
2 ***Rural Economic Reserve. Please confirm that Big Rivers' Financial***  
3 ***Model indicates this fund will be exhausted by 2017. Please also***  
4 ***confirm this estimate assumes Alcan remains on the system. Please***  
5 ***re-calculate the date the fund will become fully dissipated based on***  
6 ***Alcan's departure in January 2014.***

7

8 **Response)** Please see the response to PSC 2-14(b) for projected depletion  
9 dates related to the Economic Reserve and the Rural Economic Reserve  
10 funds. This projection assumes that Alcan remains on the system. Please  
11 also see the response to PSC 2-1.

12

13 **Witness)** Billie J. Richert





**BIG RIVERS ELECTRIC CORPORATION**

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

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

**February 28, 2013**

1 **Item 200) Reference the Berry testimony at p. 5. Given that the U.S.**  
2 **Army Corps of Engineers repair work to Wolf Creek dam is being**  
3 **completed ahead of schedule, has Big Rivers performed any analyses**  
4 **or studies regarding: (a) when the Southeastern Power Administration**  
5 **(SEPA)'s provision of 178 MW of power to Big Rivers will be restored;**  
6 **and (b) if so, whether that could change Big Rivers' order of economic**  
7 **dispatch? If your response to either (a) and/or (b) above is "yes,"**  
8 **please provide copies of any and all such analyses/studies, and any**  
9 **and all other documents associated therewith.**

10

11 **Response)** Press reports have indicated that repair work at Wolf Creek dam  
12 is being completed ahead of schedule. However, the Army Corps of  
13 Engineers has indicated that official approval for raising the Wolf Creek  
14 reservoir has not been received. A meeting between SEPA customers, SEPA,  
15 and the Army Corps of Engineers is scheduled for April. After that meeting,  
16 Big Rivers expects to receive additional information regarding a return to  
17 normal operations. In all forecasts and models, including those provided in  
18 this rate case, Big Rivers continues to assume that a return to normal  
19 operations and the ability to schedule the full 178 MW of SEPA will occur in  
20 January 2015.

21

22 **Witness)** Robert W. Berry