Hard copy of

electronic attachment to

Big Rivers' response to

AG 1-73

Hard copy of

electronic attachment to

Big Rivers' response to

AG 1-73

Billie Richert

From: Billie Richert
Sent: Monday, August 26, 2013 2:18 PM
To: Bodek, David
Subject: FW: Combined Case Summary
Attachments: Combined Cases Presentation.xlsx

David,

Please see attached for summarization of the two cases.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-73

		Century Rate Case	Alcan Rate Case	Combined Rate Cases
Century and Alcan Rate Cases - Revenue Deficiency				
15-Jan-2013	Century Rate Case Filed	74,500,000		74,500,000
29-Jan-2013	KPSC Rehearing Order in 2011 Rate Case	-1,000,000		-1,000,000
26-Mar-2013	KPSC Refinancing Order - Interest and issuance costs reduction	-4,400,000		-4,400,000
16-May-2013	Other Adjustments	-500,000		-500,000
	Century Rate Case After KPSC Orders and Other Adjustments	68,600,000		68,600,000
16-May-2013	Century Increase Allocated to Alcan - now must be reflected in Alcan rate case	-23,700,000	23,700,000	0
17-May-2013	Alcan Rate Case - Additional Revenue Deficiency		46,700,000	46,700,000
17-May-2013	Century and Alcan Cases - Combined Revenue Deficiency	44,900,000	70,400,000	115,300,000
Revenue Deficiency Allocated to Customer Classes				
	Rural Class	37,400,000	54,900,000	92,300,000
	Large Industrial Class	7,500,000	15,500,000	23,000,000
	Alcan	23,700,000	-23,700,000	0
	Century Rate Case After KPSC Orders and Other Adjustments	68,600,000	46,700,000	115,300,000
	After Alcan's Share of Century Increase Reallocated	-23,700,000	23,700,000	0
	Century and Alcan Cases - Revenue Deficiency	44,900,000	70,400,000	115,300,000
	Accelerated Utilization of ER and RER		-70,400,000	-70,400,000 (A)
	Combined Century and Alcan Cases - After ER and RER	44,900,000	0	44,900,000

Footnotes:
(A) Mitigates portion of Century rate case revenue deficiency ($23,700,000) reallocated to the other classes in Alcan rate case

Billie Richert

From: Billie Richert
Sent: Tuesday, August 20, 2013 4:00 PM
To: Bodek, David
Subject: Update

David,

Yesterday the closings of the CFC revolving line of credit amendment and the Century Transaction occurred. As of today, Century is being served by Kenergy with power purchased on the wholesale market at market-based prices. The CFC revolver remains in place with amendments that, among other things, avoid an automatic default caused by the termination late yesterday of the 2009 wholesale power agreement related to service by Big Rivers to Kenergy for Kenergy' s obligations to Century under the 2009 retail service agreement.

Big Rivers was notified by the Kentucky Public Service Commission (PSC) on August 16, 2013 we should receive a rate order in the 'Century' rate case in three to four weeks. On August 16, 2013, our Board of Directors approved placing the 'Century' rate case rates into effect August 20, 2013, subject to refund when we receive the final order. This means we are placing into effect the original ask of $74.5 million per the tariffs that Big Rivers filed with its application on January 15, 2013. Please note two subsequent orders from the PSC resulted in this initial ask being reduced to $68.6 million. However, we concluded that we did not have the authority to implement rates that were different than the rates in the proposed tariffs. We did not amend the application to file revised proposed tariffs during the case because Big Rivers could not allow for those tariffs to be suspended beyond August 20.

Please call with any questions you may have.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Billie Richert

From: Billie Richert
Sent: Wednesday, August 14, 2013 2:31 PM
To: Bodek, David
Subject: Order in Century Document Case
Attachments: 201300221_08142013.pdf

Per attached.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
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Billie Richert

From: Billie Richert
Sent: Friday, August 02, 2013 11:09 AM
To: Bodek, David
Subject: RE: S&P Rating Report Attached

Thanks, David. Just two items I noted. The proposed agreement with Century under the MISO SSR arrangement is through May 31, 2014. One place in the report it reads 'May 1'. Also the plural for 'lines' was used for each of CoBank and CFC which may make the reader think we have/had multiple lines with each lender.

Speak with you on the 26th.

Billie

From: Bodek, David [david.bodek@standardandpoors.com]
Sent: Friday, August 02, 2013 8:52 AM
To: Billie Richert
Subject: S&P Rating Report Attached

Billie,

I've attached S&P's update to its February 2013 BREC rating report. Thank you for scheduling an update call for later in the month once some of the open issues relating to rate relief, smelter service and external liquidity become more definite.

Sincerely,

David

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

David Bodek
Senior Director
Standard & Poor's Ratings Services
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New York, NY 10041
(v) 212 438 7969
Please note that our e-mail addresses have changed
david.bodek@standardandpoors.com

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Billie Richert

From: Colon, Gloria <gloria.colon@standardandpoors.com>
Sent: Friday, August 02, 2013 10:43 AM
To: Billie Richert
Subject: Big Rivers Electric Corporation
Attachments: Big Rivers Electric Corporation, Kentucky Ohio.pdf

Attached please find the rating report for the transaction reflected above.
Should you have any questions regarding the rating or contents of the report,
please contact the primary analyst listed in the report.

If you have any questions or need any further assistance please don't hesitate to contact me.
Thank you for choosing Standard & Poor's

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

Gloria Colón
Analytical Support Unit

Standard & Poor's | US Public Finance Ratings
130 E. Randolph , Suite 2900, Chicago, IL 60601
T312.233.7035 F312.233.7051

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Billie Richert

From:	Bodek, David <david.bodek@standardandpoors.com>
Sent:	Friday, August 02, 2013 8:52 AM
To:	Billie Richert
Subject:	S&P Rating Report Attached
Attachments:	S&P Rating Report - Big Rivers Electric - 20130803.pdf

Billie,

I've attached S&P's update to its February 2013 BREC rating report. Thank you for scheduling an update call for later in the month once some of the open issues relating to rate relief, smelter service and external liquidity become more definite.

Sincerely,

David

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

David Bodek
Senior Director
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david.bodek@standardandpoors.com

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Billie Richert

From: Billie Richert
Sent: Thursday, August 01, 2013 11:12 AM
To: 'Bodek, David'
Subject: RE: Schedule for Both Rate Case 'Ask' Amounts

Included in follow-up email.

From: Bodek, David [mailto:david.bodek@standardandpoors.com]
Sent: Thursday, August 01, 2013 11:03 AM
To: Billie Richert
Subject: RE: Schedule for Both Rate Case 'Ask' Amounts

Billie,

Please provide the 2014 and 2015 dates for the application of the reserves to offset rates and the related customer classes.

Thanks,

David

STANDARD & POOR'S
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Senior Director
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(v) 212 438 7969
Please note that our e-mail addresses have changed
david.bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, August 01, 2013 11:40 AM
To: Bodek, David
Subject: Schedule for Both Rate Case 'Ask' Amounts

David,
Per our discussion. Let me know if you have questions or need further clarification.

Regards,

Billie

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO

Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
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Billie Richert

From: Billie Richert
Sent: Thursday, August 01, 2013 11:07 AM
To: Bodek, David
Subject: Follow-up

David,
Based upon the acceleration of the Economic and Rural Economic Reserves as included in the 'Alcan' rate case filed with the Kentucky Public Service Commission (KPSC) on June 28, 2013, the following are the depletion dates:

1) Economic Reserve – depleted July 2014 – for both Large Industrials and Rurals
2) Rural Economic Reserve – depleted April 2015 – for Rurals only

The anticipated total variable, fixed and capital costs of operating Coleman, and for which Century will reimburse Big Rivers for the period of time between September 1, 2013 and May 31, 2014, under the System Support Resources (SSR) agreement between MISO and Big Rivers are approximately $92 million. This does not include Coleman's share of any depreciation or interest expense for existing capital or debt as of August 31, 2013. This period of time is the period of time Century will be responsible for paying these costs under this SSR agreement. The actual SSR agreement between Big Rivers and MISO has an initial termination date of December 2015 unless Big Rivers notifies MISO to terminate the agreement.

Regards,
Billie

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Billie Richert

From: Bodek, David <david.bodek@standardandpoors.com>
Sent: Thursday, August 01, 2013 11:03 AM
To: Billie Richert
Subject: RE: Schedule for Both Rate Case 'Ask' Amounts

Billie,

Please provide the 2014 and 2015 dates for the application of the reserves to offset rates and the related customer classes.

Thanks,

David

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David Bodek
Senior Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
Please note that our e-mail addresses have changed
david.bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, August 01, 2013 11:40 AM
To: Bodek, David
Subject: Schedule for Both Rate Case 'Ask' Amounts

David,
Per our discussion. Let me know if you have questions or need further clarification.

Regards,

Billie

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
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Billie Richert

From: Billie Richert
Sent: Thursday, August 01, 2013 9:52 AM
To: 'Bodek, David'
Subject: RE: S&P Confidential Draft Rating Report Attached

David,
When are you available to discuss?

Thanks,
Billie

From: Bodek, David [mailto:david.bodek@standardandpoors.com]
Sent: Wednesday, July 31, 2013 5:52 PM
To: Billie Richert
Subject: S&P Confidential Draft Rating Report Attached

"Standard & Poor's Ratings Services is sending you this draft so that you can call our attention to any factual errors or the inadvertent inclusion of confidential information in the draft. If you have any questions or comments on the analysis that are not factual in nature, we ask that you discuss these matters with us. We will use our sole discretion in making editorial changes to the document, which represents our independent opinion. We will finalize and release our report after a period of up to two business hours from the time we have sent this email regardless of whether we have received a reply. The report will supersede the information in the draft; the information in the draft is confidential and remains confidential until after the issuance of a report and should not be disclosed or released at any time before or after the report is published."

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Billie Richert

From:	Bodek, David <david.bodek@standardandpoors.com>
Sent:	Wednesday, July 31, 2013 5:52 PM
To:	Billie Richert
Subject:	S&P Confidential Draft Rating Report Attached
Attachments:	Sent to Big Rivers 20130731.doc

"Standard & Poor's Ratings Services is sending you this draft so that you can call our attention to any factual errors or the inadvertent inclusion of confidential information in the draft. If you have any questions or comments on the analysis that are not factual in nature, we ask that you discuss these matters with us. We will use our sole discretion in making editorial changes to the document, which represents our independent opinion. We will finalize and release our report after a period of up to two business hours from the time we have sent this email regardless of whether we have received a reply. The report will supersede the information in the draft; the information in the draft is confidential and remains confidential until after the issuance of a report and should not be disclosed or released at any time before or after the report is published."

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Billie Richert

From: Billie Richert
Sent: Wednesday, July 31, 2013 4:41 PM
To: Bodek, David
Subject: Video of yesterday's KPSC hearing (Case No. 2013-00221)

David,
Per our discussion.

Billie

From: Nicholas R. Castlen
Sent: Wednesday, July 31, 2013 2:17 PM
To: Billie Richert; Marty Littrel
Subject: Video of yesterday's KPSC hearing (Case No. 2013-00221)

Billie/Marty,

The video of yesterday's hearing on the proposed contracts with Century are available at the link below.

After you click on the link below, select the first video file (i.e. "2013-00221 - Big Rivers Electric Corporation (July 30, 2013)").

http://psc.ky.gov/Home/Media

Let me know if you have any questions or problems accessing the video.

Thanks,

Nick

Nick Castlen, CPA
Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | nicholas.castlen@bigrivers.com

Billie Richert

From:	Bodek, David <david.bodek@standardandpoors.com>
Sent:	Friday, May 31, 2013 4:34 PM
To:	Billie Richert
Subject:	RE: Big Rivers Update

Thanks for sending this update.

STANDARD & POOR'S RATINGS SERVICES
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David Bodek
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Please note that our e-mail addresses have changed
david.bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Friday, May 31, 2013 4:35 PM
To: Bodek, David
Subject: Big Rivers Update

David,

Today, on May 31, 2013, Big Rivers paid off the $58.8 million 1983 Pollution Control Bonds which mature on June 1, 2013.

On May 28, 2013, Big Rivers filed an application with the Rural Utilities Service (RUS) for long-term financing for the $60 million Environmental Compliance Plan (ECP).

Effective May 24, 2013, Big Rivers terminated the $50 million Revolver with CoBank, ACB (CoBank). As a result of the contract termination notice rendered by Century Aluminum Company on August 20, 2012, Big Rivers did not have access to borrow under this Revolver. It had become apparent that any agreement we could reach with CoBank would not make the line available for at least the better part of a year and with the CFC line and the new three-year $60 million syndicated facility (for ECP) we are working on with them we decided we did not need the CoBank line. Furthermore, it was not appropriate to pay for something that was not available to Big Rivers, so we terminated the Revolver with the intention to negotiate a new facility with CoBank next year.

Please contact me with any questions you may have.

Regards,

Billie

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Billie Richert

From: Billie Richert
Sent: Monday, July 15, 2013 3:35 PM
To: Bodek, David
Subject: Final Order to Amend CFC $50 million Revolver
Attachments: Final Order.pdf

FYI

Per attached.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Office Direct: (270) 844-6190
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Billie Richert

From: Billie Richert
Sent: Monday, June 03, 2013 12:13 PM
To: Bodek, David
Subject: Big Rivers' 2012 Annual Report
Attachments: 2012_BigRivers_AR.pdf

David,

Per attached.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
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Billie Richert

From: Billie Richert
Sent: Friday, May 31, 2013 3:35 PM
To: Bodek, David
Subject: Big Rivers Update

David,

Today, on May 31, 2013, Big Rivers paid off the $58.8 million 1983 Pollution Control Bonds which mature on June 1, 2013.

On May 28, 2013, Big Rivers filed an application with the Rural Utilities Service (RUS) for long-term financing for the $60 million Environmental Compliance Plan (ECP).

Effective May 24, 2013, Big Rivers terminated the $50 million Revolver with CoBank, ACB (CoBank). As a result of the contract termination notice rendered by Century Aluminum Company on August 20, 2012, Big Rivers did not have access to borrow under this Revolver. It had become apparent that any agreement we could reach with CoBank would not make the line available for at least the better part of a year and with the CFC line and the new three-year $60 million syndicated facility (for ECP) we are working on with them we decided we did not need the CoBank line. Furthermore, it was not appropriate to pay for something that was not available to Big Rivers, so we terminated the Revolver with the intention to negotiate a new facility with CoBank next year.

Please contact me with any questions you may have.

Regards,

Billie

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Billie Richert

From: Billie Richert
Sent: Tuesday, May 28, 2013 1:53 PM
To: Bodek, David
Subject: First Quarter 2013 Financial Statements
Attachments: 2013 First Quarter Financial Report.pdf

David,
Attached are the first quarter 2013 financial statements. Please call me with any questions.

Regards,
Billie

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

2013 First Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: May 28, 2013

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	March 31, 2013	March 31, 2012
TOTAL UTILITY PLANT IN SERVICE	2,005,032	1,979,276
CONSTRUCTION WORK IN PROGRESS	47,790	60,033
TOTAL UTILITY PLANT	2,052,822	2,039,309
ACCUM PROVISION FOR DEPR & AMORT	(971,357)	(946,277)
NET UTILITY PLANT	1,081,465	1,093,032
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,894	3,677
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	43,841	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	176,184	159,854
TOTAL OTHER PROPERTY AND INVESTMENTS	223,934	164,231
CASH - GENERAL FUNDS	6	6
SPECIAL DEPOSITS	599	573
TEMPORARY INVESTMENTS	116,374	49,461
ACCOUNTS RECEIVABLE - SALES OF ENERGY	45,530	41,620
ACCOUNTS RECEIVABLE - OTHER NET	357	(425)
FUEL STOCK	29,509	34,868
MATERIALS & SUPPLIES - OTHER	25,929	25,893
PREPAYMENTS	3,228	3,347
OTHER CURRENT & ACCRUED ASSETS	2,335	488
TOTAL CURRENT & ACCRUED ASSETS	223,867	155,829
UNMORT DEBT DISC & EXTRAORD PROP LOSS	4,158	2,299
REGULATORY ASSETS	641	-
OTHER DEFERRED DEBITS	5,019	1,867
TOTAL ASSETS AND OTHER DEBITS	1,539,084	1,417,258
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(231,584)	(241,898)
OPERATING MARGINS - CURRENT YEAR	9,019	(2,122)
NONOPERATING MARGINS - PRIOR YEAR	639,961	636,998
NONOPERATING MARGINS - CURRENT YEAR	503	18
OTHER MARGINS & EQUITIES	(5,495)	(7,279)
TOTAL MARGINS & EQUITIES	412,404	387,717
LONG-TERM DEBT - RUS	212,234	653,688
LONG-TERM DEBT - OTHER	709,238	142,100
TOTAL LONG-TERM DEBT	921,472	795,788
ACCOUNTS PAYABLE	29,204	28,908
TAXES ACCRUED	1,308	1,404
INTEREST ACCRUED	4,108	9,220
OTHER CURRENT & ACCRUED LIABILITIES	6,792	6,923
TOTAL CURRENT & ACCRUED LIABILITIES	41,412	46,455
DEFERRED CREDITS	141,826	163,725
OPERATING RESERVES	22,170	23,593
TOTAL LIABILITIES AND OTHER CREDITS	1,539,084	1,417,258

FINANCIAL HIGHLIGHTS

INVESTMENTS in ASSOCIATED ORGANIZATIONS - OTHER-GENERAL FUNDS increased $43.2 million as of March 31, 2013. This is primarily due to the purchase of CFC Capital Term Certificates relating to the 2012 RUS Series 'A' note refinancing.

SPECIAL FUNDS increased $18.3m as of March 31, 2013. This is largely due to the re-establishment of the transition reserve as part of the 2012 RUS Series 'A' note refinancing, partially offset by the use of reserve funds set up for non-smelter member rate mitigation.

TEMPORARY INVESTMENTS increased $66.9m as of March 31, 2013, primarily due to proceeds related to the 2012 RUS Series 'A' note refinancing.

LONG-TERM DEBT increased $125.7 million as of March 31, 2013, primarily due to borrowing for capital projects and to replenish the transition reserve.

DEFERRED CREDITS decreased $22.1 million as of March 31, 2013, primarily due to the use of reserve funds related to non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended March 31, 2013	2012
ELECTRIC ENERGY REVENUES	150,186	134,100
OTHER OPERATING REVENUE AND INCOME	1,032	1,205
TOTAL OPER REVENUES & PATRONAGE CAPITAL	151,218	135,305
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	12,611	11,820
OPERATION EXPENSE-PRODUCTION-FUEL	61,032	49,722
OPERATION EXPENSE-OTHER POWER SUPPLY	27,425	31,526
OPERATION EXPENSE-TRANSMISSION	2,833	2,409
OPERATION EXPENSE-RTO/ISO	698	659
CONSUMER SERVICE & INFORMATIONAL EXPENSE	133	104
OPERATION EXPENSE-SALES	10	6
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,600	6,722
TOTAL OPERATION EXPENSE	111,342	102,968
MAINTENANCE EXPENSE-PRODUCTION	9,203	12,134
MAINTENANCE EXPENSE-TRANSMISSION	946	1,055
MAINTENANCE EXPENSE-GENERAL PLANT	77	40
TOTAL MAINTENANCE EXPENSE	10,226	13,229
DEPRECIATION & AMORTIZATION EXPENSE	10,287	10,176
TAXES	0	1
INTEREST ON LONG-TERM DEBT	11,094	11,257
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(107)	(200)
OTHER INTEREST EXPENSE	0	0
OTHER DEDUCTIONS	141	41
TOTAL COST OF ELECTRIC SERVICE	142,983	137,472
OPERATING MARGINS	8,235	(2,167)
INTEREST INCOME	504	18
OTHER NON-OPERATING INCOME - NET	0	0
OTHER CAPITAL CREDITS & PAT DIVIDENDS	783	45
NET PATRONAGE CAPITAL OR MARGINS	9,522	(2,104)

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 68,725 MWh to 2,728,754 MWh for the three-month period ended March 31, 2013. Member sales revenue increased $8.2 million, or 6.4%, to $135.2 million for the three-month period ended March 31, 2013, compared to $127.0 million in 2012, driven by higher sales to the rural class and the retroactive increase in member rates that took effect in January 2013, per the Kentucky Public Service Commission order from case number 2011-00036, issued January 29, 2013.

SALES TO NON-MEMBERS increased 239,285 MWh to 511,052 MWh for the three-month period ended March 31, 2013. This increase, along with a 12.5% increase in price, caused non-member electric sales revenue to increase 111.6%, to $15.0 million, for the three-month period ended March 31, 2013 compared to $7.1 million for 2012.

PURCHASED POWER expense decreased $4.7 million, or 32.4% to $9.8 million for the three-month period ended March 31, 2013, compared to 2012. This was due to a 31.6% decrease in MWh purchased, along with a 1.2% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense increased $13.1 million, or 23.2%, to $69.5 million for the three-month period ended March 31, 2013 compared to 2012. The increased fuel expense was primarily driven by higher generation.

BIG RIVERS ELECTRIC CORPORATION

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended March 31, 2013
In Thousands $

	Three Months Ended March 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	9,522	(2,104)
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	11,120	10,998
Interest compounded - RUS Series B Note	1,864	1,774
Interest compounded - RUS Series A Note	11	7,596
Noncash Member Rate Mitigation Revenue	(6,787)	(5,711)
Changes in certain assets and liabilities:		
Accounts receivable	1,217	2,152
Inventories	3,665	(1,572)
Prepaid expenses	(112)	1,618
Deferred charges	(470)	28
Accounts payable	(3,808)	(1,417)
Accrued expenses	(3,671)	(2,731)
Other – Net	476	1,516
Net cash provided by operating activities	13,027	12,147
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures – net	(5,787)	(11,999)
Proceeds from Restricted Investments and Other Deposits and Investments	4,614	4,716
Net cash used in investing activities	(1,173)	(7,283)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term obligations	(5,647)	0
Proceeds from long-term obligations	0	0
Principal payments on short-term notes payable	0	0
Proceeds from short-term notes payable	0	0
Debt Issuance Cost Bond Refunding	0	(246)
Net cash used in financing activities	(5,647)	(246)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,207	4,618
CASH AND CASH EQUIVALENTS – Beginning of quarter	110,173	44,849
CASH AND CASH EQUIVALENTS – End of quarter	116,380	49,467
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	9,985	2,514
Cash paid in taxes	0	0

Billie Richert

From:	Bodek, David <david.bodek@standardandpoors.com>
Sent:	Sunday, May 12, 2013 9:14 AM
To:	Billie Richert
Subject:	Audited Financial Statements

Billie,

Please send me BREC's 2012 audited financial statements.

Sincerely,

David

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

David Bodek
Senior Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
Please note that our e-mail addresses have changed
david.bodek@standardandpoors.com

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Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Monday, April 29, 2013 9:25 AM
To: Billie Richert
Cc: Murphy, Peter; Panger, Jeffrey
Subject: Big Rivers Updates

Billie,

Thanks for sending the updates and we hope that the agreements with Century bode well for Big Rivers.

What will Big Rivers financials look like after Century becomes the owner of both smelters and its purchases market power in lieu of Big Rivers power for its facilities? By how much will rates go up for the non-smelter customers as they absorb generation plant fixed costs that were previously borne by the smelters? What is the likelihood that the commission will approve the needed rate increases?

Sincerely,

David

David Bodek
Senior Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

Register for Standard & Poor's Tuesday, May 7th Electric Cooperative and Public Power Hot Topics Conference: http://ratings-events.standardandpoors.com/content/US_PF_Event_PubPwrNYC5713

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, April 29, 2013 10:19 AM
To: Bodek, David
Subject: FW: FYI - Update

Please see following press release.

press release

April 29, 2013, 9:20 a.m. EDT

Century Aluminum Announces Agreement to Acquire Sebree, KY Smelter

marketwire

MONTEREY, CA, Apr 29, 2013 (Marketwired via COMTEX) -- Century Aluminum Company /quotes/zigman/59708/quotes/nls/cenx CENX +6.08% announced today that its wholly owned subsidiary has entered into a definitive agreement to acquire substantially all of the assets of the Sebree aluminum smelter from a subsidiary of Rio Tinto Alcan, Inc. Sebree, located in Henderson County, Kentucky, employs over 500 men and women and has an annual production capacity of 205,000 metric tons of primary aluminum.

"We are well acquainted with the Sebree smelter and its excellent management team and talented group of employees," commented Michael Bless, President and CEO. "We believe that, with these facilities under common ownership, we will derive real benefits in better serving customers and through improving both operations with the sharing of best practices in safety, technical and operational practices and procedures. My colleagues and I are anxious to welcome Sebree's men and women into the Century group of companies."

"We believe Sebree, like Hawesville, is globally competitive in every area other than the cost of power," continued Mr. Bless. "Maintaining operations at these plants, and the thousands of direct and indirect jobs they provide and support, is critical for the entire western Kentucky community. Gaining access to competitive energy is a crucial for the continued viability of these plants, and we hope that the tentative agreement we have reached for Hawesville will be the first step towards obtaining market priced power."

Pursuant to the terms of the agreement, Century will acquire the smelter for $61 million in cash (after $4 million in purchase price deductions) and will receive $71 million in working capital, subject to customary adjustments. As part of the transaction, RTA will retain all historical environmental liabilities of the Sebree smelter and has agreed to fully fund the pension plan being assumed by Century's subsidiary at closing.

The transaction is subject to certain closing conditions, including the consent of Kenergy Corp. to the assignment of the smelter's existing power contract, which will terminate on January 31, 2014.

Century Aluminum Company owns primary aluminum capacity in the United States and Iceland. Century's corporate offices are located in Monterey, Calif. More information can be found at www.centuryaluminum.com.

Cautionary Statement

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements about future, not past, events and involve certain important risks and uncertainties, any of which could cause our actual results to differ materially from those expressed in our forward-looking statements. Such risks and uncertainties may include, without limitation, further declines in aluminum prices or increases in our operating costs; worsening of global financial and economic conditions; our ability to successfully obtain long-term competitive power arrangements for the Hawesville and Sebree plants; and our ability to obtain the necessary consents and satisfy the necessary conditions to complete the acquisition of the Sebree plant. Forward-looking statements in this press release include statements regarding our ability to complete the acquisition of the Sebree plant, derive benefits from the common ownership of the Sebree and Hawesville plants and obtain competitive power contracts for the Hawesville and Sebree plants. More information about these risks, uncertainties and assumptions can be found in the risk factors and forward-looking statements cautionary language contained in our Annual Report on Form 10-K and in other filings made with the Securities and Exchange Commission. We do not undertake, and specifically disclaim, any obligation to revise any forward-looking statements to reflect the occurrence of future events or circumstances.

Certified Advisors for the First North market of the OMX Nordic Exchange Iceland hf. for Global Depositary Receipts in Iceland:

Atli B. Gudmundsson, Senior Manager -- Corporate Finance, Landsbankinn hf. Steingrimur Helgason, Director -- Corporate Finance, Landsbankinn hf.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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[attachment "#753605812v3_USA_ - Century Press Release.docx" deleted by Dennis Pidherny/pf/NYC/F-I]

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Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Monday, April 15, 2013 10:08 AM
To: Billie Richert

Billie,

Are Big Rivers audited financial statements for 2012 available?

Sincerely

David

David Bodek
Senior Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

Register for Standard & Poor's Tuesday, May 7th Electric Cooperative and Public Power Hot Topics Conference:
http://ratings-events.standardandpoors.com/content/US_PF_Event_PubPwrNYC5713

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Billie Richert

From: Billie Richert
Sent: Wednesday, August 21, 2013 8:42 AM
To: 'Rose, Kevin'
Subject: RE: Update

Will do, Kevin, after we receive copies of the executed agreements. Have a great day.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Wednesday, August 21, 2013 8:36 AM
To: Billie Richert
Subject: RE: Update

Thank you Billie. Please send the documents related to the CFC amendment when available.

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Tuesday, August 20, 2013 4:59 PM
To: Rose, Kevin
Subject: Update

Kevin,

Yesterday the closings of the CFC revolving line of credit amendment and the Century Transaction occurred. As of today, Century is being served by Kenergy with power purchased on the wholesale market at market-based prices. The CFC revolver remains in place with amendments that, among other things, avoid an automatic default caused by the termination late yesterday of the 2009 wholesale power agreement related to service by Big Rivers to Kenergy for Kenergy' s obligations to Century under the 2009 retail service agreement.

Big Rivers was notified by the Kentucky Public Service Commission (PSC) on August 16, 2013 we should receive a rate order in the 'Century' rate case in three to four weeks. On August 16, 2013, our Board of Directors approved placing the 'Century' rate case rates into effect August 20, 2013, subject to refund when we receive the final order. This means we are placing into effect the original ask of $74.5 million per the tariffs that Big Rivers filed with its application on January 15, 2013. Please note two subsequent orders from the PSC resulted in this initial ask being reduced to $68.6 million. However, we concluded that we did not have the authority to implement rates that were different than the rates in the proposed tariffs. We did not amend the application to file revised proposed tariffs during the case because Big Rivers could not allow for those tariffs to be suspended beyond August 20.

Please call with any questions you may have.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Wednesday, August 21, 2013 8:36 AM
To: Billie Richert
Subject: RE: Update

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Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
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kevin.rose@moodys.com

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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Tuesday, August 20, 2013 4:59 PM
To: Rose, Kevin
Subject: Update

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Please call with any questions you may have.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
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Henderson, KY 42420

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Billie Richert

From: Billie Richert
Sent: Tuesday, August 20, 2013 3:59 PM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: Update

Kevin,

Yesterday the closings of the CFC revolving line of credit amendment and the Century Transaction occurred. As of today, Century is being served by Kenergy with power purchased on the wholesale market at market-based prices. The CFC revolver remains in place with amendments that, among other things, avoid an automatic default caused by the termination late yesterday of the 2009 wholesale power agreement related to service by Big Rivers to Kenergy for Kenergy' s obligations to Century under the 2009 retail service agreement.

Big Rivers was notified by the Kentucky Public Service Commission (PSC) on August 16, 2013 we should receive a rate order in the 'Century' rate case in three to four weeks. On August 16, 2013, our Board of Directors approved placing the 'Century' rate case rates into effect August 20, 2013, subject to refund when we receive the final order. This means we are placing into effect the original ask of $74.5 million per the tariffs that Big Rivers filed with its application on January 15, 2013. Please note two subsequent orders from the PSC resulted in this initial ask being reduced to $68.6 million. However, we concluded that we did not have the authority to implement rates that were different than the rates in the proposed tariffs. We did not amend the application to file revised proposed tariffs during the case because Big Rivers could not allow for those tariffs to be suspended beyond August 20.

Please call with any questions you may have.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Billie Richert

From:	Billie Richert
Sent:	Wednesday, August 14, 2013 2:32 PM
To:	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject:	Order in Century Document Case
Attachments:	201300221_08142013.pdf

Per attached.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
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Billie Richert

From:	Rose, Kevin <Kevin.Rose@moodys.com>
Sent:	Monday, July 15, 2013 3:46 PM
To:	Billie Richert
Subject:	RE: Final Order to Amend CFC $50 million Revolver

Thank you for sending this and keeping us informed.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, July 15, 2013 4:35 PM
To: Rose, Kevin
Subject: Final Order to Amend CFC $50 million Revolver

Per attached.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
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Billie Richert

From: Billie Richert
Sent: Monday, July 15, 2013 3:35 PM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: Final Order to Amend CFC $50 million Revolver
Attachments: Final Order.pdf

Per attached.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
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Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Monday, July 15, 2013 12:49 PM
To: Billie Richert
Cc: Chris Warren
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review
Attachments: Big Rivers Credit Opinion July 15 2013.pdf

Billie and Chris:

Attached is the research published today.

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, July 15, 2013 12:23 PM
To: Rose, Kevin
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review

Kevin,
Have you released this ?

Thank you.

Billie

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Friday, July 12, 2013 3:50 PM
To: Chris Warren
Cc: Billie Richert
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review

Chris:

Thank you. I will address that factual point and proceed to publish. I will forward a copy for your records once this is posted to our website.

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Chris Warren [mailto:Christopher.Warren@bigrivers.com]
Sent: Friday, July 12, 2013 3:39 PM
To: Rose, Kevin
Cc: Billie Richert
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review

Kevin,

The only change that I would propose is at the bottom of page 3. The rate increase requested in the 2011 rate case was actually $39.3 million (The document currently states that $30 million was requested in that rate case). Please let me know if you have any questions or comments.

Thanks.

Chris Warren
Big Rivers Electric
(270) 844-6065
mailto:chris.warren@bigrivers.com

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Friday, July 12, 2013 7:38 AM
To: Billie Richert
Cc: Chris Warren
Subject: Confidential: Moody's Draft Credit Opinion for your review

Dear Billie and Chris:

Attached is the draft research for your review, to give you the opportunity to draw attention to any factual errors and/or inadvertent disclosure of confidential information. However, please note that under our policies, MIS retains ultimate editorial control over the form and content of all its publications. MIS will not accept other changes from an issuer that would alter the meaning or tone of our opinions or credit rating announcements.

Please note that this draft research is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents acting in their capacity as such; and (iii) as required by law or regulation.

Would appreciate if you could revert with your comments by end of the business day on Friday, July 12, 2013.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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Billie Richert

From: Billie Richert
Sent: Monday, July 15, 2013 11:23 AM
To: 'Rose, Kevin'
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review

Kevin,
Have you released this ?

Thank you.

Billie

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Friday, July 12, 2013 3:50 PM
To: Chris Warren
Cc: Billie Richert
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review

Chris:

Thank you. I will address that factual point and proceed to publish. I will forward a copy for your records once this is posted to our website.

Regards,

Kevin

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From: Chris Warren [mailto:Christopher.Warren@bigrivers.com]
Sent: Friday, July 12, 2013 3:39 PM
To: Rose, Kevin
Cc: Billie Richert
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review

Kevin,

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Thanks.

Chris Warren
Big Rivers Electric
(270) 844-6065
mailto:chris.warren@bigrivers.com

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Friday, July 12, 2013 7:38 AM
To: Billie Richert
Cc: Chris Warren
Subject: Confidential: Moody's Draft Credit Opinion for your review

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Would appreciate if you could revert with your comments by end of the business day on Friday, July 12, 2013.

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From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Friday, July 12, 2013 3:50 PM
To: Chris Warren
Cc: Billie Richert
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review

Chris:

Thank you. I will address that factual point and proceed to publish. I will forward a copy for your records once this is posted to our website.

Regards,

Kevin

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From: Chris Warren [mailto:Christopher.Warren@bigrivers.com]
Sent: Friday, July 12, 2013 3:39 PM
To: Rose, Kevin
Cc: Billie Richert
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review

Kevin,

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Thanks.

Chris Warren
Big Rivers Electric
(270) 844-6065
mailto:chris.warren@bigrivers.com

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Sent: Friday, July 12, 2013 7:38 AM
To: Billie Richert
Cc: Chris Warren
Subject: Confidential: Moody's Draft Credit Opinion for your review

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Billie Richert

From:	Rose, Kevin <Kevin.Rose@moodys.com>
Sent:	Friday, July 12, 2013 7:38 AM
To:	Billie Richert
Cc:	Chris Warren
Subject:	Confidential: Moody's Draft Credit Opinion for your review
Attachments:	Big Rivers Draft Credit Opinion July 2013 to Management for Review.docm

Dear Billie and Chris:

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Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Thursday, July 11, 2013 4:37 PM
To: Billie Richert
Cc: Chris Warren
Subject: Press Release Issued
Attachments: Big Rivers Press Release July 11 2013.pdf

Billie and Chris:

Attached is the press release we issued and posted to our website a short while ago.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
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Billie Richert

From: Billie Richert
Sent: Thursday, July 11, 2013 1:48 PM
To: 'Rose, Kevin'
Subject: RE: BREC DRAFT PR as of July 11 2013 to Management for review (2)

Thank you.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Thursday, July 11, 2013 1:29 PM
To: Billie Richert
Subject: BREC DRAFT PR as of July 11 2013 to Management for review (2)

Billie: Thanks for your time this afternoon to go over factual points and other comments. I have made some adjustments per the attached to further capture our discussion and will proceed from here to publish this version once I accept based on the tracked changes. I will forward you a final copy once it is published and posted to moodys.com.

Regards,

Kevin

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Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Thursday, July 11, 2013 1:29 PM
To: Billie Richert
Subject: BREC DRAFT PR as of July 11 2013 to Management for review (2)
Attachments: BREC DRAFT PR as of July 11 2013 to Management for review (2).docx

Billie: Thanks for your time this afternoon to go over factual points and other comments. I have made some adjustments per the attached to further capture our discussion and will proceed from here to publish this version once I accept based on the tracked changes. I will forward you a final copy once it is published and posted to moodys.com.

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Kevin

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Billie Richert

From: Billie Richert
Sent: Thursday, July 11, 2013 12:04 PM
To: 'Rose, Kevin'
Subject: RE: Confidential: Moody's Draft Press Release for your review
Attachments: BREC DRAFT PR as of July 11 2013 to Management for review.docx

Kevin,
Please find attached document with changes to factual information and one note for you.

Please call me at your convenience.

Billie

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Thursday, July 11, 2013 9:50 AM
To: Billie Richert
Subject: RE: Confidential: Moody's Draft Press Release for your review

See if this works.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, July 11, 2013 10:43 AM
To: Rose, Kevin
Subject: RE: Confidential: Moody's Draft Press Release for your review

Kevin,
When I print I get 'garbage'. Can you provide in a different format?

Thanks.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Thursday, July 11, 2013 8:42 AM
To: Billie Richert
Subject: Confidential: Moody's Draft Press Release for your review

Dear Billie:

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Please note that this draft report is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents acting in their capacity as such; and (iii) as required by law or regulation.

Would appreciate if you could revert with your comments by 1:00 P.M. EDT today.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

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Billie Richert

From: Billie Richert
Sent: Thursday, July 11, 2013 10:29 AM
To: 'Rose, Kevin'
Subject: RE: Confidential: Moody's Draft Press Release for your review

This works. Thanks. Reviewing now.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Thursday, July 11, 2013 9:50 AM
To: Billie Richert
Subject: RE: Confidential: Moody's Draft Press Release for your review

See if this works.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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250 Greenwich St.
New York, NY 10007

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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, July 11, 2013 10:43 AM
To: Rose, Kevin
Subject: RE: Confidential: Moody's Draft Press Release for your review

Kevin,
When I print I get 'garbage'. Can you provide in a different format?

Thanks.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Thursday, July 11, 2013 8:42 AM
To: Billie Richert
Subject: Confidential: Moody's Draft Press Release for your review

Dear Billie:

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Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Thursday, July 11, 2013 9:50 AM
To: Billie Richert
Subject: RE: Confidential: Moody's Draft Press Release for your review
Attachments: BREC DRAFT PR as of July 11 2013 to Management for review.docx

See if this works.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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as any attachment thereto, for viruses. We take no responsibility and have no liability for any computer virus which may be transferred via this e-mail message.

Billie Richert

From: Billie Richert
Sent: Thursday, July 11, 2013 8:50 AM
To: Kevin.Rose@moodys.com
Subject: RE: Call this morning

Will take a look.

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

-------- Original message --------
From: "Rose, Kevin" <Kevin.Rose@moodys.com>
Date:
To: Billie Richert <Billie.Richert@bigrivers.com>
Subject: RE: Call this morning

Billie:

I just sent you the draft press release. I look forward to hearing back from you. THANKS!

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, July 11, 2013 6:56 AM
To: Rose, Kevin
Subject: Call this morning

Kevin
I'm in a four hour meeting this morning. Please send an email when you want to discuss your report and I'll call you. I'm making several presentations but will excuse myself and return your call as soon as possible.
Thank you.

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

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Billie Richert

From: Billie Richert
Sent: Thursday, July 11, 2013 5:56 AM
To: Kevin.Rose@moodys.com
Subject: Call this morning

Kevin
I'm in a four hour meeting this morning. Please send an email when you want to discuss your report and I'll call you. I'm making several presentations but will excuse myself and return your call as soon as possible.
Thank you.

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Monday, July 08, 2013 10:59 AM
To: Billie Richert
Subject: RE: Kyle

Kyle Wolpert is an Associate Analyst who works with several of the Moody's Analysts on our team.

Kevin Rose
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212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, July 08, 2013 11:57 AM
To: Rose, Kevin
Subject: Kyle

Kevin,
Can you provide Kyle's last name and position?

Thank you.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Billie Richert

From: Billie Richert
Sent: Wednesday, July 03, 2013 6:40 AM
To: Kevin.Rose@moodys.com
Subject: Fwd: Rate case
Attachments: Cash Flow.xlsx

Per your request.

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

-------- Original message --------
Subject:RE: Rate case
From:Chris Warren <Christopher.Warren@bigrivers.com>
To:Billie Richert <Billie.Richert@bigrivers.com>
Cc:

Billie,

This was prepared for the Alcan rate case filing and contains the requested information. Thanks.

Chris

From: Billie Richert
Sent: Tuesday, July 02, 2013 8:39 PM
To: Chris Warren
Subject: Fwd: Rate case

Chris
Can you please forward the indirect cashflow statement? He has sent another email indicating he wants it asap
Thank you.
Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

-------- Original message --------
Subject:RE: Rate case
From:"Rose, Kevin" <Kevin.Rose@moodys.com>
To:Billie Richert <Billie.Richert@bigrivers.com>
Cc:

Hi Billie:

I also note that the latest forecast you sent does not have the indirect cash flow for the year 2013. Is that something you can provide for us. I am not sure how different the cash flow will be , but I did a quick comparison for 2013 to the prior forecast and see that the net margin is different. Let me know if this is something you can provide some insight on. THANKS!

Kevin Rose
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212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Rose, Kevin
Sent: Monday, July 01, 2013 1:59 PM
To: Billie Richert (billie.richert@bigrivers.com)
Subject: Rate case

Hi Billie:

I searched various sources, but cannot seem to locate any records indicating that the case was filed on Friday as you had indicated was expected timing for doing so. Was there a delay? Please advise with an update. THANKS! Also, any further updates on the financing case would be appreciated.

Regards,

Kevin

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Billie Richert

From: Billie Richert
Sent: Tuesday, July 02, 2013 8:47 PM
To: Kevin.Rose@moodys.com; Roger Hickman
Subject: RE: Rate case

Roger
Will you provide instructions to Kevin how to access our Alcan rate case on the PSC website?
Thanks.

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

"Rose, Kevin" <Kevin.Rose@moodys.com> wrote:
I still am not able to locate anything related to the filing. Is there something that Big Rivers can point me to locate as a matter of Public record?

Kevin Rose
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212.298.6466 fax
kevin.rose@moodys.com

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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, July 01, 2013 6:05 PM
To: Rose, Kevin
Subject: RE: Rate case

It was filed Friday afternoon. We are in Frankfort in the Century case.

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

"Rose, Kevin" <Kevin.Rose@moodys.com> wrote:
Hi Billie:

I searched various sources, but cannot seem to locate any records indicating that the case was filed on Friday as you had indicated was expected timing for doing so. Was there a delay? Please advise with an update. THANKS! Also, any further updates on the financing case would be appreciated.

Regards,

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Billie Richert

From: Billie Richert
Sent: Tuesday, July 02, 2013 8:42 PM
To: Kevin.Rose@moodys.com
Subject: RE: Rate case

Kevin,
It is readily available but Chris and I are both at the hearing and can't readily access files. I've asked Chris to pursue to see if we can get this to you sooner.

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

"Rose, Kevin" <Kevin.Rose@moodys.com> wrote:
I was assuming it is readily available. If that is not the case, then it seems like There is no other choice, but to wait. In the meantime, if there is any way to direct me to public records on the June 28th filing that would be appreciated.

Kevin Rose
Global Infrastructure and Finance Group
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212.298.6466 fax
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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, July 01, 2013 6:10 PM
To: Rose, Kevin
Subject: RE: Rate case

Kevin
Can I follow up on this on Monday. We may be here all three or four days. If this isn't acceptable let me know and I'll try to get it

Chris is here as well so I'll work with him to try send get it as soon as we can.

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

"Rose, Kevin" <Kevin.Rose@moodys.com> wrote:
Hi Billie:

I also note that the latest forecast you sent does not have the indirect cash flow for the year 2013. Is that something you can provide for us. I am not sure how different the cash flow will be , but I did a quick comparison for 2013 to the prior forecast and see that the net margin is different. Let me know if this is something you can provide some insight on. THANKS!

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Billie Richert

From:	Billie Richert
Sent:	Wednesday, June 26, 2013 4:55 PM
To:	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Cc:	Chris Warren
Subject:	Board presentation for the Alcan Rate Case
Attachments:	Board of Directors - May 17 2013 - Rate Case - Wolfram.pptx

Kevin,

Please see attached board presentation re: the Alcan Rate Case. Please note on Page 9, for Option 1, the Economic Reserve Depleted date should read 'July 2014' and not 'June 2014'. Please let me know if there are questions.

Regards,

Billie

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Billie Richert

From:	Billie Richert
Sent:	Wednesday, June 26, 2013 1:31 PM
To:	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject:	Combined Case Summary
Attachments:	Combined Cases Presentation.xlsx

Kevin,
Please see attached for summarization of the two cases.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Billie Richert

From: Billie Richert
Sent: Wednesday, June 26, 2013 11:39 AM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Cc: Chris Warren
Subject: RE: Financial Model for Alcan Rate Case - With attachment
Attachments: Financial Forecast (2014-2017) 5-16-2013 (Filed Confidential).xlsx

My apologies.

From: Billie Richert
Sent: Wednesday, June 26, 2013 11:38 AM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Cc: Chris Warren
Subject: Financial Model for Alcan Rate Case

Kevin,
Per our discussion, please find attached the financial model for the Alcan rate case. Please contact me with any follow-up questions you may have. I'm working on the additional materials you requested and will have them to you by COB today.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Billie Richert

From: Billie Richert
Sent: Wednesday, June 26, 2013 11:38 AM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Cc: Chris Warren
Subject: Financial Model for Alcan Rate Case

Kevin,

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Regards,

Billie Richert, CPA, CITP
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Billie Richert

From: Billie Richert
Sent: Friday, June 21, 2013 3:08 PM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: Graphs showing residential and industrial retail rates after Century departure
Attachments: KY residential-industrial 2011.pdf

Kevin,
Second follow-up item.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
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Billie Richert

From: Billie Richert
Sent: Friday, June 21, 2013 3:05 PM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: FW: WV waits for action, Century Aluminum completes its acquisition of Ky. Smelter
Attachments: While WV waits for action - Century Aluminum completes its acquisition.pdf

Kevin,
Here's the first follow-up item: the sale of Rio Tinto Sebree smelter to Century.

WV waits for action, Century Aluminum completes its acquisition of Ky. Smelter

Posted: Jun 03, 2013 8:44 AM CDT
Updated: Jun 03, 2013 9:00 AM CDT
By Ann Ali, Senior Political *Reporter*

http://www.statejournal.com/story/22485171/while-wv-waits-for-action

While West Virginia waits for news about its shuttered Century Aluminum plant, the company announced June 3 its wholly owned subsidiary has completed a transaction with Rio Tinto Alcan, Inc. to acquire substantially all of the assets of the Sebree aluminum smelter.

The Sebree smelter, located in Henderson County, Ky., employs more than 500 people and has an annual production capacity of 205,000 metric tons of primary aluminum, according to a news release from Century.

"We are really happy to welcome the men and women of Sebree to Century," Century Aluminum President and CEO Michael Bless said in a news release. "With the changes occurring in U.S. energy markets, we believe Sebree, along with our existing smelter at Hawesville, will be competitive in the global market.

"We see a great opportunity for these facilities, which are located about 60 miles apart, to work together and share best practices in pursuit of safety and operational excellence."

Bless said access to market-based power is a "critical enabler" for sustained operations at Hawesville and Sebree.

"We believe the framework reached with the power provider for market-priced energy for Hawesville will serve as a model for Sebree."

The terms of the Sebree agreement state that Century will acquire the smelter for $61 million in cash, after $4 million in purchase price deductions along with $71 million in working capital. RTA will retain all historical environmental liabilities of the Sebree smelter and has agreed to fully fund the pension plan being assumed by Century's subsidiary at closing.

Century closed its Jackson County plant in Ravenswood in 2009, and engaged in a lengthy special rate hearing with the Public Service Commission of West Virginia last year.

The PSC issued a ruling to outline the parameters under which Century could purchase electricity at a special rate, but Century has not yet moved forward.

The option of purchasing free market electricity was brought up during the rate hearing, after Bless said the company could make a profit by getting its electricity from the open market in West Virginia, but in its reply briefs in the rate case, the company said the process to adopt a deregulation plan was "daunting, as is the challenge of constructing a deregulation plan which satisfies the multiple stakeholders. Nowhere in its testimony did Century propose such an alternative."

Billie Richert

From: Billie Richert
Sent: Thursday, June 20, 2013 4:24 PM
To: 'Rose, Kevin'
Subject: RE: CFC bank line

Kevin,
Nothing under the line. We have $8.6 outstanding in letters of credit.

Billie

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Thursday, June 20, 2013 4:22 PM
To: Billie Richert
Subject: CFC bank line

Billie:

Do you have any balance currently outstanding under the CFC line or letters of credit outstanding? If so, how much? THANKS!

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com
Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007
www.moodys.com

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Billie Richert

From: Billie Richert
Sent: Thursday, June 20, 2013 1:10 PM
To: 'Rose, Kevin'
Subject: RE: Phone call

That works for me. Look forward speaking with you.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Thursday, June 20, 2013 1:08 PM
To: Billie Richert
Subject: RE: Phone call

That works well for me. I can call your office at the appointed time. If you prefer otherwise, please let me know.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, June 20, 2013 1:42 PM
To: Rose, Kevin
Subject: RE: Phone call

Kevin,
Can we discuss at 3:30 Eastern; 2:30 CDT?

Thanks,
Billie

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Thursday, June 20, 2013 11:41 AM
To: Billie Richert
Subject: Phone call

Hi Billie:

Would you possibly have some time this afternoon after 2:30 P.M. Eastern Daylight time to go over a few things with me related to status and timing of KPSC proceedings, and your negotiations with CFC regarding bank agreement amendment and extension. I am flexible on the time after 2:30. Also, would like to discuss other developments with respect to the smelter load. THANKS!

Kevin Rose
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646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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Billie Richert

From: Billie Richert
Sent: Monday, June 03, 2013 12:16 PM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: Big Rivers' 2012 Annual Report
Attachments: 2012_BigRivers_AR.pdf

Per attached.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
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Billie Richert

From: Billie Richert
Sent: Friday, May 31, 2013 3:37 PM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: Big Rivers Update

Kevin,

Today, on May 31, 2013, Big Rivers paid off the $58.8 million 1983 Pollution Control Bonds which mature on June 1, 2013.

On May 28, 2013, Big Rivers filed an application with the Rural Utilities Service (RUS) for long-term financing for the $60 million Environmental Compliance Plan (ECP).

Effective May 24, 2013, Big Rivers terminated the $50 million Revolver with CoBank, ACB (CoBank). As a result of the contract termination notice rendered by Century Aluminum Company on August 20, 2012, Big Rivers did not have access to borrow under this Revolver. It had become apparent that any agreement we could reach with CoBank would not make the line available for at least the better part of a year and with the CFC line and the new three-year $60 million syndicated facility (for ECP) we are working on with them we decided we did not need the CoBank line. Furthermore, it was not appropriate to pay for something that was not available to Big Rivers, so we terminated the Revolver with the intention to negotiate a new facility with CoBank next year.

Please contact me with any questions you may have.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Billie Richert

From: Billie Richert
Sent: Tuesday, May 28, 2013 1:55 PM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: First Quarter 2013 Financial Statements
Attachments: 2013 First Quarter Financial Report.pdf

Kevin,
Attached are first quarter 2013 financial statements. Please call with any questions.

Regards,

Billie

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
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Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

2013 First Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: May 28, 2013

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	March 31, 2013	March 31, 2012
TOTAL UTILITY PLANT IN SERVICE	2,005,032	1,979,276
CONSTRUCTION WORK IN PROGRESS	47,790	60,033
TOTAL UTILITY PLANT	2,052,822	2,039,309
ACCUM PROVISION FOR DEPR & AMORT	(971,357)	(946,277)
NET UTILITY PLANT	1,081,465	1,093,032
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,894	3,677
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	43,841	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	176,184	159,854
TOTAL OTHER PROPERTY AND INVESTMENTS	223,934	164,231
CASH - GENERAL FUNDS	6	6
SPECIAL DEPOSITS	599	573
TEMPORARY INVESTMENTS	116,374	49,461
ACCOUNTS RECEIVABLE - SALES OF ENERGY	45,530	41,620
ACCOUNTS RECEIVABLE - OTHER NET	357	(425)
FUEL STOCK	29,509	34,866
MATERIALS & SUPPLIES - OTHER	25,929	25,893
PREPAYMENTS	3,228	3,347
OTHER CURRENT & ACCRUED ASSETS	2,335	486
TOTAL CURRENT & ACCRUED ASSETS	223,867	155,829
UNMORT DEBT DISC & EXTRAORD PROP LOSS	4,158	2,299
REGULATORY ASSETS	641	-
OTHER DEFERRED DEBITS	5,019	1,867
TOTAL ASSETS AND OTHER DEBITS	1,539,064	1,417,258
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(231,584)	(241,898)
OPERATING MARGINS - CURRENT YEAR	9,019	(2,122)
NONOPERATING MARGINS - PRIOR YEAR	639,961	638,998
NONOPERATING MARGINS - CURRENT YEAR	503	18
OTHER MARGINS & EQUITIES	(5,495)	(7,279)
TOTAL MARGINS & EQUITIES	412,404	387,717
LONG-TERM DEBT - RUS	212,234	653,666
LONG-TERM DEBT - OTHER	709,238	142,100
TOTAL LONG-TERM DEBT	921,472	795,766
ACCOUNTS PAYABLE	29,204	28,908
TAXES ACCRUED	1,308	1,404
INTEREST ACCRUED	4,108	9,220
OTHER CURRENT & ACCRUED LIABILITIES	6,792	6,923
TOTAL CURRENT & ACCRUED LIABILITIES	41,412	46,455
DEFERRED CREDITS	141,626	163,725
OPERATING RESERVES	22,170	23,593
TOTAL LIABILITIES AND OTHER CREDITS	1,539,064	1,417,258

FINANCIAL HIGHLIGHTS

INVESTMENTS in ASSOCIATED ORGANIZATIONS - OTHER-GENERAL FUNDS increased $43.2 million as of March 31, 2013. This is primarily due to the purchase of CFC Capital Term Certificates relating to the 2012 RUS Series 'A' note refinancing.

SPECIAL FUNDS increased $16.3m as of March 31, 2013. This is largely due to the re-establishment of the transition reserve as part of the 2012 RUS Series 'A' note refinancing, partially offset by the use of reserve funds set up for non-smelter member rate mitigation.

TEMPORARY INVESTMENTS increased $66.9m as of March 31, 2013, primarily due to proceeds related to the 2012 RUS Series 'A' note refinancing.

LONG-TERM DEBT increased $125.7 million as of March 31, 2013, primarily due to borrowing for capital projects and to replenish the transition reserve.

DEFERRED CREDITS decreased $22.1 million as of March 31, 2013, primarily due to the use of reserve funds related to non-smelter member rate mitigation.

2

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended March 31, 2013	2012
ELECTRIC ENERGY REVENUES	150,186	134,100
OTHER OPERATING REVENUE AND INCOME	1,032	1,205
TOTAL OPER REVENUES & PATRONAGE CAPITAL	151,218	135,305
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	12,611	11,820
OPERATION EXPENSE-PRODUCTION-FUEL	61,032	49,722
OPERATION EXPENSE-OTHER POWER SUPPLY	27,425	31,526
OPERATION EXPENSE-TRANSMISSION	2,833	2,409
OPERATION EXPENSE-RTO/ISO	698	659
CONSUMER SERVICE & INFORMATIONAL EXPENSE	133	104
OPERATION EXPENSE-SALES	10	6
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,600	6,722
TOTAL OPERATION EXPENSE	111,342	102,968
MAINTENANCE EXPENSE-PRODUCTION	9,203	12,134
MAINTENANCE EXPENSE-TRANSMISSION	946	1,055
MAINTENANCE EXPENSE-GENERAL PLANT	77	40
TOTAL MAINTENANCE EXPENSE	10,226	13,229
DEPRECIATION & AMORTIZATION EXPENSE	10,287	10,176
TAXES	0	1
INTEREST ON LONG-TERM DEBT	11,094	11,257
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(107)	(200)
OTHER INTEREST EXPENSE	0	0
OTHER DEDUCTIONS	141	41
TOTAL COST OF ELECTRIC SERVICE	142,983	137,472
OPERATING MARGINS	8,235	(2,167)
INTEREST INCOME	504	18
OTHER NON-OPERATING INCOME - NET	0	0
OTHER CAPITAL CREDITS & PAT DIVIDENDS	783	45
NET PATRONAGE CAPITAL OR MARGINS	9,522	(2,104)

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 68,725 MWh to 2,728,754 MWh for the three-month period ended March 31, 2013. Member sales revenue increased $8.2 million, or 6.4%, to $135.2 million for the three-month period ended March 31, 2013, compared to $127.0 million in 2012, driven by higher sales to the rural class and the retroactive increase in member rates that took effect in January 2013, per the Kentucky Public Service Commission order from case number 2011-00036, issued January 29, 2013.

SALES TO NON-MEMBERS increased 239,285 MWh to 511,052 MWh for the three-month period ended March 31, 2013. This increase, along with a 12.5% increase in price, caused non-member electric sales revenue to increase 111.6%, to $15.0 million, for the three-month period ended March 31, 2013 compared to $7.1 million for 2012.

PURCHASED POWER expense decreased $4.7 million, or 32.4% to $9.8 million for the three-month period ended March 31, 2013, compared to 2012. This was due to a 31.6% decrease in MWh purchased, along with a 1.2% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense increased $13.1 million, or 23.2%, to $69.5 million for the three-month period ended March 31, 2013 compared to 2012. The increased fuel expense was primarily driven by higher generation.

BIG RIVERS ELECTRIC CORPORATION

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended March 31, 2013
In Thousands $

	Three Months Ended March 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	9,522	(2,104)
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	11,120	10,998
Interest compounded - RUS Series B Note	1,864	1,774
Interest compounded - RUS Series A Note	11	7,596
Noncash Member Rate Mitigation Revenue	(6,787)	(5,711)
Changes in certain assets and liabilities:		
Accounts receivable	1,217	2,152
Inventories	3,665	(1,572)
Prepaid expenses	(112)	1,618
Deferred charges	(470)	28
Accounts payable	(3,808)	(1,417)
Accrued expenses	(3,671)	(2,731)
Other – Net	476	1,516
Net cash provided by operating activities	13,027	12,147
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures – net	(5,787)	(11,999)
Proceeds from Restricted Investments and Other Deposits and Investments	4,614	4,716
Net cash used in investing activities	(1,173)	(7,283)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term obligations	(5,647)	0
Proceeds from long-term obligations	0	0
Principal payments on short-term notes payable	0	0
Proceeds from short-term notes payable	0	0
Debt Issuance Cost Bond Refunding	0	(246)
Net cash used in financing activities	(5,647)	(246)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,207	4,618
CASH AND CASH EQUIVALENTS – Beginning of quarter	110,173	44,849
CASH AND CASH EQUIVALENTS – End of quarter	116,380	49,467
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	9,985	2,514
Cash paid in taxes	0	0

Billie Richert

From: Billie Richert
Sent: Friday, May 10, 2013 12:47 PM
To: 'Rose, Kevin'
Subject: RE: Moody's Research Report attached

Thank you, Kevin. Have a nice weekend.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Friday, May 10, 2013 12:31 PM
To: Rose, Kevin
Cc: GrassrootsPPIF
Subject: Moody's Research Report attached

FYI, See attached a recently published report on US FERC Regulatory Environment which we believe you will find of interest.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
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Billie Richert

From:	Rose, Kevin <Kevin.Rose@moodys.com>
Sent:	Friday, May 10, 2013 12:31 PM
To:	Rose, Kevin
Cc:	GrassrootsPPIF
Subject:	Moody's Research Report attached
Attachments:	FERC Transmission.pdf

FYI, See attached a recently published report on US FERC Regulatory Environment which we believe you will find of interest.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
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250 Greenwich St.
New York, NY 10007

www.moodys.com

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Billie Richert

From: Billie Richert
Sent: Monday, April 29, 2013 9:20 AM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: FW: FYI - Update

From: Billie Richert
Sent: Monday, April 29, 2013 9:19 AM
To: david_bodek@standardandpoors.com
Subject: FW: FYI - Update

Please see following press release.

press release

April 29, 2013, 9:20 a.m. EDT

Century Aluminum Announces Agreement to Acquire Sebree, KY Smelter

marketwire

MONTEREY, CA, Apr 29, 2013 (Marketwired via COMTEX) -- Century Aluminum Company /quotes/zigman/59708/quotes/nls/cenx CENX +6.08% announced today that its wholly owned subsidiary has entered into a definitive agreement to acquire substantially all of the assets of the Sebree aluminum smelter from a subsidiary of Rio Tinto Alcan, Inc. Sebree, located in Henderson County, Kentucky, employs over 500 men and women and has an annual production capacity of 205,000 metric tons of primary aluminum.

"We are well acquainted with the Sebree smelter and its excellent management team and talented group of employees," commented Michael Bless, President and CEO. "We believe that, with these facilities under common ownership, we will derive real benefits in better serving customers and through improving both operations with the sharing of best practices in safety, technical and operational practices and procedures. My colleagues and I are anxious to welcome Sebree's men and women into the Century group of companies."

"We believe Sebree, like Hawesville, is globally competitive in every area other than the cost of power," continued Mr. Bless. "Maintaining operations at these plants, and the thousands of direct and indirect jobs they provide and support, is critical for the entire western Kentucky community. Gaining access to competitive energy is a crucial for the continued viability of these plants, and we hope that the tentative agreement we have reached for Hawesville will be the first step towards obtaining market priced power."

Pursuant to the terms of the agreement, Century will acquire the smelter for $61 million in cash (after $4 million in purchase price deductions) and will receive $71 million in working capital, subject to customary adjustments. As part of the transaction, RTA will retain all historical environmental liabilities of the Sebree smelter and has agreed to fully fund the pension plan being assumed by Century's subsidiary at closing.

The transaction is subject to certain closing conditions, including the consent of Kenergy Corp. to the assignment of the smelter's existing power contract, which will terminate on January 31, 2014.

Century Aluminum Company owns primary aluminum capacity in the United States and Iceland. Century's corporate offices are located in Monterey, Calif. More information can be found at www.centuryaluminum.com.

Cautionary Statement

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements about future, not past, events and involve certain important risks and uncertainties, any of which could cause our actual results to differ materially from those expressed in our forward-looking statements. Such risks and uncertainties may include, without limitation, further declines in aluminum prices or increases in our operating costs; worsening of global financial and economic conditions; our ability to successfully obtain long-term competitive power arrangements for the Hawesville and Sebree plants; and our ability to obtain the necessary consents and satisfy the necessary conditions to complete the acquisition of the Sebree plant. Forward-looking statements in this press release include statements regarding our ability to complete the acquisition of the Sebree plant, derive benefits from the common ownership of the Sebree and Hawesville plants and obtain competitive power contracts for the Hawesville and Sebree plants. More information about these risks, uncertainties and assumptions can be found in the risk factors and forward-looking statements cautionary language contained in our Annual Report on Form 10-K and in other filings made with the Securities and Exchange Commission. We do not undertake, and specifically disclaim, any obligation to revise any forward-looking statements to reflect the occurrence of future events or circumstances.

Certified Advisors for the First North market of the OMX Nordic Exchange Iceland hf. for Global Depositary Receipts in Iceland:

Atli B. Gudmundsson, Senior Manager -- Corporate Finance, Landsbankinn hf. Steingrimur Helgason, Director -- Corporate Finance, Landsbankinn hf.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
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[attachment "#753605812v3_USA_ - Century Press Release.docx" deleted by Dennis Pidherny/pf/NYC/F-I]

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Billie Richert

From: Billie Richert
Sent: Thursday, April 25, 2013 3:23 PM
To: 'Rose, Kevin'
Subject: RE: Member Co-ops 2012 financial information
Attachments: Form 7 - December 31, 2012 - RUS Version.pdf

Per your request.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Thursday, April 25, 2013 10:07 AM
To: Billie Richert
Subject: RE: Member Co-ops 2012 financial information

Billie:

Thanks for sending the member financials. Since Jackson information was from an audit and not the Form 7, I don't have the Residential KwH they sold in 2012, nor the total Kwh sold. If they have a form 7, please send that, which should suffice; otherwise if you could obtain that, then I can calculate the aggregate member residential KwH sold as percentage of the member aggregate total..

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Wednesday, April 24, 2013 5:41 PM
To: Rose, Kevin
Subject: Member Co-ops 2012 financial information

Kevin,
Please find attached 2012 financial information for Mead County and Jackson Purchase. I'm still waiting to hear back from Kenergy.

Billie

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
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Henderson, KY 42420

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Billie Richert

From:	Rose, Kevin <Kevin.Rose@moodys.com>
Sent:	Monday, April 15, 2013 10:43 AM
To:	Rose, Kevin
Subject:	Updated U.S. Electric G&T Cooperative rating Methodology
Attachments:	G&T Coop Methodology April 15 2013.pdf
Importance:	High

FYI, the attached was published earlier today.

Kevin Rose
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212.553.0389 tel
646.256.2741 mobile
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kevin.rose@moodys.com

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Billie Richert

From: Billie Richert
Sent: Thursday, April 25, 2013 8:23 AM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: Kenergy's 2012 Audited Financials
Attachments: 2012 Kenergy Audit.pdf

Per attached.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
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Henderson, KY 42420

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Billie Richert

From:	Billie Richert
Sent:	Wednesday, April 24, 2013 5:18 PM
To:	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject:	Kenergy's 2012 Financial Report
Attachments:	Kenergy - RUS Form 7 - Dec. 2012.pdf

Per attached.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
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Billie Richert

From: Billie Richert
Sent: Wednesday, April 24, 2013 4:41 PM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: Member Co-ops 2012 financial information
Attachments: Financial Statements-JPEC-2012.pdf; Mead County - 12_31_2012 Year End.pdf

Kevin,

Please find attached 2012 financial information for Mead County and Jackson Purchase. I'm still waiting to hear back from Kenergy.

Billie

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
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Billie Richert

From:	Billie Richert
Sent:	Tuesday, April 02, 2013 10:45 AM
To:	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Cc:	Ralph Ashworth
Subject:	Updated Financial Information for Big Rivers Electric Corporation
Attachments:	Big Rivers Electric Corporation - 2012 Audited Financial Statements.pdf; Financial Model for Rate Case - Financial Forecast (2013-2016) 11-09-2012 (Filing).xlsx; PSC Order - 2012-00492 - SKMBT_C45213032609030.pdf; KPSC Order Rehearing Order - 2013-01-29.pdf

Good morning, Kevin. Please find attached the following documents:

1) Audited financial statements for years ended December 31, 2012 and 2011
2) 2013 Budget and 2014-2016 Financial Forecast – These values reflect the exit of Century Aluminum on August 20, 2013.
3) Kentucky Public Service Commission (KPSC) Order dated March 26, 2013 granting Big Rivers' request to have access to the $35 million Transition Reserve to fund capital expenditures; and to repurpose $60 million borrowed
From CoBank in July 2012 to pay off the 1983 Pollution Control Bonds ($58.8 million) which are due June 1, 2013.
4) KPSC Final Order dated January 29, 2013 for the 2011 Rate Case Rehearing. This Order provided for retroactive recovery of approximately $1.4 million in additional revenues for 2013 as well as an increase in annual revenue of $1.04 million in 2013 from the increase in base rates starting January 1, 2013.

The Century rate case is in progress but no firm dates have been established for the hearing which is anticipated in late June. We are planning to file another rate case (the 'Alcan' rate case) in late June 2013.

We have just filed a financing case, Case No. 2013-00125. This case is to amend the CFC $50 million Revolver. We continue to work with CoBank to amend its revolver and are planning to file another financing case for the three year bridge financing with CFC to fund our Environmental Compliance Plan (ECP) for approximately $60 million. Our application for ECP long-term financing with RUS is anticipated to be filed in late May, 2013.

After you have had a chance to review, please let me know if there are any questions.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
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Billie Richert

From: Billie Richert
Sent: Tuesday, August 20, 2013 4:00 PM
To: alan.spen@fitchratings.com; Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)
Subject: Update

Alan/Dennis,

Yesterday the closings of the CFC revolving line of credit amendment and the Century Transaction occurred. As of today, Century is being served by Kenergy with power purchased on the wholesale market at market-based prices. The CFC revolver remains in place with amendments that, among other things, avoid an automatic default caused by the termination late yesterday of the 2009 wholesale power agreement related to service by Big Rivers to Kenergy for Kenergy' s obligations to Century under the 2009 retail service agreement.

Big Rivers was notified by the Kentucky Public Service Commission (PSC) on August 16, 2013 we should receive a rate order in the 'Century' rate case in three to four weeks. On August 16, 2013, our Board of Directors approved placing the 'Century' rate case rates into effect August 20, 2013, subject to refund when we receive the final order. This means we are placing into effect the original ask of $74.5 million per the tariffs that Big Rivers filed with its application on January 15, 2013. Please note two subsequent orders from the PSC resulted in this initial ask being reduced to $68.6 million. However, we concluded that we did not have the authority to implement rates that were different than the rates in the proposed tariffs. We did not amend the application to file revised proposed tariffs during the case because Big Rivers could not allow for those tariffs to be suspended beyond August 20.

Please call with any questions you may have.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
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201 Third Street
Henderson, KY 42420

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Billie Richert

From: Billie Richert
Sent: Wednesday, August 14, 2013 2:32 PM
To: Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com); alan.spen@fitchratings.com
Subject: Order in Century Document Case
Attachments: 201300221_08142013.pdf

Per attached.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Billie Richert

From: Billie Richert
Sent: Monday, July 15, 2013 3:35 PM
To: Dennis M. Pidhemy (Dennis.Pidhemy@fitchratings.com); alan.spen@fitchratings.com
Subject: Final Order to Amend CFC $50 million Revolver
Attachments: Final Order.pdf

Per attached.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Billie Richert

From: Billie Richert
Sent: Monday, June 03, 2013 12:14 PM
To: Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com); alan.spen@fitchratings.com
Subject: Big Rivers' 2012 Annual Report
Attachments: 2012_BigRivers_AR.pdf

Per attached.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
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Billie Richert

From: Dennis.Pidherny@fitchratings.com
Sent: Friday, May 31, 2013 3:47 PM
To: Billie Richert
Cc: alan.spen@fitchratings.com
Subject: Re: Big Rivers Update

Thank you as always Billie.

Dennis M. Pidherny
Managing Director, Public Finance
Sector Head - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
+1 (516) 659-2428 (mobile)
dennis.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "alan.spen@fitchratings.com" <alan.spen@fitchratings.com>, "Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>
Date: 05/31/2013 04:36 PM
Subject: Big Rivers Update

Alan/Dennis,

Today, on May 31, 2013, Big Rivers paid off the $58.8 million 1983 Pollution Control Bonds which mature on June 1, 2013.

On May 28, 2013, Big Rivers filed an application with the Rural Utilities Service (RUS) for long-term financing for the $60 million Environmental Compliance Plan (ECP).

Effective May 24, 2013, Big Rivers terminated the $50 million Revolver with CoBank, ACB (CoBank). As a result of the contract termination notice rendered by Century Aluminum Company on August 20, 2012, Big Rivers did not have access to borrow under this Revolver. It had become apparent that any agreement we could reach with CoBank would not make the line available for at least the better part of a year and with the CFC line and the new three-year $60 million syndicated facility (for ECP) we are working on with them we decided we did not need the CoBank line. Furthermore, it was not appropriate to pay for something that was not available to Big Rivers, so we terminated the Revolver with the intention to negotiate a new facility with CoBank next year.

Please contact me with any questions you may have.

Regards,

Billie Richert, CPA, CITP
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Billie Richert

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Today, on May 31, 2013, Big Rivers paid off the $58.8 million 1983 Pollution Control Bonds which mature on June 1, 2013.

On May 28, 2013, Big Rivers filed an application with the Rural Utilities Service (RUS) for long-term financing for the $60 million Environmental Compliance Plan (ECP).

Effective May 24, 2013, Big Rivers terminated the $50 million Revolver with CoBank, ACB (CoBank). As a result of the contract termination notice rendered by Century Aluminum Company on August 20, 2012, Big Rivers did not have access to borrow under this Revolver. It had become apparent that any agreement we could reach with CoBank would not make the line available for at least the better part of a year and with the CFC line and the new three-year $60 million syndicated facility (for ECP) we are working on with them we decided we did not need the CoBank line. Furthermore, it was not appropriate to pay for something that was not available to Big Rivers, so we terminated the Revolver with the intention to negotiate a new facility with CoBank next year.

Please contact me with any questions you may have.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Billie Richert

From: Billie Richert
Sent: Tuesday, May 28, 2013 1:52 PM
To: alan.spen@fitchratings.com; Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)
Subject: First Quarter 2013 Financial Statements for Big Rivers
Attachments: 2013 First Quarter Financial Report.pdf

Per attached. Please call me with any questions.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Billie Richert

From: Billie Richert
Sent: Monday, April 29, 2013 10:30 AM
To: 'Dennis.Pidherny@fitchratings.com'
Cc: Alan.Spen@fitchratings.com
Subject: RE: FYI

Dennis/Alan,
Can we speak tomorrow at 9:00 CDT? I'm available tomorrow at any time other than between 10 – 11:00 and 1 – 2:00 CDT.

Thanks,
Billie

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Monday, April 29, 2013 8:42 AM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Re: FYI

Thank you Billie.

As always we would appreciate the opportunity to speak with you at your convenience on the latest developments.

Let us know if and when that is possible.

Dennis M. Pidherny
Managing Director, Public Finance
Sector Head - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
+1 (516) 659-2428 (mobile)
dennis.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>
Date: 04/29/2013 09:18 AM
Subject: FYI

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
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Billie Richert

From: Billie Richert
Sent: Monday, April 29, 2013 9:18 AM
To: 'Dennis.Pidherny@fitchratings.com'
Cc: Alan.Spen@fitchratings.com
Subject: RE: FYI - Update

Please see following press release.

press release

April 29, 2013, 9:20 a.m. EDT

Century Aluminum Announces Agreement to Acquire Sebree, KY Smelter

marketwire

MONTEREY, CA, Apr 29, 2013 (Marketwired via COMTEX) -- Century Aluminum Company /quotes/zigman/59708/quotes/nls/cenx CENX +6.08% announced today that its wholly owned subsidiary has entered into a definitive agreement to acquire substantially all of the assets of the Sebree aluminum smelter from a subsidiary of Rio Tinto Alcan, Inc. Sebree, located in Henderson County, Kentucky, employs over 500 men and women and has an annual production capacity of 205,000 metric tons of primary aluminum.

"We are well acquainted with the Sebree smelter and its excellent management team and talented group of employees," commented Michael Bless, President and CEO. "We believe that, with these facilities under common ownership, we will derive real benefits in better serving customers and through improving both operations with the sharing of best practices in safety, technical and operational practices and procedures. My colleagues and I are anxious to welcome Sebree's men and women into the Century group of companies."

"We believe Sebree, like Hawesville, is globally competitive in every area other than the cost of power," continued Mr. Bless. "Maintaining operations at these plants, and the thousands of direct and indirect jobs they provide and support, is critical for the entire western Kentucky community. Gaining access to competitive energy is a crucial for the continued viability of these plants, and we hope that the tentative agreement we have reached for Hawesville will be the first step towards obtaining market priced power."

Pursuant to the terms of the agreement, Century will acquire the smelter for $61 million in cash (after $4 million in purchase price deductions) and will receive $71 million in working capital, subject to customary adjustments. As part of the transaction, RTA will retain all historical environmental liabilities of the Sebree smelter and has agreed to fully fund the pension plan being assumed by Century's subsidiary at closing.

The transaction is subject to certain closing conditions, including the consent of Kenergy Corp. to the assignment of the smelter's existing power contract, which will terminate on January 31, 2014.

Century Aluminum Company owns primary aluminum capacity in the United States and Iceland. Century's corporate offices are located in Monterey, Calif. More information can be found at www.centuryaluminum.com.

Cautionary Statement

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements about future, not past, events and involve certain important risks and uncertainties, any of which could cause our actual results to differ materially from those expressed in our forward-looking statements. Such risks and uncertainties may include, without limitation, further declines in aluminum prices or increases in our operating costs; worsening of global financial and economic conditions; our ability to successfully obtain long-term competitive power arrangements for the Hawesville and Sebree plants; and our ability to obtain the necessary consents and satisfy the necessary conditions to complete the acquisition of the Sebree plant. Forward-looking statements in this press release include statements regarding our ability to complete the acquisition of the Sebree plant, derive benefits from the common ownership of the Sebree and Hawesville plants and obtain competitive power contracts for the Hawesville and Sebree plants. More information about these risks, uncertainties and assumptions can be found in the risk factors and forward-looking statements cautionary language contained in our Annual Report on Form 10-K and in other filings made with the Securities and Exchange Commission. We do not undertake, and specifically disclaim, any obligation to revise any forward-looking statements to reflect the occurrence of future events or circumstances.

Certified Advisors for the First North market of the OMX Nordic Exchange Iceland hf. for Global Depositary Receipts in Iceland:

Atli B. Gudmundsson, Senior Manager -- Corporate Finance, Landsbankinn hf. Steingrimur Helgason, Director -- Corporate Finance, Landsbankinn hf.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Monday, April 29, 2013 8:42 AM

To: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Re: FYI

Thank you Billie.

As always we would appreciate the opportunity to speak with you at your convenience on the latest developments.

Let us know if and when that is possible.

Dennis M. Pidherny
Managing Director, Public Finance
Sector Head - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
+1 (516) 659-2428 (mobile)
dennis.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>
Date: 04/29/2013 09:18 AM
Subject: FYI

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Billie Richert

From: Billie Richert
Sent: Monday, April 29, 2013 8:18 AM
To: Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)
Subject: FYI
Attachments: #753605812v3_USA_ - Century Press Release.docx

Billie Richert, CPA, CITP
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Billie Richert

From: Billie Richert
Sent: Tuesday, April 02, 2013 10:46 AM
To: Dennis M. Pidhemy (Dennis.Pidhemy@fitchratings.com); alan.spen@fitchratings.com
Cc: Ralph Ashworth
Subject: Updated Financial Information for Big Rivers Electric Corporation
Attachments: Big Rivers Electric Corporation - 2012 Audited Financial Statements.pdf; Financial Model for Rate Case - Financial Forecast (2013-2016) 11-09-2012 (Filing).xlsx; PSC Order - 2012-00492 - SKMBT_C45213032609030.pdf; KPSC Order Rehearing Order - 2013-01-29.pdf

Good morning, Dennis and Alan. Please find attached the following documents:

1) Audited financial statements for years ended December 31, 2012 and 2011
2) 2013 Budget and 2014-2016 Financial Forecast – These values reflect the exit of Century Aluminum on August 20, 2013.
3) Kentucky Public Service Commission (KPSC) Order dated March 26, 2013 granting Big Rivers' request to have access to the $35 million Transition Reserve to fund capital expenditures; and to repurpose $60 million borrowed
   From CoBank in July 2012 to pay off the 1983 Pollution Control Bonds ($58.8 million) which are due June 1, 2013.
4) KPSC Final Order dated January 29, 2013 for the 2011 Rate Case Rehearing. This Order provided for retroactive recovery of approximately $1.4 million in additional revenues for 2013 as well as an increase in annual revenue of $1.04 million in 2013 from the increase in base rates starting January 1, 2013.

The Century rate case is in progress but no firm dates have been established for the hearing which is anticipated in late June. We are planning to file another rate case (the 'Alcan' rate case) in late June 2013.

We have just filed a financing case, Case No. 2013-00125. This case is to amend the CFC $50 million Revolver. We continue to work with CoBank to amend its revolver and are planning to file another financing case for the three year bridge financing with CFC to fund our Environmental Compliance Plan (ECP) for approximately $60 million. Our application for ECP long-term financing with RUS is anticipated to be filed in late May, 2013.

After you have had a chance to review, please let me know if there are any questions.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
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Henderson, KY 42420

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Nicholas R. Castlen

From: Billie Richert
Sent: Friday, August 02, 2013 11:52 AM
To: Nicholas R. Castlen
Subject: Fwd: S&P Rating Report Attached
Attachments: S&P Rating Report - Big Rivers Electric - 20130803.pdf

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

-------- Original message --------
From: "Bodek, David" <david.bodek@standardandpoors.com>
Date:
To: Billie Richert <Billie.Richert@bigrivers.com>
Subject: S&P Rating Report Attached

Billie,

I've attached S&P's update to its February 2013 BREC rating report. Thank you for scheduling an update call for later in the month once some of the open issues relating to rate relief, smelter service and external liquidity become more definite.

Sincerely,

David

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

David Bodek
Senior Director
Standard & Poor's Ratings Services
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New York, NY 10041
(v) 212 438 7969
Please note that our e-mail addresses have changed
david.bodek@standardandpoors.com

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Summary:

Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

Primary Credit Analyst:
David N Bodek, New York (1) 212-438-7969; david.bodek@standardandpoors.com

Secondary Contact:
Jeffrey M Panger, New York (1) 212-438-2076; jeff.panger@standardandpoors.com

Table Of Contents

Summary:

Big Rivers Electric Corp., Kentucky
Ohio County; Rural Electric Coop

Credit Profile		
Big Rivers Electric Corp. ICR		
Long Term Rating	BB-/Negative	Affirmed
Ohio Cnty, Kentucky		
Big Rivers Electric Corp., Kentucky		
Ohio Cnty (Big Rivers Electric Corp.) poll ctrl rfdg rev bnds (Big Rivers Elec Corp Proj) ser 2010A		
Long Term Rating	BB-/Negative	Affirmed

Rationale

Standard & Poor's Ratings Services has affirmed its 'BB-' rating on Big Rivers Electric Corp., Ky., (BREC) and Ohio County, Ky.'s $83.3 million pollution control refunding revenue bonds, series 2010A (Big Rivers Electric Corp. project) issued for Big Rivers' benefit. The outlook is negative.

The rating reflects our assessments of the issuer's obligations' vulnerability to nonpayment based on the following developments that we view as eroding the strength and stability of the utility's revenue stream:

- In August 2012, BREC's leading customer issued a 12-month notice to terminate its contract. The notice covers Century Aluminum Co.'s Hawesville, Ky., smelter. Century accounted for 36% of the utility's 2012 operating revenues.
- After the utility filed a rate case with the Kentucky Public Service Commission (KPSC) on Jan. 15, 2013, and requested rate relief that would, among other things, reallocate costs borne by Century to its remaining customers, a second smelter, Rio Tinto Alcan Inc., issued a 12-month notice to terminate its power contract with BREC. Alcan's Jan. 31, notice is effective January 2014. The notice covers the company's Sebree smelter, which accounted for 28% of BREC's 2012 operating revenues. The company's rate filing proposed raising Alcan's rates 16%. On June 1, Century succeeded Alcan as owner of the Sebree plant.
- We believe that losing these two loads will deprive the utility of substantial anchors that have supported much of its fixed costs. Moreover, we view the extent to which the KPSC will approve reallocating costs to remaining customers as uncertain.
- The outcome of ongoing rate proceedings remains uncertain.
- BREC and Century are seeking KPSC approval allowing the Hawesville facility to purchase market power over BREC and its member's lines as a means of preserving a portion of the smelter's contributions to revenues, but will not shield the utility from having surplus generation capacity. However, through May 1, 2014, if Century purchases market power, it will need to pay a portion of BREC's fixed and variable operating costs for the Coleman plant that is deemed to have reliability must run status within the Midwest Independent System Operator's footprint. Century will not be responsible for the plant's depreciation or interest expense.
- The status of whether BREC will have an ongoing relationship with the Sebree facility is uncertain.
- We believe it might be too onerous for remaining customers to assume the fixed costs that the smelters have

historically borne, particularly because many of the counties that BREC serves have income levels that are 20%-30% below the national median household effective buying income. Consequently, the implications of the smelter departures on the quality of the member revenue streams that support the company's debt is uncertain.

- If rate relief is insufficient and BREC looks to competitive market sales to mitigate load losses, we believe these sales could expose the utility to substantial price and volume uncertainty, which is inconsistent with sound credit quality. Moreover, BREC depends almost exclusively on coal units, which also could constrain market sales opportunities. Coal has accounted for close to 90% of its power sales and its coal units are not as economical as competing natural gas-fired resources that are benefitting from the fuel's low prices. Market sales in 2012 of 1.5 million megawatt-hours (MWh) were half of 2011's market sales volume.
- Century's termination notice precluded BREC from borrowing on its $50 million line of credit with CoBank ACB and created a potential default event. Consequently, the utility terminated the line to avert a default and preserve its term loan with CoBank. BREC expects to extend its $50 million line with National Rural Utilities Cooperative Finance Corp. before its August 2013 expiration. It expects to be able to renew the line without triggers like those in the CoBank line that cut off borrowing access because of its customers' termination notices.
- The utility reports the speculative-grade rating will not lead to an acceleration of obligations outstanding.
- Big Rivers reports it deferred maintenance in 2012 to control expenses. Although it does not plan to defer maintenance in 2013, it is revisiting its capital program pending more certainty as to the timing and extent of rate relief.

Henderson, Ky.-based Big Rivers is a generation and transmission cooperative that produces and procures electricity for sale to three distribution cooperative members and their 112,900 retail customers. One member, Kenergy Corp., serves the two smelters. In 2011, Kenergy's 9.4 million MWh sales were 8x greater than the sum of the other two members' MWh sales. About 86% of Kenergy's 2011 MWh sales were to industrial customers. Nearly three-quarters of its sales were to the two smelters. They accounted for more than 70% of Kenergy's operating revenues. BREC's other member distribution cooperatives -- Jackson Purchase Energy and Meade County Rural Electric Cooperative -- principally serve residential customers.

The smelters entered take-or-pay power contracts with Kenergy. However, the contracts allow the smelters to terminate their obligations to the distribution utility and BREC without penalty if they provide one-year's notice and cease operations.

Because the KPSC must approve requests for rate adjustments, the utility and its member distribution cooperatives are distinguishable from many other cooperative utilities that have autonomous ratemaking authority. The KPSC also regulates BREC's members' rates.

The utility is evaluating idling power plants as part of its response to losing loads. Closing plants could reduce costs, reduce market exposure, and mitigate the financial impact on remaining customers. Also, if rate relief is insufficient, Big Rivers might temper the burdens of cost reallocation by remarketing some or all of the generation output that had been sold to the smelters. However, market or contract demand and prices would need to be sufficient to recoup the smelters' share of costs. We believe that market sales could transform the utility into a principally merchant generator that faces the risks inherent in being subject to market demand and prices. BREC and Century are seeking the PSC's approval for the Hawesville smelter's purchases of market power that the utility and Kenergy would deliver over their lines. Under such an agreement, Century would be required to cover BREC's Coleman plant's production costs through May 2014, which would complement any market sales revenues.

Big Rivers' concentration in coal resources expose the utility to potentially higher production costs as Environmental Protection Agency (EPA) regulation of power plant emissions progresses. A recent appellate decision that vacated the EPA's Cross-State Air Pollution rule provides the utility with at least a temporary reprieve from the $224.5 million of emissions-related capital spending the utility projected for compliance with that rule while the EPA and the courts revisit the rules. BREC projects it will need to spend $59 million on retrofits to comply with the Mercury and Air Toxics Standards rule.

The utility reported $925 million of debt as of Dec. 31, 2012. Debt consisted of Rural Utilities Service loans, the Ohio County bonds, and a July 2012, $537 million loan with CoBank and National Rural Utilities Cooperative Finance Corp. Proceeds replenished $35 million of transition reserve funds used to accelerate principal reduction in 2011 and restructured a portion of the utility's RUS borrowing to eliminate some of the spikes in debt service requirements. Based on a KPSC order, BREC has repurposed the transition reserve as a capital expenditure account and has spent about $11 million of the $35 million. In June 2013, the utility used unexpended proceeds of 2012's CoBank borrowing to retire $59 million of maturing pollution control bonds.

Through 2013, the debt portfolio exhibits uneven amortization. Thereafter, through 2019, principal payments are about $22 million per year. In 2020, principal payments rise to $66 million. BREC repaid $14.2 million of principal in 2010. In 2011, it was required to repay $7.3 million of principal, but also used $35.0 million of transition reserve money to accelerate principal reduction. The utility replenished the transition reserve in 2012 with proceeds of July's borrowing from CoBank and National Rural Utilities. Loan proceeds also facilitated debt restructuring that reduced 2012's $72.1 million scheduled maturity to $12.1 million, with the remaining $60 million to be amortized later. The utility retired $59 million of maturing pollution control bonds in June 2013, with unexpended proceeds from 2012's borrowing. Including the pollution control bonds, the utility faced $79.3 million of 2013 maturities.

Ohio County sold bonds for the benefit of BREC, which used bond proceeds to refund auction rate securities. We understand that the financing structure obligates the utility to unconditionally pay the county's bonds' debt service. Big Rivers issued a note to the county that provides it with a security interest in the utility's assets under its mortgage indenture. The county's bonds' security interest is on par with the utility's senior secured debt.

Debt service coverage of 1.45x in 2010, 1.65x in 2011, and 1.70x in 2012, was strong for a cooperative utility, in our opinion. We believe strong excess coverage margins provide a cushion against the potential for revenue stream variability.

The strength of 2011's coverage ratio partially reflects the year's very low scheduled principal payment of $7.3 million. We calculated the ratio using scheduled debt service in the denominator, compared to the $46 million of principal the utility elected to repay. Similarly, 2012's ratio benefits from debt restructuring's principal reduction and deferral.

The utility maintains $135.2 million of rate-mitigation reserves that it uses for rate stabilization. However, it projects depleting these reserves by May 2015. Consequently, we consider these funds as providing a measure of near-term, stop-gap liquidity protection, but not adding long-term value. The utility holds about $74 million of unrestricted cash, which includes unexpended borrowing proceeds.

Outlook

The negative outlook reflects our view that the largest customers' termination notices could degrade BREC's financial performance and credit quality during our one-year outlook horizon. Moreover, following the termination of the CoBank lines and the imminent expiration of the CFC lines, the utility needs to secure external liquidity to meet contingencies. We believe there is significant uncertainty vis-à-vis the extent and timeliness of rate relief, particularly as substantial blocks of fixed costs need to be reallocated. We will monitor the progress of the rate case to assess whether further rating action is appropriate. We believe the customers' notices could expose the utility to the vicissitudes of merchant markets and creates the potential for substantial cost shifting to remaining customers, who might resist such efforts or find that reallocated costs are too onerous to absorb. If these risks, whether in isolation or combination, weaken BREC's business risk profile and erode financial metrics, including the strong debt service coverage that compensated for business risks in recent years, we could further lower the ratings. We do not expect to raise the ratings during our outlook period.

Related Criteria And Research

- USPF Criteria: Applying Key Rating Factors To U.S. Cooperative Utilities, Nov. 21, 2007

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Nicholas R. Castlen

From:	Billie Richert
Sent:	Monday, July 15, 2013 2:16 PM
To:	Nicholas R. Castlen
Subject:	FW: Confidential: Moody's Draft Credit Opinion for your review
Attachments:	Big Rivers Credit Opinion July 15 2013.pdf

FYI

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Monday, July 15, 2013 12:49 PM
To: Billie Richert
Cc: Chris Warren
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review

Billie and Chris:

Attached is the research published today.

Regards,

Kevin

Kevin Rose
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212.298.6466 fax
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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, July 15, 2013 12:23 PM
To: Rose, Kevin
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review

Kevin,
Have you released this ?

Thank you.

Billie

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Friday, July 12, 2013 3:50 PM
To: Chris Warren
Cc: Billie Richert
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review

Chris:

Thank you. I will address that factual point and proceed to publish. I will forward a copy for your records once this is posted to our website.

Regards,

Kevin

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From: Chris Warren [mailto:Christopher.Warren@bigrivers.com]
Sent: Friday, July 12, 2013 3:39 PM
To: Rose, Kevin
Cc: Billie Richert
Subject: RE: Confidential: Moody's Draft Credit Opinion for your review

Kevin,

The only change that I would propose is at the bottom of page 3. The rate increase requested in the 2011 rate case was actually $39.3 million (The document currently states that $30 million was requested in that rate case). Please let me know if you have any questions or comments.

Thanks.

Chris Warren
Big Rivers Electric
(270) 844-6065
mailto:chris.warren@bigrivers.com

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Friday, July 12, 2013 7:38 AM
To: Billie Richert
Cc: Chris Warren
Subject: Confidential: Moody's Draft Credit Opinion for your review

Dear Billie and Chris:

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Would appreciate if you could revert with your comments by end of the business day on Friday, July 12, 2013.

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Issuer Comment: Big Rivers Electric Corporation – Credit Opinion

Global Credit Research - 15 Jul 2013

Rating Drivers

» Contract termination notices from two aluminum smelters create need for significant rate increases and other mitigating strategies to compensate for material loss of load

» Rate setting subject to jurisdiction of the Kentucky Public Service Commission (KPSC)

» Revenues from electricity sold to rural and other non-smelter customers under long-term wholesale power contracts with three member owners

» Ownership of generally competitive coal-fired generation plants; pursuing environmental compliance plan approved by regulators; environmental cost surcharge in place

Corporate Profile

Big Rivers Electric Corporation (BREC or Big Rivers) is an electric generation and transmission cooperative (G&T) headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives -- Jackson Purchase Energy Corporation; Kenergy Corp; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to more than 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Recent Events

Effective July 11, 2013 we downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project; cusip number 677288AG7) to Ba2 from Ba1, concluding the review for downgrade which commenced on February 6, 2013. The rating outlook is negative. See press release of July 11, 2013 posted to moodys.com for further details relating to this action.

Rating Rationale

The Ba2 rating considers credit risk related to near term prospects for significant load loss since two aluminum smelters being served by BREC's largest member owner, Kenergy Corp., will be terminating their respective power purchase contracts, in one instance effective August 20, 2013 and the second effective February 1, 2014. The rating further reflects a need for significant rate increases and other mitigation steps to compensate for the impending load loss and to maintain viable financial performance. The Ba2 rating further recognizes the cost plus nature of the cooperative model which generally allows for cost recovery from its members. This factor is tempered in part because BREC's rates are regulated by the KPSC, which is atypical for the G&T coop sector. Still, Big Rivers' credit profile also reflects the financial benefits of several steps it took to unwind a lease and other transactions in 2008 and 2009 wherein its prior deficit net worth turned substantially positive, cash receipts were used to repay debt, and residual cash was set aside in restricted accounts to be used should BREC lose load from the smelters.

Detailed Rating Considerations

High Smelter Load Concentration; Credit Challenge Tied to Impending Loss of Smelter Load

Under historical operating conditions, the two smelters served by Kenergy have been consuming approximately 7 million MWh of energy annually, representing a substantial load concentration risk (e.g. about two-thirds of member energy load and close to 60% of member revenues for Big Rivers). This risk has been a significant rating constraint for Big Rivers, making its financial and operating risk profile unique compared to peers. This risk was magnified in August 2012 and most recently in January 2013 when each of the two smelters (Century's Hawesville smelter and the Sebree smelter that Century acquired from Alcan in June 2013) gave notice to terminate the power purchase contract with Big Rivers. Under the terms of the contract, termination of the contract requires the terminating party to give notice to Big Rivers of their decision twelve months prior to the planned termination date. During the twelve month period, each of the terminating parties must continue to make payments to Big Rivers over that time frame. The contract with the Hawesville smelter ends on August 20, 2013, while the 12 month period ends on January 31, 2014 under the contract with the Sebree smelter. Although the Hawesville and Sebree smelters are required to pay base energy charges (as defined in their respective agreements with Big Rivers) for power (482 MW and 368 MW, respectively, at 98% capacity factor) during the 12-month notice periods, neither one is required to continue operating their smelter plants.

While initial expectations contemplated the prospect that both smelters could cease operations upon expiration of their respective power contracts, recent developments bode well for the smelters to continue operating, while purchasing power on the wholesale market. Effective June 3, 2013, Century completed a transaction with Rio Tinto Alcan to acquire substantially all the assets of the Sebree aluminum smelter. This deal followed Century's definitive agreement with BREC and Kenergy that, subject to various regulatory approvals, will allow Century to continue operating its Hawesville smelter by purchasing electricity on the open market. Under the agreement, we expect that Kenergy will arrange for the energy purchases at wholesale market prices and Century will pay the market price and agree to pay additional amounts to cover any incremental costs incurred by BREC and Kenergy to accommodate Century's desire to purchase energy on the market for the Hawesville smelter. We understand that Century believes that this framework can serve as a model for a similar arrangement for the Sebree smelter once its current termination period expires on January 31, 2014. When compared to the alternative scenario of having both smelters permanently shut down, we view this outcome as being acceptable particularly since BREC and Kenergy will be reimbursed for the incremental costs to purchase power at wholesale market prices for the smelters.

Need for Supportive Regulation Given Requests for Significant Rate Increases Pending

Notwithstanding the expectation for continuation of operations by the smelters, loss of the smelter load will negatively impact revenues and BREC has pursued a variety of mitigation strategies to address an anticipated $115 million revenue shortfall. On January 15, 2013, BREC filed a rate case with the KPSC seeking approval for a $74.5 million rate increase. The rate filing primarily covered the impending load loss from Century when the notice period expires and of the $74.5 million requested, $23.7 million is allocated to Alcan. The remaining smaller amounts included in the request are intended to address declining margins from off system sales and other cost pressures. This request was subsequently modified downward to $68.6 million due to the issuance of orders from the KPSC to recognize cost savings achieved subsequent to the rate case filing date. BREC is among the few electric generation and transmission cooperatives subject to rate regulation, which we view as a negative rating consideration among G&T cooperatives as it can sometimes pose challenges in implementing timely rate increases. The January rate case is in its final stages; BREC now awaits a final rate order from the KPSC and is requesting that new rates become effective August 20, 2013. If the case is not decided by then, BREC would be permitted under state statute to implement the rate increase, subject to refund, pending a final KPSC decision in the rate case. The July 11, 2013 rating action incorporates expectations for a reasonable outcome to the rate case decision.

On June 28, 2013, BREC filed another rate case proceeding, seeking KPSC approval for its rate strategy to address load loss when the former Alcan (Sebree smelter) notice period expires on January 31, 2014. Importantly and a key rating consideration are the plans to accelerate use of the economic reserve and rural economic reserve accounts in the amount of $70.4 million to offset this second rate increase which goes into effect on February 1, 2014. The accelerated use of the reserve accounts would effectively neutralize any additional non-smelter customer rate impact from this second rate case filing until August 2014 for large industrial (non-smelter) customers and April 2015 for rural (residential) customers. Included in the $70.4 million rate increase is Alcan's $23.7 million share of the $68.6 million rate increase included in the rate case filing made January 15, 2013. Under this approach, BREC hopes to delay further non-smelter customer rate shock as it implements other load concentration mitigation strategies.

From a historical perspective in reviewing the degree of supportiveness by the KPSC, we view the existence of certain fuel and purchased power cost adjustment mechanisms and the existence of an environmental cost surcharge in rates as favorable to BREC's credit profile since they can temper risk of cost recovery shortfalls if there is a mismatch relative to existing rate levels. Also, Big Rivers received KPSC approval for a $26.7 million (6.17%) base rate increase effective November 17, 2011. We consider this result to be a reasonably good outcome from a credit quality perspective versus the approximate $39.3 million rate increase that was requested. The net effects of various appeals in this case decision resulted in the KPSC largely reaffirming its decision in January 2013; importantly, some corrections to calculations resulted in an approximately $1 million increase to the previously approved revenue amount. The rate increase allowed BREC to bolster wholesale margins, address increased depreciation costs, administrative costs tied to joining the MISO, and maintenance costs incurred during generation plant outages.

Other Load Concentration Mitigation Strategies

Other load concentration mitigation strategies, some of which are already being implemented, include entering into long-term bilateral sales arrangements, temporarily idling generation and reducing staff, making short-term off system sales, participating in the capacity markets, and selling generating assets. In that vein, BREC recently announced that it would specifically consider the sale of its 417-MW D.B. Wilson and 443-MW K.C. Coleman coal-fired plants. At the same time, BREC has responded to requests for proposals to sell power from these plants to other energy providers and awaits further developments related to those responses. Longer term opportunities may arise for sales of electricity, depending on economic development activity in its service territory. Should a transaction, either an outright sale or a long-term power arrangement for all capacity involving both Wilson and Coleman occur, BREC's total owned/available capacity would reduce to 584 MW from 1,444 MW. BREC also has rights to about 197 MW of coal-fired capacity from Henderson Municipal Power and Light Station Two and about 178 MW of contracted hydro capacity from Southeastern Power Administration.

Meanwhile we note the economics of power produced from BREC's generation sources have been enabling it to maintain a reasonable competitive advantage in the Southeast and even more so when compared to other regions around the country. The consistently high capacity factors and efficient operations of the assets resulted in 2012 member wholesale revenue per MWh for rural members and large industrial members of $50.58 and $43.15, respectively, compared to $46.78 and $41.68, respectively for 2011 (including the beneficial effects of the member rate stability mechanism). The 2012 aluminum smelter wholesale revenue per MWh was $48.52, compared to $44.48 in 2011. The year over year increase is largely attributed to the annualized effect of base rate increases approved by the KPSC effective in November 2011.

Wholesale Power Contracts Support Big Rivers' Credit Profile

The revenues derived under Big Rivers' long-term wholesale contracts with its members for sales to non-smelter customers will continue as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of transactions were completed in 2009. From a historical perspective, the relatively low cost power provided under the contracts mitigated the credit risk that would typically stem from member disenchantment. Notwithstanding a relatively competitive starting point and other price mitigating strategies, it remains possible that the specter of member unrest could surface as the substantial increases from pending regulatory filings loom. That said, the currently overall sound member profile helps provide a degree of assurance of this revenue stream, which is integral to servicing Big Rivers' debt.

Sustaining Historical Financial Metrics Hinges Importantly On Base Rate Increases and Other Load Concentration Mitigation Strategies

On average over the fiscal years 2010-2012, Big Rivers has been achieving financial metrics generally in the range of "Baa" and "A" rating categories for the five ratios covered under the Rating Methodology for U.S. Electric G&T Cooperatives. For example, Big Rivers' three year average FFO to Debt, FFO to interest and TIER for 2010-2012 were 3.1%, 1.57 times, and 1.2 times, respectively, all of which fall within the "Baa" category range under the Methodology. For the same period, DSC averaged 1.2 times (in the "A" category range), and equity to total capitalization averaged 31.6% (also in the "A" category range). The equity ratio in particular is reflective of the lease unwind transactions that were completed in 2009. Prior to that Big Rivers had negative equity. Going forward, Big Rivers will be significantly dependent on supportive outcomes in its pending rate cases and other mitigation strategies in order to sustain the recent historical metric levels.

Liquidity

BREC addressed what had been its most pressing near term obligation by using a portion of its existing cash on May 31, 2013 to repay a $58.8 million tax-exempt debt maturity which was scheduled for June 1, 2013. Following the debt repayment, BREC reports its cash balance is approximately $100 million (which includes $27 million designated for capital expenditures) and its debt maturities over the next eight quarters are largely comprised of scheduled amortizations of long-term debt to be paid at a rate of roughly $5.5 million per quarter.

We understand that BREC has taken steps to maintain its external liquidity as it is in final stage negotiations with National Rural Utilities Cooperative Finance Corp. (NRUCFC) for a senior secured loan to fund an estimated $60 million of KPSC approved environmental related capital expenditures over the next two years. We understand that this multi-year loan, which is premised on BREC receiving a favorable order from the KPSC in the rate case filed January 15, 2013, would serve as a bridge to long-term senior secured financing under the U.S. Department of Agriculture's Rural Utilities Service (RUS) loan program.

BREC is also finalizing negotiations to amend and extend its $50 million unsecured revolver with NRUCFC, which currently expires in July 2014. Subject to completing the negotiations with NRUCFC and approval from the KPSC, the new revolver is expected to convert to a secured facility, permit access to funding despite impending smelter-related load loss, and extend the term to July 2017. Extension of this facility is an important liquidity milestone since BREC terminated its $50 million CoBank facility, which was scheduled to expire in July 2017. The existing cash on hand and the anticipated extension of the $50 million revolver with NRUCFC, along with the $60 million three-year senior secured term loan with NRUCFC for environmental capital expenditures will supplement the cooperative's internally generated cash flow going forward.

The quality of the alternate liquidity provided by the NRUCFC facility benefits from the multi-year tenor and the absence of any onerous financial covenants, which largely mirror the financial covenants in existing debt documents. Big Rivers is in compliance with those covenants. Additionally, the NRUCFC facility benefits from no ongoing material adverse change (MAC) clause. The NRUCFC facility does not have any rating triggers, just a pricing grid based on rating. We understand that BREC must evidence cash of less than $35 million as a condition to each loan request under the amend and extend facility that it is negotiating to implement with NRUCFC.

Structural Considerations

As part of the unwinding of various transactions completed in 2009, Big Rivers replaced the previously existing RUS mortgage with a new senior secured indenture. Under the current senior secured indenture RUS and all senior secured debt holders, including the $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project; cusip number 677288AG7), are on equal footing in terms of priority of claim and lien on assets. The current senior secured indenture provides Big Rivers with the flexibility to access public debt markets without first obtaining a case specific RUS lien accommodation, while retaining the right to request approval from the RUS for additional direct borrowings under the RUS loan program, if they choose to do so. Given persistent questions about the availability of funds under the federally subsidized RUS loan program, we consider the added flexibility of the current senior secured indenture to be credit positive.

Rating Outlook

BREC's rating outlook is negative, due to the uncertainty around the cooperative's success in implementing mitigating strategies, the most critical one being the rate requests pending before the KPSC.

What Could Change the Rating - Up

In light of the negative outlook, BREC's rating is not likely to be upgraded in the near term. Significant support from the KPSC in the pending rate filings and successful results through other load concentration mitigation strategies would be credit positive and help to stabilize BREC's rating outlook.

What Could Change the Rating - Down

There are a variety of factors that could cause us to take further negative rating action, including inability to obtain adequate regulatory support in pending rate filings and delays in shoring up external liquidity. Since we expect limited opportunities to earn margins on off-system sales in the MISO markets over the next 24 months, inability to find other profitable energy and capacity sales opportunities would also be credit negative. Furthermore, if full and timely recovery of environmental compliance costs does not occur as anticipated under the KPSC approved environmental cost recovery mechanism, that would add downward rating pressure, especially if such amounts increase substantially from currently anticipated levels.

Other Considerations

Mapping To Moody's U.S. Electric Generation & Transmission Cooperatives Rating Methodology

Big Rivers' mapping under Moody's U.S. Electric Generation & Transmission Cooperative Rating Methodology is based on historical data through December 31, 2012. The grid indicated rating for Big Rivers' senior most obligations under the Methodology is currently Baa2 and relies on the aforementioned historical quantitative data and qualitative assessments. The grid indicated rating under the Methodology largely reflects Baa scores for the factors relating to funds from operations coverage of debt and interest and even lower scores for the factors relating to potential for rate shock, contractual relationships and regulatory status. Notwithstanding the current Baa2 grid indicated rating for Big Rivers under the Methodology, its actual senior secured rating of Ba2 reflects the unique risks relating to Big Rivers' load concentration to the smelters, the smelter termination notices and questions as to whether rate increases and other mitigating strategies will adequately compensate for loss of load when the smelters' contract termination notice periods expire on August 20, 2013 and January 31, 2014, respectively.

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Nicholas R. Castlen

From:	Billie Richert
Sent:	Tuesday, May 28, 2013 1:56 PM
To:	Nicholas R. Castlen
Subject:	FW: First Quarter 2013 Financial Statements
Attachments:	2013 First Quarter Financial Report.pdf

From: Billie Richert
Sent: Tuesday, May 28, 2013 1:53 PM
To: Bodek, David
Subject: First Quarter 2013 Financial Statements

David,
Attached are the first quarter 2013 financial statements. Please call me with any questions.

Regards,
Billie

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Nicholas R. Castlen

From:	Billie Richert
Sent:	Tuesday, May 28, 2013 1:55 PM
To:	Nicholas R. Castlen
Subject:	FW: First Quarter 2013 Financial Statements
Attachments:	2013 First Quarter Financial Report.pdf

From: Billie Richert
Sent: Tuesday, May 28, 2013 1:55 PM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: First Quarter 2013 Financial Statements

Kevin,
Attached are first quarter 2013 financial statements. Please call with any questions.

Regards,

Billie

Billie Richert, CPA, CITP
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Nicholas R. Castlen

From:	Billie Richert
Sent:	Tuesday, May 28, 2013 1:56 PM
To:	Nicholas R. Castlen
Subject:	FW: First Quarter 2013 Financial Statements for Big Rivers
Attachments:	2013 First Quarter Financial Report.pdf

From: Billie Richert
Sent: Tuesday, May 28, 2013 1:52 PM
To: alan.spen@fitchratings.com; Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)
Subject: First Quarter 2013 Financial Statements for Big Rivers

Per attached. Please call me with any questions.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

2013 First Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: May 28, 2013

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	March 31, 2013	March 31, 2012
TOTAL UTILITY PLANT IN SERVICE	2,005,032	1,979,276
CONSTRUCTION WORK IN PROGRESS	47,790	60,033
TOTAL UTILITY PLANT	2,052,822	2,039,309
ACCUM PROVISION FOR DEPR & AMORT	(971,357)	(946,277)
NET UTILITY PLANT	1,081,465	1,093,032
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,894	3,677
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	43,841	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	176,184	159,854
TOTAL OTHER PROPERTY AND INVESTMENTS	223,934	164,231
CASH - GENERAL FUNDS	6	6
SPECIAL DEPOSITS	599	573
TEMPORARY INVESTMENTS	116,374	49,481
ACCOUNTS RECEIVABLE - SALES OF ENERGY	45,530	41,620
ACCOUNTS RECEIVABLE - OTHER NET	357	(425)
FUEL STOCK	29,509	34,868
MATERIALS & SUPPLIES - OTHER	25,929	25,893
PREPAYMENTS	3,228	3,347
OTHER CURRENT & ACCRUED ASSETS	2,335	486
TOTAL CURRENT & ACCRUED ASSETS	223,867	155,829
UNMORT DEBT DISC & EXTRAORD PROP LOSS	4,158	2,299
REGULATORY ASSETS	641	-
OTHER DEFERRED DEBITS	5,019	1,867
TOTAL ASSETS AND OTHER DEBITS	1,539,084	1,417,258
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(231,584)	(241,898)
OPERATING MARGINS - CURRENT YEAR	9,019	(2,122)
NONOPERATING MARGINS - PRIOR YEAR	639,961	638,998
NONOPERATING MARGINS - CURRENT YEAR	503	18
OTHER MARGINS & EQUITIES	(5,495)	(7,279)
TOTAL MARGINS & EQUITIES	412,404	387,717
LONG-TERM DEBT - RUS	212,234	653,668
LONG-TERM DEBT - OTHER	709,238	142,100
TOTAL LONG-TERM DEBT	921,472	795,768
ACCOUNTS PAYABLE	29,204	28,908
TAXES ACCRUED	1,308	1,404
INTEREST ACCRUED	4,108	9,220
OTHER CURRENT & ACCRUED LIABILITIES	6,792	6,923
TOTAL CURRENT & ACCRUED LIABILITIES	41,412	46,455
DEFERRED CREDITS	141,626	163,725
OPERATING RESERVES	22,170	23,593
TOTAL LIABILITIES AND OTHER CREDITS	1,539,084	1,417,258

FINANCIAL HIGHLIGHTS

INVESTMENTS in ASSOCIATED ORGANIZATIONS - OTHER-GENERAL FUNDS increased $43.2 million as of March 31, 2013. This is primarily due to the purchase of CFC Capital Term Certificates relating to the 2012 RUS Series 'A' note refinancing.

SPECIAL FUNDS increased $16.3m as of March 31, 2013. This is largely due to the re-establishment of the transition reserve as part of the 2012 RUS Series 'A' note refinancing, partially offset by the use of reserve funds set up for non-smelter member rate mitigation.

TEMPORARY INVESTMENTS increased $66.9m as of March 31, 2013, primarily due to proceeds related to the 2012 RUS Series 'A' note refinancing.

LONG-TERM DEBT increased $125.7 million as of March 31, 2013, primarily due to borrowing for capital projects and to replenish the transition reserve.

DEFERRED CREDITS decreased $22.1 million as of March 31, 2013, primarily due to the use of reserve funds related to non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended March 31, 2013	2012
ELECTRIC ENERGY REVENUES	150,186	134,100
OTHER OPERATING REVENUE AND INCOME	1,032	1,205
TOTAL OPER REVENUES & PATRONAGE CAPITAL	151,218	135,305
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	12,611	11,820
OPERATION EXPENSE-PRODUCTION-FUEL	61,032	49,722
OPERATION EXPENSE-OTHER POWER SUPPLY	27,425	31,526
OPERATION EXPENSE-TRANSMISSION	2,833	2,409
OPERATION EXPENSE-RTO/ISO	698	659
CONSUMER SERVICE & INFORMATIONAL EXPENSE	133	104
OPERATION EXPENSE-SALES	10	6
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,600	6,722
TOTAL OPERATION EXPENSE	111,342	102,968
MAINTENANCE EXPENSE-PRODUCTION	9,203	12,134
MAINTENANCE EXPENSE-TRANSMISSION	946	1,055
MAINTENANCE EXPENSE-GENERAL PLANT	77	40
TOTAL MAINTENANCE EXPENSE	10,226	13,229
DEPRECIATION & AMORTIZATION EXPENSE	10,287	10,176
TAXES	0	1
INTEREST ON LONG-TERM DEBT	11,094	11,257
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(107)	(200)
OTHER INTEREST EXPENSE	0	0
OTHER DEDUCTIONS	141	41
TOTAL COST OF ELECTRIC SERVICE	142,983	137,472
OPERATING MARGINS	8,235	(2,167)
INTEREST INCOME	504	18
OTHER NON-OPERATING INCOME - NET	0	0
OTHER CAPITAL CREDITS & PAT DIVIDENDS	783	45
NET PATRONAGE CAPITAL OR MARGINS	9,522	(2,104)

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 68,725 MWh to 2,728,754 MWh for the three-month period ended March 31, 2013. Member sales revenue increased $8.2 million, or 6.4%, to $135.2 million for the three-month period ended March 31, 2013, compared to $127.0 million in 2012, driven by higher sales to the rural class and the retroactive increase in member rates that took effect in January 2013, per the Kentucky Public Service Commission order from case number 2011-00036, issued January 29, 2013.

SALES TO NON-MEMBERS increased 239,285 MWh to 511,052 MWh for the three-month period ended March 31, 2013. This increase, along with a 12.5% increase in price, caused non-member electric sales revenue to increase 111.6%, to $15.0 million, for the three-month period ended March 31, 2013 compared to $7.1 million for 2012.

PURCHASED POWER expense decreased $4.7 million, or 32.4% to $9.8 million for the three-month period ended March 31, 2013, compared to 2012. This was due to a 31.6% decrease in MWh purchased, along with a 1.2% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense increased $13.1 million, or 23.2%, to $69.5 million for the three-month period ended March 31, 2013 compared to 2012. The increased fuel expense was primarily driven by higher generation.

BIG RIVERS ELECTRIC CORPORATION

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended March 31, 2013
In Thousands $

	Three Months Ended March 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	9,522	(2,104)
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	11,120	10,998
Interest compounded - RUS Series B Note	1,864	1,774
Interest compounded - RUS Series A Note	11	7,596
Noncash Member Rate Mitigation Revenue	(6,787)	(5,711)
Changes in certain assets and liabilities:		
Accounts receivable	1,217	2,152
Inventories	3,665	(1,572)
Prepaid expenses	(112)	1,618
Deferred charges	(470)	28
Accounts payable	(3,808)	(1,417)
Accrued expenses	(3,671)	(2,731)
Other – Net	476	1,516
Net cash provided by operating activities	13,027	12,147
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures – net	(5,787)	(11,999)
Proceeds from Restricted Investments and Other Deposits and Investments	4,614	4,716
Net cash used in investing activities	(1,173)	(7,283)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term obligations	(5,647)	0
Proceeds from long-term obligations	0	0
Principal payments on short-term notes payable	0	0
Proceeds from short-term notes payable	0	0
Debt Issuance Cost Bond Refunding	0	(246)
Net cash used in financing activities	(5,647)	(246)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,207	4,618
CASH AND CASH EQUIVALENTS – Beginning of quarter	110,173	44,849
CASH AND CASH EQUIVALENTS – End of quarter	116,380	49,467
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	9,985	2,514
Cash paid in taxes	0	0

Nicholas R. Castlen

From:	Billie Richert
Sent:	Friday, May 10, 2013 12:48 PM
To:	DeAnna McCormick Speed; Chris Warren; Nicholas R. Castlen; Ralph Ashworth; Jeff Williams
Subject:	FW: Moody's Research Report attached
Attachments:	FERC Transmission.pdf

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Friday, May 10, 2013 12:31 PM
To: Rose, Kevin
Cc: GrassrootsPPIF
Subject: Moody's Research Report attached

FYI, See attached a recently published report on US FERC Regulatory Environment which we believe you will find of interest.

Kevin Rose
Global Infrastructure and Finance Group
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INVESTORS SERVICE

SPECIAL COMMENT

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U.S. FERC Regulatory Environment

May The FERC Be With You: FERC Remains Supportive of Electric Transmission Investment, but Regulatory Risks Are Growing

Table of Contents:

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» We continue to view the Federal Energy Regulatory Commission's (FERC) regulatory framework as credit supportive, with returns on transmission projects typically higher and more predictable than that for rate base regulated by the States; however, we see potential for reduced levels of allowed base returns on equity (ROEs).

» FERC has signaled that it will tighten its standards for authorized incentive ROEs on future projects with its recent Transmission Policy Statement issued November 2012.

» Pure play transmission companies like ITC Holdings Corp. (Baa2, Stable) and American Transmission Company (A1, Stable) would be most affected by reduced ROEs, while other sizeable transmission owners, such as Northeast Utilities (Baa2, Stable) and Pacific Gas & Electric (A3, Stable) would not be as significantly impacted because of their diversified rate base.

» The need to augment and bolster the nation's transmission infrastructure remains strong due to an existing aging infrastructure, reliability and congestion concerns as well as further integration of new generation resources, including renewable energy resources. Therefore, we believe the FERC is unlikely to make any drastic policy changes that would disincentivize further transmission investment.

» The impact of FERC Order 1000 on investor-owned utilities remains somewhat uncertain because of the delays and lack of clarity in implementation. The elimination of Right of First Refusal (ROFR) provides opportunity for transmission owners to expand their transmission portfolios, but also increases competition on their own service territory for certain transmission projects.

» We believe that FERC's regulatory framework will continue to be more credit supportive than that of most states, with allowed ROEs, on average, remaining higher than those governed by state Public Utility Commissions. Although unlikely, we would view a significant change to the FERC's constructive stance as a material credit negative.

Historically Supportive FERC Regulatory Environment

As part of its mandate, the Federal Energy Regulatory Commission (FERC or Commission) was established to oversee and regulate the transmission and sale of electricity in interstate commerce. In so doing, the FERC establishes orders and regulation governing the planning and investment of transmission infrastructure, with the goal of building a robust and reliable transmission system. Historically, we have viewed the FERC as being supportive of transmission investment.

We view FERC formula-based ratemaking as more credit supportive than the state ratemaking process because of the increased predictability of recovery of investments and reduced regulatory lag. Through its ratemaking process, the FERC attempts to ensure companies investing in transmission assets are reimbursed for all reasonable operation and maintenance expenses, as well as income and franchise taxes, depreciation and amortization costs, and to provide a return on assets employed in the provision of transmission services, sometimes including construction work-in-progress (CWIP). A large share of FERC-regulated electric transmission investment is recovered through formula-based rate making with automatic annual true ups for recovery of operating and capital costs in a relatively timely manner.

The FERC allows transmission system owners to earn incentive rates of return for certain projects via ROE adders that tend to be above those authorized by state public utility commissions for other types of electricity investments. Many FERC authorized ROEs are in the 11% or above range, including incentive ROE adders, whereas the average state ROE was 10.2% in 2012. Also, through its annual true up mechanism, FERC formula-based ratemaking also typically adjusts for changes in network load resulting from changes in weather or other factors impacting demand, including economic conditions.

Moreover, the FERC ROE-setting process is more transparent and stable than that of the state commissions. FERC determines the ROEs through a process that includes establishing a "zone of reasonableness" or range of ROEs based on a proxy group of similar utilities. The range of ROEs is created using the discounted cash flow methodology, which is based on the sum of estimated dividend yield and earnings growth of each utility in the specified proxy group. The FERC will use the median or midpoint of the "zone of reasonableness" range to establish the authorized ROE. Precedent has been to use the mid-point for groups of utilities associated with a Regional Transmission Organization (RTO) and the median for individual utilities. After the ROE is established, ROEs are generally not revisited on a regular basis unless the transmission owner decides to file a rate case or a complaint under Section 206 of the Federal Power Act is made. In some instances, such as with many utilities in the Midcontinent Independent Transmission System Operator Inc. (MISO) organization, the regional ROE might have been set over a decade ago.

In addition to base ROEs, the FERC also authorizes incentive adders that are added to the authorized based ROEs to support transmission development. Adders are granted to transmission owners (TOs) or transmission projects for several reasons including to encourage certain types of associations (e.g., membership in an RTO), transmission line independence or when the project is considered unique, such as when the transmission line is perceived to be a higher risk investment (e.g., implementation of new technology or a multi-state line). After including adders to the base ROE, total authorized ROEs for certain transmission projects can reach almost 14%, as is the case for International Transmission Company (A3, Stable), an ITC Holdings' subsidiary, which currently has an all-in authorized ROE of 13.88%. Other incentives can also include construction work-in-progress in rate base and recovery of development and abandonment costs.

Since the rate setting process is not contested before state commissions and its design tends to ensure timely recovery, revenues collected under the FERC regulatory framework are generally considered to be more stable and predictable than state-regulated utility businesses. All of these features (see Figure 1) have been favorable to transmission owners and are intended to foster further interest in building and owning additional transmission assets.

FIGURE 1

FERC vs. State Regulatory Environment

	Typical Electric Transmission Investment	Typical Other Utility Investment
Regulation	» Federal Energy Regulatory Commission (FERC)	» State Public Utility Commission » Potentially multiple state jurisdictions
Rate Setting Process	» Formula rate-making mechanism » Annual adjustment to rates based on projected revenue requirement » Reduced regulatory lag » Frequent inclusion of CWIP improves cash flow » Increased transparency » Generally consistent rate case process across the country	» Fixed rates » Multi-year (3-5 years) formal rate cases » Rate cases subject to involvement by many intervenor groups » Rate cases may be drawn out contributing to regulatory lag and delaying recovery of costs » Rate case proceedings vary by state
Authorized ROE	9 -14 %	8% - 11%

Source: Moody's Investors Service

Pressure on the FERC to Lower ROEs Increasing

Currently, we view that pressure on the FERC is running high. Several Section 206 complaints have been filed by intervenors, including State Attorney Generals, consumer advocacy groups and municipal and Cooperative utilities, with the FERC requesting that authorized base ROEs be reduced with the notion that current allowed base ROEs are unjust and unreasonable. While the potential for reduced levels of authorized base ROEs on transmission investments exists, we continue to view the FERC regulatory framework as more credit supportive than those of most states. We believe the need to increase and bolster the nation's transmission infrastructure remains strong, such that the FERC would likely refrain from making any drastic policy change that would disincentivize further investment.

Section 206 Authorized ROE Complaints on the Rise

Challenges to the FERC rate setting mechanism are significantly more uncommon than what occurs in the state ratemaking process. However, rates are subject to challenges by interested parties including other utilities or municipal owned cooperatives, consumer advocacy groups, and state regulators via complaint proceedings through Section 206 complaints.

New England

There are several FERC challenges making headlines today (see Appendices A&B); however, none is more prominent than the pending ROE challenge (docket EL11-66) for transmission owners in New England. We expect Northeast Utilities (NU: Baa2, Stable) and its subsidiaries to be the most impacted by the outcome of the New England complaint. Given NU's approximately $4.2 billion of transmission rate base, including the New England East-West Solution (NEEWS) projects, which are transmission investment related activities, NU estimates that each 10 basis point change lower in authorized ROEs would decrease consolidated earnings by about $2.1 million, which we do not consider a material change from a credit perspective.

In September 2011, several parties including the Massachusetts Attorney General and various other state officials and commissions from the New England states filed a joint section 206 complaint with the FERC arguing that the current ROE of 11.14% provided to New England transmission owners is unjust and unreasonable.

There has been a long history of concerns raised in the New England jurisdictions regarding transmission ROEs. The intervenors in this case argue that the authorized base ROE should be lowered to a rate no higher than 9.2%, which is based on updated discounted cash flow calculations as well as a different proxy group of transmission owning utilities. A significant driver behind the intervenors' argument for lower ROEs, as well as the simultaneous downward shift in zone of reasonableness is the current low interest rate environment, which is driving down the resulting ROEs from the DCF methodology. Intervenors also contend that the low interest rate environment is pushing the cost of capital lower for transmission owners. During 2012 negotiations and settlement efforts failed and the case is currently in litigation.

In April 2013, the FERC trial staff updated their recommendation based on their analysis and recommended reducing the base ROE to 9.2% based on the midpoint of the FERC staff's zone of reasonableness between 6.1% and 12.2%. This was even lower than their original recommendation issued in January 2013 of a base ROE of 9.66% based on the midpoint of their recommended zone of reasonableness between 6.82% and 12.51%. Hearings on this case are expected to begin in May, and an administrative law judge (ALJ) recommendation is not expected until September 2013. A final FERC ruling is not expected to occur until mid-to-late 2014.

ITC/Entergy Merger

A requested ROE currently being protested relates to the proposed merger between ITC Holdings Corp. (Baa2, Stable) and Entergy Corp.'s (Baa3, Stable) transmission business, announced December 2011. The proposed merger (not expected to close until late 2013) combines a subsidiary of ITC Holdings with Entergy's transmission business to form a new subsidiary called ITC Midsouth TransCo LLC (ITC Midsouth). In January 2013, a group of intervenors led by the Arkansas Electric Cooperative Corp. filed comments with the FERC expressing a concern that the currently authorized regional base ROE of 12.38% associated with MISO, which would apply to the newly merged entity, should be reduced.

The intervenors argue that the cost of capital in the U.S. has significantly decreased in the past five years given that yields on the 10 year U.S. Treasury bonds and Baa investment grade corporate bonds have declined from 3.66% and 7.44% in 2008, respectively, to 1.8% and 4.94% in 2012, respectively. Because of the declines in interest rates, the intervenors argue that the cost of equity for electric utilities has fallen and, therefore, should also be reflected in ITC Midsouth's return on equity. Furthermore, the intervenors suggest that ITC Midsouth's capital structure may include less equity than the proposed construct of 60% equity to 40% debt; as a result, ITC Midsouth will effectively earn a return on equity higher than the authorized 12.38%. Hence, the intervenors argue the currently authorized base ROE of 12.38% should be rejected as unjust and unreasonable and be reduced to 8.91% (based on a zone of reasonableness between 7.03% and 10.8%), which has been proposed in the intervention with the FERC.

The final outcome of the ROE approved for the ITC Holdings / Entergy transmission merger, is one among several concerns associated with the proposed merger raised by the intervenors that is yet to be decided, given that the transaction still requires a variety of state and federal approvals. Nonetheless, a reduced authorized base ROE for the newly proposed ITC Midsouth is obviously less favorable. In addition, ongoing constructive FERC regulatory support represents an essential factor in ITC Holdings' ability to maintain its financial strength. Furthermore, if the intervenors are successful in getting the FERC to reduce the authorized MISO base ROE of 12.38%, such a change would not only impact ITC Midsouth but all other transmission owners in MISO that utilize the rate.

PG&E ROE Challenge

Historically, the FERC has not typically reopened an ROE determination on its own accord; however, a utility can apply for a change in rates if it believes it deserves to earn a higher ROE based on recent investments. Pacific Gas & Electric (PG&E: A3 Stable) attempted to do just that towards the end of 2012 because the company did not have formula rate-making and wanted to seek a return on its significant investment in transmission assets completed over the last two years. In September 2012, PG&E proposed an increase to its transmission tariff service rates and filed a rate case with the FERC requesting an ROE of 11.5%. However, the FERC responded by directing PG&E to register a compliance filing that relied on the median of a DCF analysis based on a comparative group of utilities. In response to the FERC's order in December 2012, PG&E revised its requested revenue requirements and rates to reflect a total 9.1% ROE (inclusive of 50 bps for RTO membership), but also filed a request for a rehearing of the FERC's order. As part of the request for rehearing, PG&E has taken exception with the use of the median rather than the more commonly used midpoint of the zone of reasonableness as well as the proxy group of comparable utilities used to determine the zone of reasonableness.

As previously discussed, the zone of reasonableness is open to interpretation based on the proxy group of utilities selected in the analysis. The zone of reasonableness can be challenged by complainants, which could result in a shift, most likely lower, in the range used by the FERC to determine allowed ROEs. Not only is there potential for a shift lower to the zone of reasonableness, but the FERC may also change how it selects the appropriate ROE within the zone. Historically, the FERC typically used the midpoint or average of the highest and lowest data points within the zone. However, there have been recent instances where the FERC has used the median point within the zone to determine the allowed ROE. The use of the median typically results in a lower ROE and might signal a change in FERC policy. Although the difference is close to 250 bps, we do not expect this to have a significant impact on PG&E's credit metrics because of its diversified rate base as its transmission rate base of $4.5 billion projected for 2013 accounts for just 17% of PG&E's total rate base.

Risks to Incentive ROEs

Another potential challenge to transmission ROEs can be read into the FERC's recently released November 2012 Transmission Policy Statement, which we believe signals a tightening of FERC standards for awarding incentive ROEs for new electric transmission projects. The Statement provides additional guidance, although not specific guidelines, on how it will determine whether a project should be awarded incentives including ROE adders. This guidance applies to future project applications and would not involve reopening incentive ROEs for existing projects. Although no applications for which the Policy Statement would be relevant have been decided, our view is that it is possible that there might be fewer adders awarded or that incentives might be lower than before.

Since Order 679 of the Energy Policy Act of 2005 was implemented, the FERC has awarded numerous incentive ROEs, or adders to base ROEs, for "risks and challenges" associated with transmission projects.

Figure 2 demonstrates what these adders look like for selected utilities. In addition, virtually all transmission owners that are members of RTOs receive a 50 bps adder to base ROE for membership in the RTOs; however, this RTO adder is not in question with regard to the Policy Statement.

FIGURE 2

List of Selected Utilities Comparing FERC Allowed ROEs and State Allowed ROEs

		FERC-Regulated Electric Transmission				
			Adders (if any)			
Parent	Opco w / Electric Transmission	Base ROE	ISO / RTO Association	Independence	Total FERC Authorized ROE	State-Regulated Electric Rate Base ROE
Duke Energy Corporation						
	Duke Energy Carolinas	10.20%	-	-	10.20%	10.50%
	Progress Energy Carolinas	10.80%	-	-	10.80%	10.50%
	Progress Energy Florida	10.80%	-	-	10.80%	10.50%
	Duke Energy Indiana	12.38%	-	-	12.38%	10.50%
	Duke Energy Ohio-Kentucky	12.38%	-	-	12.38%[1]	10.63%
Northeast Utilities						
	Connecticut Light and Power Co.[3]	11.14%	0.50%	-	11.64%	9.40%
	Western Massachusetts Electric Co.[3]	11.14%	0.50%	-	11.64%	9.60%
	NSTAR LLC	11.14%	0.50%	-	11.64%	BB[4]
	Public Service Co. of New Hampshire	11.14%	0.50%	-	11.64%	9.67%
PG&ECorp.	Pacific Gas & Electric Company	8.6%	0.50%	-	9.1%[2]	10.4%
ITC Holdings Corp.						
	ITC MidwestLLC	12.38%	-	-	12.38%	N/A
	Michigan Electric Transmission Company, LLC	12.38%	-	1.00%	13.38%	N/A
	International Transmission Company	12.88%	-	1.00%	13.88%	N/A
	ITC Great Plains LLC	10.66%	0.50%	1.00%	12.16%	N/A

1. Duke Energy Ohio-Kentucky is currently 12.38%. However, a FERC settlement case is pending which may result in a new rate of 11.38% if approved.

2. PG&E is currently in litigation with the FERC requesting an ROE of 11.5%.

3. Connecticut Light and Power and Western Massachusetts Electric are also associated with the NEEWS Project which has an authorized ROE of 12.89% during and after construction.

4. BB represents a Black-Box revenue settlement

Source: Company filings

The November 2012 Policy Statement, however, raises the bar for which projects would be awarded incentive ROEs. While the FERC indicated that it is continuing its commitment to incentivize and promote transmission investment, the Commission first wanted companies to apply other non-ROE incentives and risk mitigating strategies before applying for the ROE adders. The other incentives include CWIP in rate base and recovery of pre-construction costs and prudently incurred abandonment costs. In terms of raising the bar for incentive ROEs, the Policy Statement suggested that applicants should not make assumptions that they would be awarded incentive ROEs if the project utilizes new technologies or if their project was deemed "non-routine"; rather the FERC would look at the total package of incentives in determining whether incentive ROEs are needed.

Non-FERC Challenges to Transmission Investment

Outside the purview of the FERC, siting and permitting remain two significant regulatory challenges to transmission investment due to the need for approvals across multiple jurisdictions as well as negotiations with private citizens and businesses. The FERC recognizes the challenges faced on these matters and has in the past provided incentive adders for transmission investments across multiple jurisdictions, for which approvals may be more difficult to obtain and projects may take considerably longer to complete.

Even in a single supportive jurisdiction, transmission development can take years from when the FERC grants its approval to when construction commences. An example of this can be seen with Westar Energy Inc.'s ((P) Baa2, Stable) Prairie Wind project in Kansas. The Prairie Wind project was announced in May 2008 and received FERC approval in December of the same year. However, the project continued to obtain all necessary approvals from multiple jurisdictions through 2011, and construction commenced in 2012. A more extreme example was AEP's Wyoming-Jacksons Ferry transmission project. Siting and permitting for the AEP project began in 1991 with initial construction beginning in 2003 and completion of the line in 2006. Siting and permitting can take much longer in densely populated regions such as the Northeast and West Coast, and where the transmission lines cross national parks or environmentally or historically sensitive areas.

Another example illustrating the high risks associated with siting a transmission line involves the announcement of a proposed transmission project in 2009 by the Transmission Agency of Northern California (TANC: Aa3, Stable), a group of 15 Northern California municipal utilities. TANC proposed a $1.5 billion 600-mile transmission line in northern California that could deliver up to 4,000 megawatts of renewable energy to Sacramento and the Bay Area. However, opponents such as landowners and farmers aggressively fought the project based on their fears of how the transmission line could impact property values, farming operations, and general aesthetics along the path. Furthermore, opponents were concerned that the utilities could use their power of eminent domain to take ownership of private property. As financial supporters to the project backed out due to fear of potential lawsuits, TANC ultimately canceled the project only a few months after its proposal. Cases like these reveal the difficulty in getting the requisite approvals for a proposed transmission project, let alone the actual rights-of-way. These are the barriers that FERC seeks to overcome by offering incentive rates, even though transmission, once constructed, has a lower business risk profile than other utility investments.

Low Likelihood of Across-the-Board ROE Cuts

For most utilities, a significant reduction of FERC allowed base ROEs is relatively unlikely and, if it did occur, would be relatively far out in the horizon. The base ROEs that apply to a utility's transmission rate base are typically similar across an individual RTO, and the ROEs for most utilities were established several years ago. Unlike ROEs determined by state PUCs for electric and gas rate base, a company's FERC authorized base ROE is not revisited on a regular basis; historically, it has only occurred via complaint filings by intervenors as discussed above or if the utility applies for a change in ROE.

In the New England case, there has been a long history of concerns raised regarding transmission ROEs in those jurisdictions, which has not typically been the case in other regions. Moreover, legal costs related to the proceedings following a complaint are substantial, which provides some deterrent against interventions. In addition, the FERC has a limited bandwidth from an organizational perspective, so the more complaints that are filed, the more likelihood of delays in resolution. While all of these factors suggest barriers to further intervenor complaints, there is the possibility that a significant win for intervenors in terms of a lower ROE in the highly publicized New England case could spur other intervenors to think that they could be successful in reaching a similar outcome.

Potential Credit Impacts of Lower Transmission ROEs

Pure play transmission companies such as ITC Holdings Corp. and American Transmission Company (ATC: A1, Stable) would be most affected by reduced ROEs, while other sizeable transmission owners, such as Northeast Utilities and Pacific Gas & Electric Company would not be significantly impacted because of their diversified rate base.

Although we view there to be a low likelihood of across-the-board intervention, we present our analysis of the impact of a reduction in allowed ROEs to a sample of the largest transmission owners, including both vertically integrated utilities and transmission-only companies, in Figure 4. As shown in Figure 3, AEP is the largest owner of transmission assets based on total transmission assets on the Balance Sheet, followed by Duke Energy (Baa2, Stable), The Southern Company (Baa1, Stable), PG&E, FirstEnergy Corp (Baa3, Negative), and Edison International (Baa2, Stable). It is worth noting that a significant portion of AEP's transmission assets are located in Texas and are therefore not subject to FERC regulation, because the Electric Reliability Council of Texas (ERCOT) interconnection is wholly intrastate and governed by the Public Utility Commission of Texas.

FIGURE 3

Transmission Plant Assets vs. Total Electric Utility Plant Assets

2011 Parent Company Total $ in millions	Transmission Plant Assets	Total Electric Utility Plant Assets	Transmission % of Total
American Electric Power Company, Inc.	$9,048	$55,670	16%
Duke Energy Corporation	8,231	75,289	11%
Southem Company	8,165	55,457	15%
PG&E Corporation	6,695	38,946	17%
FirstEnergy Corp.	6,549	27,842	24%
Edison International	6,109	35,724	17%
MidAmerican Energy Holdings Company	5,251	33,222	16%
Entergy Corporation	5,103	34,132	15%
Xcel Energy Inc.	5,091	27,706	18%
Oncor Electric Delivery Company LLC[1]	4,919	15,227	32%
Northeast Utilities	4,671	16,763	28%
Exelon Corporation	4,513	24,897	18%
PacifiCorp	4,500	22,770	20%
National Grid USA	4,391	15,998	27%
NextEra Energy, Inc.	3,870	31,500	12%
Dominion Resources, Inc.	3,814	25,344	15%
ITC Holdings Corp.	3,750	4,100	91%
Consolidated Edison, Inc.	3,617	21,018	17%
American Transmission Company LLC	3,540	3,641	97%
Commonwealth Edison Company	3,297	18,785	18%
Public Service Enterprise Group Incorporated	2,441	9,525	26%
Pepco Holdings, Inc.	2,386	10,791	22%

1. Parent: Energy Future Holdings Corp.

Source: SNL Financial

Our analysis shows that the potential reduction in transmission ROEs by 200 basis points would not have a significant impact on earnings or credit metrics for vertically integrated utilities, given the smaller share of their transmission assets relative to their other businesses. The impact on stand-alone transmission companies would be larger; however, the deterioration in credit metrics would not be significant enough to drive ratings lower in the short-term. With that said, if the reduction in allowed ROEs by the FERC were to signal a less constructive regulatory environment for transmission owners, downwards rating pressure could develop in the intermediate to long-term. As shown in Figure 4, we estimate a potential impact on earnings, cash flows, and cash flow to debt coverage of 200 bps reduction in authorized ROEs, which has been the typical reduction in ROErecommended in several of the recent complaints.

FIGURE 4
Impact on Selected Utilities of Potential ROE Reduction

Issuer	American Transmission Company	Duke Energy[1]	ITC Holdings	Northeast Utilities	Pacific Gas & Electric
Rating	A1	Baa2	Baa2	Baa2	A3
Year - data available	2012	2011	2012	2012	2011
Transmission Rate Base - ($ millions)	$2,687.0	$4,029.8	$3,200.0	$4,200.0	$3,600.0
Assumed Equity Ratio	50%	50%	60%	50%	50%
Earnings Impact ($ millions) of 200 bps ROE reduction	$26.9	$40.3	$38.4	$42.0	$36.0
Fiscal Year Net Income	$237.4	$1,706.0	$187.9	$529.5	$835.5
Impact of ROE reduction as % Net Income	11.3%	2.4%	20.4%	7.9%	4.3%
CFO pre-WC	$338.7	$3,925.3	$332.3	$1,416.8	$4,226.5
Impact of ROE reduction as % of Cash Flow pre-WC	7.9%	1.0%	11.6%	3.0%	0.9%
Total Moody's Adjusted Debt	$1,776.5	$21,763.0	$3,187.3	$10,955.0	$16,891.5
(CFO Pre-WC/ Adjusted Debt) before ROE reduction	19.1%	18.0%	10.4%	12.9%	25.0%
Subfactor Rating per RM before ROE reduction	Baa	Baa	Ba	Ba	A
Subfactor Rating Range per RM	13-22%	13-22%	5-13%	5-13%	22-30%
CFO Pre-WC after ROE reduction	$311.8	$3,885.0	$293.9	$1,374.8	$4,190.5
(CFO Pre-WC/ Adjusted Debt) after ROE reduction	17.6%	17.9%	9.2%	12.5%	24.8%
Change in (CFO Pre-WC/ Adjusted Debt) after ROE reduction	-1.5%	-0.2%	-1.2%	-0.4%	-0.2%
Subfactor Rating per RM after ROE reduction	Baa	Baa	Ba	Ba	A

Note: All ratios are calculated using Moody's Standard Adjustments
1. Duke Energy figures represented are pre-merger with Progress Energy
RM: Regulated Electric and Gas Utilities Rating Methodology, August 2009
Source: Moody's calculations, Company filings, MISO, SPP, PJM, FERC

In our analysis, we examine the transmission rate base of several integrated utilities, assuming a 50% debt-to-equity capital structure, and look at the impact on net income and cash flows. Note that our analysis takes a conservative view on the impact of net income and cash flow as we assume the reduction in revenue due to the reduced ROE flows directly to the bottom line without adjusting for the impact in marginal costs. Our analysis includes the latest rate base amounts available for the selected companies. For example, the impact of a 200 bps reduction in transmission rate base ROE for Duke Energy would be approximately $40 million or about a 1% decrease in cash flow from operations, which would have resulted in Duke's ratio of cash flow from operations pre-working capital to adjusted debt to decline from 18.0% to 17.9% for FY2011.

ITC Holdings is authorized to use an assumed 60% / 40% equity-to-debt ratio. Our analysis shows a 200 bps reduction in ROE, would result in an approximate $38 million or 11.6% reduction in cash flow from operations and the company's ratio of cash flow pre-working capital to adjusted debt from 10.4% to 9.2% for FY2012. For ATC, the reduction in cash flow would be about $27 million or 7.9%, and the ratio of cash flow from operations pre-working capital to adjusted debt would decline from 19.1% to 17.6%. Although our analysis shows ITC Holdings and ATC as having the largest impact as a result of a potential 200 bps reduction in ROE, the changes to cash flow and the ratio of cash flow pre-working capital to adjusted debt alone are not considered meaningful enough to move their overall ratings.

Why the FERC Will Continue to Support Further Investment

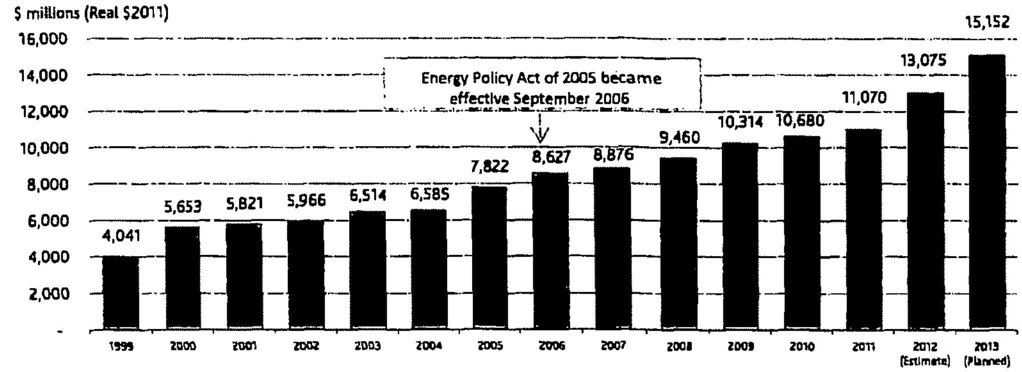
The need to augment and bolster the nation's transmission infrastructure remains strong, such that the FERC will likely refrain from doing anything too drastic such that the Commission disincentivizes further investment. EEI's annual survey "Transmission Projects: At A Glance," published in March 2013, states that total transmission investment was $11.1 billion in 2011 and is forecast to peak at $15.1 billion in 2013. The report identifies 150 projects planned by utilities totaling $51 billion of investment through 2023.

This is still just a fraction of transmission planned across the U.S., when unregulated transmission development is also considered. Large drivers for the need of increased transmission investment include the aging of existing infrastructure, the expected increase in future load growth as well as the need for expansion to rural areas of the country. In addition, as renewable energy continues to grow to become a larger portion of the country's energy generation, increased transmission infrastructure will be needed to integrate renewable resources. Of the $51 billion of projects identified in EEI's latest report, 76% were related to supporting the integration of renewable generation, which involves bringing renewable energy resources, some of which are located in remote and less populated locations, onto the grid. The likelihood of increasing renewable portfolio standards in certain regions will also require the need for additional transmission. Another important reason for increased transmission investment and further infrastructure upgrades relates to cyber security and the increased need to safeguard against terrorist attacks on the U.S. electricity grid.

The supportive stance the FERC has taken on transmission investment since the passing of the Energy Policy Act of 2005 has clearly made a sizeable impact on transmission investment in the U.S., as shown in Figure 5. Prior to 2006, transmission investment averaged about $6 billion per annum from 1999 through 2005. However, since the EPA Act of 2005, which became effective in September 2006, transmission investment has risen every year, with total investor owned utility transmission investment of over $15 billion planned in 2013. The annual average transmission investment from 2006 through 2012 is estimated to be over $10 billion.

FIGURE 5

Transmission Investment by Investor Owned Utilities



Source: EEI, Moody's estimates

Order 1000, another landmark FERC rule that was issued in July 2011, builds upon Order 890, which required transmission planning based on open, transparent and coordinated processes. Order 1000 is an attempt to establish more certainty around cost allocation and recovery of investment. Transmission owners had previously suggested that the uncertainty in cost recovery inhibited further investment. However, the impact of FERC 1000 on investor-owned utilities remains somewhat uncertain because of the delays and lack of clarity in implementation. In addition, Order 1000, while encouraging equitable cost allocation and recovery, seeks to promote a more coordinated effort amongst transmission owners to develop and build an integrated regional transmission network, which should improve and enhance reliability and reduce transmission congestion.

Furthermore, to promote competition in regional transmission planning, Order 1000 requires the removal of rights of first refusal (ROFR) from Commission-approved tariffs and agreements for certain new transmission facilities. As a result, incumbent utilities will no longer maintain the federal right of first refusal to build, own and operate large-scale transmission projects that are located within their service territory. While we acknowledge that this allows other utilities to encroach on an incumbent utility's service territory, we believe this provides increased opportunities for future transmission asset growth and expansion, particularly for pure play transmission owners, like ITC Holdings and ATC. However, the degree of supportiveness cannot be determined until FERC provides guidance for implementation of this regulation, which has currently been delayed.

While we believe the likelihood for additional complaints and ROE protests will continue and may likely increase, we also believe the FERC will adjudicate each complaint on a case by case basis. As such, we do not believe that an outcome on one complaint filing will necessarily set precedent for all complaints across the country. Rather, an outcome on a particular case may have an impact on other complaint filings in the same region. With that said, each complaint filing is distinct in itself involving different circumstances and a diverse set of stakeholders, who will impact each case in different ways. Although the Commission's authorized ROEs are garnering much attention today, it is noteworthy that the transmission fee component, on average, is less than 10% of a consumer's monthly utility bill. As such, we believe FERC-allowed ROEs, on average, will remain higher than those governed by Public Utility Commissions. However, we would view any sustained downward pressure to existing or future ROEs as a credit negative, and a change to the FERC's historically constructive stance would be a material credit negative.

Appendix A

List of Additional FERC Complaints

Docket No.	Utility(ies)	Complainant(s)	Current (or proposed) ROE	Complainants (or FERC) Requested ROE
EL11-66	Bangor Hydro-Electric Central Maine Power National Grid NextEra NSTAR LLC NE Utilities CL&P WMECO Public Service Co. of NH United Illuminating Unitil Vermont Transco	Massachusetts Attorney General, et al.	11.14%	9.2%
EL12-39	Florida Power Corporation (d/b/a Progress Energy Florida)	Seminole Electric Cooperative Florida Municipal Power Agency	10.8%	9.02%
EL12-59	Southwestern Public Service Co.	Golden Spread Electric Cooperative	11.27%	9.65%
EL12-61	Cleco Power, LLC	City of Alexandria, LA Louisiana Energy and Power Authority The Lafayette Utilities System	10.5%	8.55%
EL12-77	Public Service Co. of Colorado	Grand Valley Rural Power Lines Yampa Valley Electric Assoc. Intermountain Rural Electric Assoc. Tri-State Generation & Trans. Assoc.	10.25%	9.15%
EL12-84	Maine Public Service Co.	MPS Customer Group	10.5%	8.83%
EL12-101	Niagara Mohawk Power Corp. (d/b/a National Grid)	New York Association of Public Power	11.5% (inclusive of 50bps adder)	9.49% (inclusive of 50bps adder)
EL13-16	Niagara Mohawk Power Corp. (d/b/a National Grid - NYISO)	Municipal Electric Utilities Association of New York	11.5% (inclusive of 50bps adder)	9.25% (inclusive of 50bps adder)
EL13-33	Bangor Hydro-Electric Central Maine Power National Grid NextEra NSTAR LLC NE Utilities CL&P WMECO Public Service Co. of NH United Illuminating Unitil Vermont Transco	ENE (Environment Northeast) Great Boston Real Estate Board National Consumer Law Center NEPOOL Industrial Customer Coalition	11.14%	8.7%

List of Additional FERC Complaints

Docket No.	Utility(ies)	Complainant(s)	Current (or proposed) ROE	Complainants (or FERC) Requested ROE
EL13-48	Baltimore Gas & Electric Company Pepco Holdings, Inc. Delmarva Power & Light Company Atlantic City Electric Company Potomac Electric Power Company	Delaware Div. of the Public Advocate Delaware Municipal Electric Corp. Delaware Public Service Commission Maryland Office of People's Counsel Maryland Public Service Commission New Jersey Board of Public Utilities New Jersey Division of Rate Counsel Office of the People's Counsel of DC Public Service Commission of DC	10.8% (for projects before 2006) 11.3% (for projects after 2006)	8.7%

Source: EEI, Company Filings, FERC

Appendix B

List of Other ROE Challenges

Docket No.	Utility(ies)	Complainant(s)	Current (or proposed) ROE	Complainants (or FERC) Requested ROE
ER12-2701	Pacific Gas and Electric Company	California Public Utilities Commission California Department of Water Resources State Water Project (SWP) Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California Cities of Redding and Santa Clara, California M-S-R Public Power Agency Modesto Irrigation District Northern California Power Agency Sacramento Municipal Utility District State Water Contractors Transmission Agency of Northern California	11.5% (inclusive of 50bps adder)	9.1% (inclusive of 50bps adder)
ER11-3697	Southern California Edison Company	Arizona Electric Power Cooperative Inc. Atlantic Path 15, LLC California Department of Water Resources State Water Project Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California City of Los Angeles Department of Water and Power City of Santa Clara City of Redding, California Energy Producers and Users Coalition Modesto Irrigation District M-S-R Public Power Agency Northern California Power Agency Pacific Gas & Electric Company Public Utilities Commission of the State of California San Diego Gas & Electric Co. State Water Contractors Transmission Agency of Northern California	12.6% (inclusive of 110bps adders)	11.03% (inclusive of 110bps adders)

Source: EEI, Company Filings, FERC

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Nicholas R. Castlen

From:	Billie Richert
Sent:	Monday, April 15, 2013 10:58 AM
To:	Nicholas R. Castlen; Ralph Ashworth
Subject:	FW: Updated U.S. Electric G&T Cooperative rating Methodology
Attachments:	G&T Coop Methodology April 15 2013.pdf
Importance:	High

FYI

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Monday, April 15, 2013 10:43 AM
To: Rose, Kevin
Subject: Updated U.S. Electric G&T Cooperative rating Methodology
Importance: High

FYI, the attached was published earlier today.

Kevin Rose
Global Infrastructure and Finance Group
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RATING METHODOLOGY

U.S. Electric Generation & Transmission Cooperatives

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Summary

This rating methodology explains Moody's approach to assessing credit risk in the U.S. electric generation & transmission cooperative sector (G&T co-ops). This methodology is intended as a reference tool to use when evaluating credit profiles within this sector, helping issuers, investors, and other interested market participants understand how key qualitative and quantitative risk characteristics are likely to affect rating outcomes. This methodology does not include an exhaustive treatment of all factors that are reflected in Moody's ratings, but should enable the reader to understand the qualitative considerations and financial information and ratios that are usually most important for ratings in this sector.

This rating methodology supersedes the Rating Methodology for U.S. Electric Generation & Transmission Cooperatives published in December 2009. While this updated framework is based upon the same core principles as the December 2009 methodology, its scope has been broadened to include an additional cooperative and incorporates refinements in our analysis that better reflect key credit fundamentals of this sector. No rating changes will result from publication of this rating methodology.

This report includes discussion of the five rating factors and sub-factors included in the rating grid. The purpose of the rating grid is to provide a reference tool that can be used to approximate credit profiles within the U.S. electric generation & transmission cooperative sector. The grid provides summarized guidance for the factors that are generally most important in assigning ratings to these entities. The grid is a summary, and as such, does not include every rating consideration. The weights shown for each factor in the grid represent an approximation of their importance for rating decisions but actual importance may vary significantly. In addition, the illustrative mapping in this document uses historical results while our ratings are based on forward-looking expectations. As a result, the grid-indicated rating will not match the actual rating of each entity in every case.

The grid contains five factors that are important in our assessment for ratings in the U.S. electric generation & transmission cooperative sector.

1. Long-Term Wholesale Power Supply Contracts/Regulatory Status
2. Rate Flexibility
3. Member/Owner Profile
4. Financial Metrics
5. Size

Certain factors also encompass a number of sub-factors or metrics that we explain in detail. Since an issuer's scoring on a particular grid factor sometimes will not match its overall rating, in the Appendix we include a discussion of some "outliers" – cooperatives whose grid-indicated rating differs significantly from the actual rating.

We note that our rating analysis in this sector covers factors that are common across all industries as well as factors that can be meaningful on a company or sector-specific basis. Our ratings incorporate qualitative considerations and factors that do not lend themselves to a transparent presentation in a grid format. The grid represents a decision to avoid greater complexity that would result in grid-indicated ratings that map more closely to actual ratings, in favor of simple and more transparent presentation of the factors that are most important for ratings in this sector most of the time.

Highlights of this report include:

» An overview of the rated universe
» A summary of the rating methodology
» A description of the key factors that drive rating quality
» Comments on the grid assumptions and limitations, including a discussion of rating considerations that are not included in the grid.

The Appendices show the full grid (Appendix A); a table that lists the grid output for covered issuers with explanatory comments on some of the more significant differences between the grid-implied rating for each sub-factor and our actual rating (Appendix B); a brief sector overview (Appendix C); and a discussion of key rating issues for the U.S. electric generation & transmission cooperative sector over the intermediate term (Appendix D).

This methodology describes the analytical framework used in determining credit ratings. In some instances our analysis is also guided by additional publications which describe our approach for analytical considerations that are not specific to any single sector. Examples of such considerations include but are not limited to: the assignment of short-term ratings, the use of credit estimates and country ceilings, the relative ranking of different classes of debt and hybrid securities, how sovereign credit quality affects non-sovereign issuers, and the assessment of credit support from other entities. Documents that describe our approach to such cross-sector methodological considerations can be found at http://www.moodys.com under the Research and Ratings directory.

About the Rated Universe Covered by This Methodology

An electric generation & transmission cooperative is a not-for-profit rural electric system whose primary function is to provide electric power on a wholesale basis to its owners. These owners are comprised of a group of distribution co-ops and in some instances may also include other G&T co-ops. Each distribution[1] cooperative sells power on a retail basis to its customers, who are the members that own the distribution co-op.

Moody's currently rates 18 U.S. electric G&T cooperatives, included among which are many of the larger G&T co-ops and a growing number of the medium to smaller-sized ones. The group of 18 has approximately $31.8 billion of debt outstanding. All except one of these issuers are currently rated investment grade with 15 carrying a stable outlook, two having a positive outlook and one being under review for possible downgrade. The 17 investment-grade G&T cooperatives currently occupy the single-A to mid-Baa range and the lone non-investment-grade G&T cooperative is rated Ba1 and under review for possible downgrade.

The credit profile of G&T co-ops on the whole is stable. Since December 2009, we added Seminole Electric Cooperative to our rated universe, bringing the total to 18 in all. In addition to the new rating assigned for Seminole Electric, we assigned an A1 senior secured rating for Arkansas Electric Cooperative, an A3 senior secured rating for PowerSouth Electric Cooperative, and an A3 senior secured rating for South Mississippi Electric Power Association, marking the first time we rated that class of debt for those three entities. Other rating actions in the U.S. electric generation & transmission cooperative sector since December 2009 included five downgrades, three upgrades, one outlook change to negative from stable, three outlook changes to stable from negative, and two outlook changes to positive from stable.

Meanwhile, G&T co-ops, in large part, maintain sound credit quality reflecting the strong contractual bonds with member owners under long-term wholesale power supply contracts, rate setting autonomy, and conservative management of their businesses by:

» using long term supply planning to diversify their supply mix, while managing the current tepid demand growth

» tightly controlling operating costs,

» increasing rates when necessary, and

» carefully attending to liquidity.

G&T co-ops are similar to investor-owned utilities (IOUs) and Municipal and Public Utilities (Municipals) as they all operate in a capital intensive industry and provide an essential service. While all three subsets of the U.S. power sector strive to provide safe and reliable electric service at the lowest possible cost, the G&T co-ops and the Municipals are not for profit entities, so they are not influenced by the profit generating motives that can sometimes influence strategic operating and financial decisions made by the IOUs. Revenue stability and predictability tends to be higher for both G&T co-ops and Municipals because of the rate setting autonomy that exists, whereas IOUs can experience more variability due to rate regulation that governs the rate setting process for them. Financing sources vary across the three sectors. IOUs primarily rely on the capital markets, including through issuance of common stock, whereas the Municipals fund their operations primarily through tax-exempt debt issuance in the public and private capital markets, while the G&T co-ops rely extensively on loans

[1] Moody's would apply this methodology for the distribution cooperatives with some adjustments.

provided by the Rural Utilities Service (RUS), other cooperative financial institutions, and to a lesser extent, the public and private capital markets. Reference is made to the table in appendix C for additional characteristics that distinguish the risk profiles of these three subsets of the U.S. power sector.

The high average rating assigned to this sector is consistent with historical and expected rating performance and the very low incident of default in the sector, with only one Moody's rated G&T co-op default in the past 23 years. In 2011, Southern Montana Electric Generation and Transmission Cooperative, Inc. (SME; not rated), defaulted.

Southern Montana Electric Generation and Transmission Cooperative, Inc. (SME; not rated), filed for bankruptcy protection on October 21, 2011 owing to severe cash flow problems caused by increased power supply costs, reduced volume sales, disagreement among SME's member-owners to raise their rates, and various litigation proceedings.

While SME was not rated by Moody's, it is possible to use the methodology grid to assess what its likely grid-implied rating might have been in the years ahead of the default. It would likely have merited the weakest possible score on approximately half of the grid factors, both qualitative and quantitative; in particular it would likely have scored very weakly on several of the sub-factors in Factor 2 (rate flexibility), including purchased power as a percentage of total megawatt hour sales, new build exposure, and rate shock exposure; it also would have scored very weakly on factor 5 (size). As a result, the grid-implied rating would likely have been no better than borderline investment grade, which would have firmly positioned it as a negative outlier, weaker than any of the credits in the rated portfolio of U.S. electric G&T cooperatives at the time. Furthermore, the preponderance of "lowest-possible" scores for several factors would have suggested a credit weaker than the broad sector peer group against which the grid was calibrated, arguing for the final rating to be positioned lower. In fact, as any signs of member disagreement became apparent in tandem with other weak factor scores, a Moody's Rating Committee would likely have considered a rating outcome significantly below the grid-implied rating.

SME's bankruptcy filing is a stark reminder highlighting the need for G&T cooperatives to secure adequate sources of liquidity, as most of the strong investment grade rated G&T cooperatives have done in recent years.

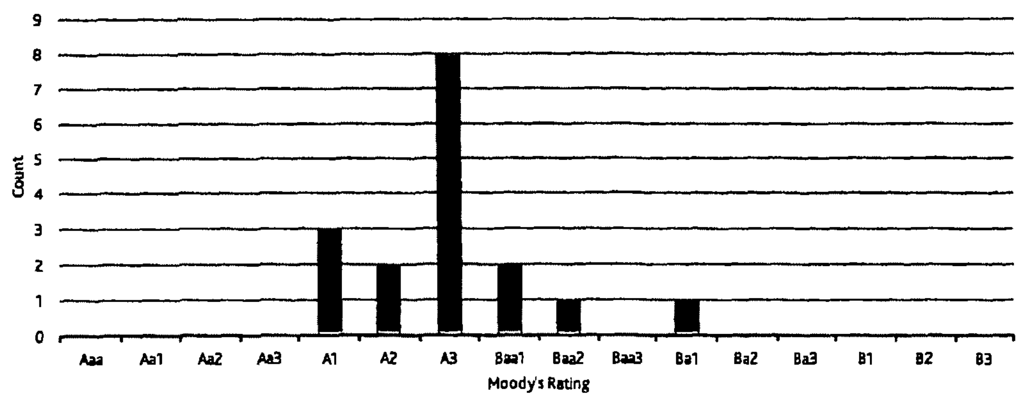
The following table illustrates the distribution of ratings in the U.S. G&T cooperative sector.

FIGURE 1
Rated Issuers

Company	Long-Term Rating	Type of Rating	Short-Term Rating	Outlook	Total Debt as of Latest Fiscal Year-End ($ Millions)
Arkansas Electric Cooperative	A1	Senior Secured	P-1	Stable	996 [a]
Associated Electric Cooperative	A1	Senior Secured		Stable	1,918
Basin Electric Power Cooperative	A1	Senior Secured	P-1	Stable	3,938
Big Rivers Electric Corp.	Ba1	Senior Secured		RUR ↓	786
Buckeye Power Inc.	A2	Senior Secured		Stable	1,656 [b]
Chugach Electric Association	-	-	P-2	Stable	604
Dairyland Power Cooperative	A3	Issuer Rating		Stable	1,012
Georgia Transmission	A2	Senior Secured	P-2	Positive	1,732
Golden Spread Electric Cooperative	A3	Issuer Rating		Stable	513
Great River Energy	Baa1	Senior Secured		Stable	2,789
Hoosier Energy	A3	Senior Secured		Stable	1,188
Minnkota Power Cooperative	Baa2	Issuer Rating		Stable	559
Oglethorpe Power Corp.	Baa1	Senior Secured	P-2	Stable	6,672
Old Dominion Electric Cooperative	A3	Senior Secured		Positive	864
PowerSouth Energy	A3	Senior Secured		Stable	1,413
Seminole Electric	A3	Senior Secured		Stable	1,313
South Mississippi Electric Power Association	A3	Senior Secured		Stable	960
Tri-State G&T Association	A3	Senior Secured		Stable	2,913
Total Unadjusted Debt of Rated G&T Co-ops					**31,828**

Notes:
(a) Fiscal year-end October 31
(b) Fiscal year-end June 30
Source: Moody's and cooperative annual audits

FIGURE 2
Electric G&T Cooperatives Rating Distribution



Source: Moody's

About This Rating Methodology

Moody's U.S. electric G&T cooperative rating methodology consists of the six sections listed below.

1) Identification and Discussion of the Key Rating Factors

The grid in this methodology focuses on five broad rating factors, further broken down into 14 rating sub-factors and their weightings.

FIGURE 3

Rating Factor / Sub-Factor Weighting - U.S. Electric G&T Cooperatives

Broad Rating Factors	Broad Rating Factor Weighting	Rating Sub-Factor	Sub-Factor Weighting
Wholesale Power Contracts and Regulatory Status	20%	% Member Load Served and Regulatory Status	20%
Rate Flexibility	20%	Board Involvement / Rate Adjustment Mechanism	5%
		Purchased Power / Sales (%)	5%
		New Build Capex (% of Net PP&E)	5%
		Rate Shock Exposure	5%
Member / Owner Profile	10%	Residential Sales / Total Sales	5%
		Members' Consolidated Equity / Capitalization	5%
3-Year Average G&T Financial Metrics	40%	TIER	5%
		DSC	5%
		FFO / Debt	10%
		FFO / Interest	10%
		Equity / Capitalization	10%
G&T Size	10%	MWh Sales	5%
		Net PP&E	5%
Total	100%		100%

These factors are critical to the analysis of U.S. Electric G&T cooperatives and, in most instances, can be benchmarked across the sector. The discussion begins with a review of each factor and an explanation of its importance to the rating.

2) Measurement or Estimation of the Key Rating Factors

We explain the measurements we use to assess performance on each of the rating factors and sub-factors. We explain the rationale for using specific rating factors and provide insights on the way these are applied in the rating decision process. Many of the sub-factors are found in or derived from the financial statements of the G&T co-ops and those of their members, while others are calculated or derived using data gathered from various sources, and observations and estimates by Moody's analysts.

Moody's ratings are forward looking and incorporate our expectations of future financial and operating performance. We use both historical and projected financial results in the rating process; however, this document makes use only of historic data, and does so solely for illustrative purposes. Historical operating results help us understand the pattern of a company's performance and how it compares to its peers. Historical data also assists us in, among other things, looking through the earnings volatility that can sometimes occur during a given year and evaluating whether projected future results are realistic.

The illustrative mapping examples in this rating methodology uses historical data in most instances based on information as of the latest fiscal year end, which in most cases is 12/31/11; however, the sub-factors for financial metrics use three-year averages for the last three fiscal years.

All of the quantitative credit metric measures comprising the sub-factors in Factor 4 incorporate Moody's standard adjustments to the income statement, statement of cash flows, and balance sheet and include adjustments for certain off-balance sheet financings and certain other reclassifications in the income statement and statement of cash flows.

For definitions of our most common ratio terms please see "Moody's Basic Definitions for Credit Statistics (User's Guide)", June 2011. For a description of our standard adjustments, please see "Rating Implementation Guidance - Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations", December 2010 (128137). These documents can be found at www.moodys.com under the Research and Ratings directory, in the Special Reports subdirectory.

3) Mapping Grid Factors to the Rating Categories

After estimating or calculating each sub-factor, the outcomes for each of the sub-factors are mapped to a broad Moody's rating category (Aaa, Aa, A, Baa, Ba, or B).

4) Mapping Issuers to the Grid and Discussion of Grid Outliers

In this section (Appendix B), we provide a table showing how each company maps within the specific rating sub-factors. The weighted average of the sub-factor ratings produces a grid implied rating for each factor. We highlight companies whose grid implied performance on a specific sub-factor is two or more broad rating categories higher or lower than its actual rating and discuss general reasons for such positive and negative outliers for a particular sub-factor.

5) Assumptions and Limitations and Rating Considerations that are not covered in the Grid

This section discusses limitations in the use of the grid to map against actual ratings, additional factors that are not included in the grid that can be important in determining ratings, and limitations and key assumptions that pertain to the overall rating methodology.

6) Determining the Overall Grid-Implied Rating

To determine the overall grid-implied rating, the indicated rating category for each sub-factor is converted into a numeric value based upon the scale below.

FIGURE 4

Aaa	Aa	A	Baa	Ba	B
1	3	6	9	12	15

The numerical score for each sub-factor is multiplied by the weight for that sub-factor with the results then summed to produce a composite weighted-average factor score. The composite weighted factor score is then mapped back to an alpha-numeric rating based on the ranges in the table below. For example, an issuer with a composite weighted factor score of 8.2 would have a Baa1 grid-implied rating. We used a similar procedure to derive the grid-implied ratings shown in the illustrative examples.

FIGURE 5

Factor Numerics

Composite Rating

Indicated Rating	Aggregate Weighted Factor Score
Aaa	x < 1.5
Aa1	1.5 ≤ x < 2.5
Aa2	2.5 ≤ x < 3.5
Aa3	3.5 ≤ x < 4.5
A1	4.5 ≤ x < 5.5
A2	5.5 ≤ x < 6.5
A3	6.5 ≤ x < 7.5
Baa1	7.5 ≤ x < 8.5
Baa2	8.5 ≤ x < 9.5
Baa3	9.5 ≤ x < 10.5
Ba1	10.5 ≤ x < 11.5
Ba2	11.5 ≤ x < 12.5
Ba3	12.5 ≤ x < 13.5
B1	13.5 ≤ x < 14.5
B2	14.5 ≤ x < 15.5
B3	15.5 ≤ x < 16.5

Discussion of the Key Grid Factors

Moody's analysis of U.S. G&T co-ops focuses on five broad rating factors:

» Long-Term Wholesale Power Supply Contracts/Regulatory Status

» Rate Flexibility

» Member/Owner Profile

» Financial Metrics

» Size

Factor 1: Long-Term Wholesale Power Supply Contracts/Regulatory Status

Long-Term Wholesale Power Supply Contracts/Regulatory Status - Why it Matters

Against a myriad of credit challenges, including spending for capital projects, volatile fuel costs and persisting uncertainty surrounding environmental regulations and related costs, the strength of the wholesale power contracts and the predictable revenue stream they provide for G&T co-ops is a primary source of credit support. Because the prevalence of rate autonomy is similarly an integral credit factor linked to costs tied to the wholesale power contract, we include regulatory status of the G&T co-op and its distribution member/owners as part of Factor 1.

Long term wholesale power supply contracts between G&T co-ops and their members provide G&T co-ops with a high degree of assurance that costs and capital investment can be recovered from rates charged to customers. These contracts typically require the member co-ops to purchase all or virtually all of their supply requirements from the G&T co-op and generally stipulate that co-op members must pay their pro-rata portion of all of the G&T co-op's fixed and variable costs related to the generation, procurement and transmission of their respective energy needs.

G&T co-ops have more flexibility to increase rates in response to rising costs as regulatory approval is typically not required. The regulatory status/relationship with regulators is important because G&T co-ops that operate in states that have some form of regulatory authority over their rate setting activities may have more difficulty raising rates compared to peers who are not directly subject to regulatory control. Assessing a member/owner's regulatory status is also important because some are subject to rate regulation, in which case the member may be denied approval for a large rate increase, making it difficult to comply with its contractual obligations to the G&T co-op.

An unsupportive regulatory jurisdiction is a credit negative and leaves co-ops with less flexibility to raise rates if needed. In contrast, absence of regulatory control over the rate setting process is a credit positive. Most co-ops are not subject to rate regulation, and set the rates they charge their members after careful consideration of their underlying cost structure and expected demand for power. They calculate what level of revenues would be required in order to meet operating costs, minimum required interest, and debt service coverage covenants in the RUS mortgage and/or other debt indentures, while also providing some cushion of revenue and equity to protect against adverse events such as sudden increases in costs or operating difficulties with key generating plants.

Long-Term Wholesale Power Supply Contracts/Regulatory Status - How We Assess It for the Grid

Based on data that can be derived from various sources, we calculate the percentage of member power supply needs served under the long-term wholesale power contract(s), with consideration as to whether the contracts are all requirements or substantially all requirements in nature. An assessment of the wholesale power contract allows us to identify whether the member co-ops are required to purchase all or virtually all of their supply requirements from the G&T co-op. For G&T co-ops who are not subject to rate regulation, the indicated rating for Factor 1 can range from Aaa to B and is largely determined by the overall percentage of member sales made under the wholesale power contracts. To receive the highest score of Aaa requires a legislative statute that precludes regulatory intervention in any future rate setting process. There are no such instances that currently apply within the rated universe.

We understand that there are currently 10 states that have full regulatory jurisdiction over the level of rates that co-ops can charge their members. These states are: Arizona, Arkansas, Alaska, Kansas, Kentucky, Louisiana, Maine, Maryland, Vermont, and Wyoming. There are a few other states including Indiana, New Mexico, and Michigan where state commissions have partial jurisdiction over G&T co-ops. Even if 100% of members' needs are met through sales under the wholesale power contracts, G&T co-ops conducting business in any of the aforementioned states would receive an indicated rating for Factor 1 of A at best. Where precisely the few rate-regulated G&Ts score within the range of A to B depends not only on the percentage of members' needs met through sales under the wholesale power contract, but also on our consideration of how supportive of credit quality the regulatory practices are and our understanding of the type of working relationships that prevail between the co-ops and the regulators.

FIGURE 6

Factor 1: Long-Term Wholesale Power Supply Contracts and Regulatory Status (20%)

	Aaa	Aa	A	Baa	Ba	B
Percentage of Member Load Served under Wholesale Power Contracts and Regulatory Status	100% and G&T and its Distribution Member/Owner Cooperatives are Not Rate Regulated by State Commission; Legislative statute to preclude regulatory intervention in the future rate setting process; Very good contractual relationships	100% and G&T is Not Rate Regulated by State Commission; No legislative statute to preclude regulatory intervention in the future G&T rate setting process; Some Distribution Member/Owner Cooperatives May Be Subject to Rate Regulation by State Commission; Very Supportive Commission Practices; Very Good Regulatory/ Contractual Relationships	> 80% and/or G&T is Rate Regulated by State Commission; Some Distribution Member/Owner Cooperatives May Be Rate Regulated by State Commission; Very Supportive Commission Practices; Very Good Regulatory/ Contractual Relationships	> 70% and/or G&T is Rate Regulated by State Commission; Some Distribution Member/Owner Cooperatives May Be Rate Regulated By State Commission; Moderately Supportive Commission Practices; Reasonably Good Regulatory/ Contractual Relationships	< 70% and/or G&T is Rate Regulated by State Commission; Some Distribution Member/Owner Cooperatives May Be Rate Regulated By State Commission; Unsupportive Commission Practices; Generally Difficult Regulatory/ Contractual Relationships	< 60% and/or G&T is Rate Regulated by State Commission; Most Distribution Member/Owner Cooperatives are Rate Regulated By State Commission; Very Unsupportive Commission Practices; Often Contentious Regulatory/ Contractual Relationships

Factor 2: Rate Flexibility

Rate Flexibility - Why it Matters

Prices for fuels used to generate electricity are unregulated in the U.S. and can be subject to dramatic fluctuation. G&T co-ops need the flexibility to raise rates in order to cover sharply higher prices for fuels, in addition to rising operating costs, and costs associated with existing mandated environmental requirements and those inevitably coming related for carbon emissions along with any capital investment associated with construction of new plants, among other factors.

Board Involvement/Rate Adjustment Mechanisms: The extent to which a G&T co-op can ensure timely and full recovery of its costs and investments will have an integral effect on its overall financial performance and thus its creditworthiness. Each G&T co-op's board of directors has a fiduciary responsibility to approve, or, where rate regulation applies, to seek regulatory approval of rates that ensure compliance with the financial covenants associated with debt indentures. To the extent that unexpected events arise, causing concerns about the ability to comply with covenants, the board should be expected to move quickly to adjust rates upward when needed. Also, variable cost adjustment mechanisms provide for more automatic changes in rates when costs change and increase the speed with which rates can be increased when costs increase. The extent to which variable cost adjustment mechanisms are available is especially important where regulatory jurisdiction applies to a G&T co-op. The existence of variable cost adjustment mechanisms is a credit strength, especially when rate adjustments can be implemented at frequent intervals. Such mechanisms mitigate liquidity pressures that might otherwise arise when the cost of fuels exceeds rates in effect at that time.

Degree of Reliance on Purchased Power: Most of the power supply needs of G&T co-op members are met from generating plants owned by the G&T co-ops. Some G&Ts rely on market purchases of power to meet a portion of the member needs because their owned resources are insufficient, uneconomic, or periodically unavailable.

Assessing the degree of reliance on purchased power to meet members' demand and the rationale behind that strategy is important because G&Ts who purchase large amounts of power from the market to meet member demands have less control over this obligation, particularly if forced to purchase power at inopportune times, which may increase price volatility for one of their largest costs. Relying on such a strategy also heightens the importance of liquidity, risk management policies and procedures, and counterparty credit assessment.

New Build Exposure Relative to Existing Asset Base: This factor is important because G&T co-ops largely finance capital investment with debt and rely upon rate increases to service the debt. When construction is delayed or runs above budget, the rate increases needed to cover the increased costs could lead to member resistance or, in the cases where regulation applies, cost recovery delays or disallowances.

Potential for Rate Shock Exposure: In many respects, the potential for rate shock exposure is linked to rate competitiveness, so we consider rate competitiveness as part of this sub-factor. Assessing the potential for rate shock exposure is important because a large rate increase can lead to member resistance even when the new higher level of rates is still competitive with other providers of power in the region. If the G&T co-op's rates are noticeably higher than other providers in its geographic area, regulatory relationships for those G&T co-ops subject to regulation could become strained and/or member unrest more broadly could lead to contract challenges or possible withdrawal from the co-op.

Rate Flexibility - How We Assess It for the Grid

Board Involvement/Rate Adjustment Mechanisms: The timing and extent to which a G&T co-op can increase rates is impacted by the activity of its board of directors and a number of rate adjustment mechanisms.

First we assess how active a board has been from a historical perspective with respect to approving or seeking regulatory approval of rate increases and consider the extent to which past behavior might change. To the extent that unexpected events arise, causing concerns about the ability to comply with covenants, we believe the board should be expected to move quickly to adjust rates upward when needed. Those G&T co-ops whose boards of directors are exceptionally proactive in adjusting rates as necessary and who benefit from legislative statute that would preclude regulatory intervention in the future rate setting process would most likely receive the highest indicated ratings. In contrast, G&T co-ops with less active or even inactive boards of directors and who otherwise face uncertainty surrounding the extent and timing of cost recovery would receive much lower indicated ratings for this sub-factor.

With respect to situations where variable cost adjustment mechanisms apply, rates that can automatically adjust to fuel and/or purchased power cost increases without requiring action by the Board or regulators are viewed more favorably and generally result in a higher indicated rating for this sub-factor. In instances where recovery of variable cost increases is deferred, we consider the time period over which recovery occurs, with shorter recovery periods being better from a liquidity and credit quality standpoint.

Degree of Reliance on Purchased Power. To measure the degree to which a G&T relies on purchased power in conducting its business, we divide the amount of megawatt hours it purchases during the most recent fiscal year by the total megawatt hours of energy it sells. This data can usually be found in the G&T co-op's latest annual report and/or other published data sources. In those instances where a G&T co-op relies on purchased power to meet less than 40% of its energy requirements during a given fiscal year, the indicated rating for this sub-factor would be at least Baa and improve gradually as the percentage declines according to the Factor 2 table descriptions. Conversely, where the dependence on purchased power exceeds the 40% level, then the indicated rating would be Ba or lower according to the Factor 2 table descriptions. In addition to the specific percentage calculation, we also take into account the extent to which purchases are made based solely on economic dispatch decisions (i.e. opportunistically purchasing cheaper power on the market instead of running owned generation plants). Such power purchases are usually made to maximize cost competitiveness in the G&T co-op's supply portfolio. Moody's views purchases made on an economic dispatch basis to be less of a credit risk as compared to situations where the G&T co-op is relying extensively on more expensive spot market power purchases due to an unplanned outage at one of its owned generation plants or above market firm purchase power contracts required to meet customer demands for power.

New Build Exposure Relative to Existing Asset Base: To measure this sub-factor, Moody's divides the estimated future capital expenditures for a particular G&T co-op over the next five years by the net property, plant, and equipment report for the latest fiscal year end. The lower the resulting percentage from this calculation is, the better the indicated rating for the sub-factor will likely be, as the G&T will likely face less need to issue debt and increase rates to cover the higher financing costs.

Potential for Rate Shock Exposure. To measure the potential for rate shock exposure, Moody's continues to look at the extent to which a G&T relies on purchased power to meet its energy demand during the latest fiscal year and its new build exposure. A lower percentage in both instances is generally viewed more favorably under the methodology. Our measurement criteria for this sub-factor also considers the G&T co-op's reliance on coal and other carbon emitting generating resources. Those G&T co-ops with a high reliance on such resources will be scored lower on this sub-factor due to their vulnerability to environmental regulations and accompanying carbon costs.

Cost competitive G&T co-ops have greater flexibility to raise rates to offset cost increases or to build additional equity and would therefore be more likely to receive a higher indicated rating for this sub-factor than those G&T co-ops who are competitively challenged. Favorable characteristics include low or improving cost structure, lower wholesale prices versus peers, and low distribution member rates versus competitors in the region. Moody's also assesses a G&T co-op's prospects to realize future rate increases in order to offset increasing costs, as compared with others in the region, although consistent rate data is often not publicly available. Nonetheless, Moody's seeks whatever public information is available, as well as confidential information on a company by company basis.

FIGURE 7

Factor 2 - Rate Flexibility (20%)

	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Assess Board Involvement in Setting Rates / Variable Cost Adjustment Mechanisms	Exceptionally proactive board that supports management recommendations for timely adjustment of rates to cover all costs of service; no regulatory/ political intervention in the rate setting process; Legislative statute to preclude regulatory intervention in the future rate setting process	Proactive board that supports management recommendations for timely adjustment of rates to cover all costs of service; no regulatory/ political intervention in the rate setting process; No legislative statute to preclude regulatory intervention in the future rate setting process	Active board in support of timely rate filings; possibility for regulatory/political intervention in the rate setting process in certain instances; frequent fuel cost adjustment capability in place under regulatory practice; timely recovery of any deferrals	Reasonably active board in support of timely rate filings; annual fuel cost adjustment capability in place under regulatory practice; reasonably timely recovery of any deferrals	Inactive board; limited, if any ability to adjust for fuel cost variability; uncertainty surrounding recovery of deferrals	Inactive board; no ability to adjust for fuel cost variability; uncertainty surrounding recovery of deferrals	5%
Purchased Power/Total MWh Sales (%)	x < 5%	5% ≤ x < 20%	20% ≤ x < 30%	30% ≤ x < 40%	40% ≤ x < 60%	x ≥ 60%	5%
New Build Exposure (Prospective 5-yr New Build Capex as % Net PP&E)	x < 5%	5% ≤ x < 25%	25% ≤ x < 50%	50% ≤ x < 75%	75% ≤ x ≤ 120%	x > 120%	5%
Potential for Rate Shock Exposure	Better rates than all others in the region on a consistent basis; Extremely low (e.g. Less than 5% reliance on purchased power and less than 5% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and 0-20% of generation from carbon fuels	Much better rates than most in the region on a consistent basis; Very low (e.g. less than 20% reliance on purchased power and less than 25% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and 20-40% of generation from carbon fuels	Better rates than most in the region on a consistent basis; Low (e.g. less than 30% reliance on purchased power and/or less than 50% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 40-55% of generation from carbon fuels	Better rates than some and worse rates than some in the region on a consistent basis; Moderate (e.g. less than 40% reliance on purchased power and/or less than 75% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 55-70% of generation from carbon fuels	Worse rates than most in the region on a consistent basis; High (e.g. greater than 40% reliance on purchased power or greater than 75% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 70-85% of generation from carbon fuels	Worse rates than all in the region on a consistent basis; Very high (e.g. greater than 40% reliance on purchased power and greater than 75% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 85-100% of generation from carbon fuels	5%

Factor 3: Member/Owner Profile

Member/Owner Profile - Why it Matters

Assessing the member/owner profile of a G&T co-op is important because the members who own the G&T co-op are also its primary source of cash flow. Similar to the way we would assess the counterparty credit risk for an IOU that sells sizable amounts of power to another entity, or buys significant amounts of power from a wholesale power producer, we focus on the overall creditworthiness of the members. Although not specifically weighted, we seek information about the members' expected consolidated demand growth and their consolidated assets when evaluating the overall member profile. The following two sub-factors, which are weighted at 5% each, provide good insight into the members' creditworthiness and ability to meet obligations to the G&T co-op under the long-term wholesale power contract.

Residential Sales as a Percentage of Total Sales: The diversity of the members' retail customer mix is important in our analysis of G&T co-ops because substantial reliance upon any single customer or a small number of customers (such as large industrial customers) tends to be associated with greater variability of revenue. Members who own the G&T co-ops tend to serve large residential customer bases, with a majority of energy being sold to such customers, although some sales may be to more volatile industrial and commercial customers. A higher percentage of sales to residential customers is favorable because such sales are generally more stable and predictable.

Members Consolidated Equity to Capitalization: The financial condition of the member/owners, as measured in part by the members' consolidated equity to capitalization, is important because it affects their ability to perform under the wholesale power contracts that members have with their G&T co-op. For the most part, distribution co-ops carry less business and financial risk than G&T co-ops. The difference in the financial strength is largely attributable to the fact that the RUS has historically set tighter financial covenants for the distribution co-ops than for the G&T co-ops. In addition, the distribution co-ops are far less capital intensive than G&T co-ops who own generation assets. Distribution co-ops typically maintain higher levels of equity to total capitalization and stronger interest coverage ratios than G&T co-ops.

Member/Owner Profile - How We Assess It for the Grid

Residential Sales as a Percentage of Total Sales: To measure this sub-factor, we first generally aggregate the individual residential energy sales and total energy sales for each member/owner of a particular G&T co-op in the latest fiscal year. This information is generally available through requests made to the G&T co-op because their members provide this data to them. The aggregate residential energy sales level is then divided by the aggregate total energy sales level to derive the aggregate percentage for the year. Under the Methodology, a higher percentage of more stable and predictable residential sales is viewed more favorably than a concentration of sales to large commercial and/or industrial customers.

Members Consolidated Equity to Capitalization: This sub-factor is measured by simply aggregating each member's total equity and debt as reported for the latest fiscal year end. The aggregate totals are then used to divide total members' equity by the sum of total members' debt plus equity. Members generally file financial statements with the RUS or otherwise make such statements available to the G&T that they have an ownership interest in. The large majority of the G&T co-ops that are covered by the methodology fall into the Baa category with consolidated member equity to capitalization in the range of 25% to 50%.

FIGURE 8

Factor 3 - Member / Owner Profile (10%)

	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Residential Sales/ Total Sales (%)	x ≥ 80%	75% ≤ x < 80%	50% ≤ x < 75%	40% ≤ x < 50%	20% ≤ x < 40%	x < 20%	5%
Members' Consolidated Equity/Capitalization (%)	x ≥ 65%	55% ≤ x < 65%	50% ≤ x < 55%	25% ≤ x < 50%	20% ≤ x < 25%	x < 20%	5%

Factor 4: G&T Financial Metrics

G&T Financial Metrics - Why it Matters

Financial strength is an important indicator of a G&T co-op's ability to meet its obligations, including debt service. Moody's considers historical coverage ratios and also places a significant emphasis on the expected trend for coverage metrics when assessing the credit risk of G&T co-ops. Although we continue to note that some G&T co-ops have large investment portfolios that considerably augment the bottom line, we consider it important that the G&T co-op be profitable on an operating basis. G&T co-ops that rely extensively on profits from investment portfolios and diversified operations to compensate for negative G&T operating margins are viewed negatively.

Scores under Factor 4 may be higher or lower than what might be produced based on historical results, depending on our view of expected future financial performance.

Times Interest Earned Ratio (TIER) and Debt Service Coverage Ratio (DSC): These two ratios are important because they have governed RUS loan documentation for many years. In addition to TIER and DSC, Moody's also looks at margins for interest (MFI) as defined in certain indentures.

Funds from Operations Coverage of Interest (FFO/Interest) and FFO/Debt: The FFO/Interest and FFO/Debt metrics are important because they provide insight regarding the amount and quality of a G&T co-op's cash flow and its ability to service its debt.

Equity/Total Adjusted Capitalization: Moody's evaluates the G&T co-op's equity as a percentage of total adjusted capitalization to see how much flexibility there is in the balance sheet to absorb unexpected events. When measuring the level of equity cushion, G&T co-ops and the RUS have tended to rely on equity expressed as a percentage of total assets. However, Moody's and many investors prefer to measure equity as a percentage of total capitalization, because it facilitates comparison with IOU capital structures.

G&T Financial Metrics - How We Assess It for the Grid

The ratios used as a basis for this methodology are three year averages of calculations using the latest three fiscal year end statements, including our standard adjustments. Three-year averages are used in part to smooth out some of the year to year volatility in financial performance and financial statement ratios. The ranges for each of the five metrics that would correspond to a particular indicated rating category appear in the table at the bottom of this section. The individual metric definitions are as follows:

TIER:

(Net margins, as represented by net profit after tax before unusual items + Interest + Income Tax) / Interest

DSCR:

(Net margins, as represented by net profit after tax before unusual items + Interest + Depreciation & Amortization) / (Interest + Principal Payment)

FFO / Interest:

(Funds from operations + Interest expense)/ Interest expense

FFO / Debt:

Funds from operations / (Short Term Debt + Long Term Debt, gross)

Equity / Total Capitalization:

(Deferred Taxes + Minority or Non-controlling Interest + Book Equity) / (Short Term Debt + Long Term Debt, gross + Deferred Taxes + Minority or Non-controlling Interest + Book Equity)

FIGURE 9

Factor 4 - 3-Year Average G&T Financial Metrics (40%)

	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
TIER	x ≥ 1.6x	1.4x ≤ x < 1.6x	1.2x ≤ x < 1.4x	1.1x ≤ x < 1.2x	1.0x ≤ x < 1.1x	x < 1.0x	5%
DSC	x ≥ 1.9x	1.4x ≤ x < 1.9x	1.2x ≤ x < 1.4x	1.1x ≤ x < 1.2x	1.0x ≤ x < 1.1x	x < 1.0x	5%
FFO/Debt	x ≥ 15%	10% ≤ x < 15%	6% ≤ x < 10%	3% ≤ x < 6%	2% ≤ x < 3%	x < 2%	10%
FFO/Interest	x ≥ 3.25x	2.5x ≤ x < 3.25x	2.0x ≤ x < 2.5x	1.5x ≤ x < 2.0x	1.2x ≤ x < 1.5x	x < 1.2x	10%
Equity/Total Capitalization	x ≥ 50%	35% ≤ x < 50%	20% ≤ x < 35%	5% ≤ x < 20%	3% ≤ x < 5%	x < 3%	10%

Factor 5: G&T Size

G&T Size - Why it Matters

Size, together with Factor 3, Member/Owner Profile, has the lowest weighting of the five key factors because it tends to be less important for entities, such as G&T co-ops, that are subject to limited competition. That said, we still find that size, as measured by the following two sub-factors, which are weighted at 5% each, does matter.

Megawatt hour sales: This sub-factor is important because it is an indicator for economies of scale (i.e., a G&T co-op is better off if it can spread its fixed costs over a larger number of megawatt hours of electricity, thereby increasing its price competitiveness).

Net Property, Plant, and Equipment: This sub-factor is important because G&T co-ops can benefit from having a larger pool of assets and a more diverse source of fuels to run the generation assets it owns. A G&T co-op that has its assets concentrated in one generating plant could be subject to extreme cost pressures to the extent that it has to buy power on the open market due to an extended outage at its sole generating plant. Similarly, overdependence on one particular fuel source could materially raise costs during a period of prolonged price increases for that commodity.

G&T Size - How We Assess It for the Grid

We identify the amount of megawatt hour sales and net property, plant, and equipment data primarily from the G&T co-op's latest annual report. See the Factor 5 table below for the ranges that would apply for a particular indicated rating for the two sub-factors in Factor 5.

FIGURE 10

Factor 5 - G&T Size (10%)

	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Megawatt hour sales (Millions of MWhs)	x ≥ 50	20 ≤ x < 50	11 ≤ x < 20	5 ≤ x < 11	3 ≤ x < 5	x < 3	5%
Net PP&E ($ in Billions)	x ≥ $5 billion	2 ≤ x < 5	1 ≤ x < 2	0.4 ≤ x < 1	0.3 ≤ x < 0.4	x < $0.3 billion	5%

Assumptions and Limitations, and Rating Considerations that Are Not Covered in the Grid

The rating methodology grid represents a decision to favor simplicity that enhances transparency and to avoid greater complexity that would enable the grid to map more closely to actual ratings. Accordingly, the five rating factors in the grid do not constitute an exhaustive treatment of all the considerations that are important for ratings of entities in the U.S. electric generation & transmission cooperative sector. In addition, our ratings incorporate expectations for future performance, while the financial information that is used to illustrate the mapping in the grid is mainly historical. In some cases, our expectations for future performance may be informed by confidential information that we cannot publish or otherwise disclose. In other cases, we estimate future results based upon past performance, industry trends or other factors. In either case, predicting the future is subject to the risk of substantial inaccuracy.

Assumptions that may cause our forward-looking expectations to be incorrect include unanticipated changes in any of the following factors: the macroeconomic environment and general financial market conditions, sector trends, new technology, regulatory and legal actions, as well as management's appetite for additional debt to finance capital expenditures, or unexpected external transfers to affiliated governments or enterprises.

Key rating assumptions that apply in this sector include our view that sovereign credit risk is strongly correlated with that of other domestic issuers, that legal priority of claim affects average recovery on different classes of debt, sufficiently to generally warrant differences in ratings for different debt classes of the same issuer, and the assumption that access to liquidity is a strong driver of credit risk.

In choosing metrics for this rating methodology grid, we did not explicitly include certain important factors that are common to all G&T co-ops, such as the quality and experience of management, assessments of governance and the quality of financial reporting and information disclosure. The assessment of these factors can be highly subjective and vary over time. Therefore, ranking these factors by rating category in a grid would suggest too much precision in the relative ranking of particular issuers against all other issuers that are rated in various industry sectors.

Ratings may include additional factors that are difficult to quantify or that have a meaningful effect in differentiating credit quality only in some cases, but not all. Such factors include financial controls, and possible government interference in some state, provincial or local governments. Regulatory, litigation, liquidity, technology and reputational risk as well as changes to consumer and business spending patterns, competitor strategies, and macroeconomic trends also affect ratings. While these are important considerations, it is not possible to precisely express these in the rating methodology grid without making the grid excessively complex and significantly less transparent. Ratings may also reflect circumstances in which the weighting of a particular factor will be substantially different from the weighting suggested by the grid.

This variation in weighting rating considerations can also apply to factors that we choose not to represent in the grid. For example, liquidity is a consideration frequently critical to ratings and which may not, in other circumstances, have a substantial impact in discriminating between two issuers with a similar credit profile. As an example of the limitations, ratings can be heavily affected by extremely weak liquidity that magnifies default risk but two identical G&T co-ops might be rated the same if their only differentiating feature is that one has a good liquidity position while the other has an extremely good liquidity position.

Other Rating Considerations

Moody's considers other factors in addition to those discussed in this report, but in most cases understanding the considerations discussed herein will enable a good approximation of our view on the credit quality of entities in the U.S. electric generation & transmission cooperative sector. Ratings consider additional factors, including our assessment of future operating performance that may deviate from historical performance, the quality of management, governance, financial controls, liquidity management, seasonality and event risk. The analysis of these factors remains an integral part of our rating process.

Management Quality

The quality of management is an important factor supporting the credit strength of a G&T co-op. Moody's normally meets with senior executives to assess management's business strategies, policies, and philosophies, and evaluates management performance relative to performance of peers and our projections.

An established managerial record provides Moody's with insight into management's likely future performance in stressed situations. This can be an indicator of management's tendency to stray significantly from what may be an effective current business philosophy, or conversely, to adopt changes where they are warranted by new sets of circumstances.

Governance

Among the areas of focus in governance are audit committee financial expertise, the incentives created by executive compensation packages, related party transactions, interactions with outside auditors, and ownership structure. We note that the default by Southern Montana Electric Generation and Transmission Cooperative, Inc. (not rated) in late 2011 was partially the result of extensive member disputes and serves as a recent example of the importance of proper governance and cost recovery.

Financial Controls

Moody's relies on the accuracy of audited financial statements to assign and monitor ratings. Such accuracy is only possible when companies have sufficient internal controls, including centralized operations, and consistency in accounting policies and procedures.

Weaknesses in the overall financial reporting processes, financial report restatements or delays in producing audited financial statements can be indications of a potential breakdown in internal controls.

Liquidity Management

Liquidity is a meaningful credit consideration for all companies but is especially critical in lower rated companies as these issuers have less operating and financial flexibility. We form an opinion on a company's likely near-term liquidity requirements from the perspective of both the sources and uses of cash. This may include monitoring bank covenants and compliance cushions to assess whether a company is likely to require covenants relief in the event of even a modest industry downturn or of an issuer-specific decline of performance.

Event Risk

We also recognize the possibility that an unexpected event could cause a sudden and sharp decline in an issuer's fundamental creditworthiness. Typical special events include a change in ownership and in the credit quality of that owner, a recapitalization, or an unexpected change in rates or terms of a material contract, weather events, litigation, and changes in governing regulation, legislation or law.

Conclusion: Summary of the Grid-Indicated Rating Outcomes

The objective of our methodology is for users to be able to estimate in most cases, within two alpha-numeric rating notches, the likely senior most credit rating for a U.S. electric generation & transmission cooperative. The grid-indicated ratings map to current assigned or implied senior most ratings as follows (See Appendix B for the details). For consistency in drawing our conclusions, we rely upon an implied senior secured rating (i.e. the implied senior most rating) for the three G&T cooperatives who have senior secured debt in their respective capital structures but whose current ratings are senior unsecured Issuer Ratings.

» nine cooperatives have a grid-indicated rating that matches their actual (or implied) senior most rating,

» seven cooperatives have a grid-indicated rating that is one alpha-numeric notch from their actual (or implied) senior most rating,

» one cooperative has a grid-indicated rating that is two alpha-numeric notches from its actual senior most rating, and

» one cooperative has a grid-indicated rating that is more than two alpha-numeric notches from its actual senior most rating.

Appendix A: U. S. Electric G&T Cooperative Methodology Factor Grid

FIGURE 11

Appendix A: U.S. Electric Generation & Transmission Cooperatives Methodology Factor Grid

Factor 1: Long-Term Wholesale Power Supply Contracts and Regulatory Status

Weighting: 20%	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Percentage of Member Load Served under Wholesale Power Contracts and Regulatory Status	100% and G&T and its Distribution Member/Owner Cooperatives are Not Rate Regulated by State Commission; Legislative statute to preclude regulatory intervention in the future rate setting process; Very Good Contractual Relationships	100% and G&T is Not Rate Regulated by State Commission; No legislative statute to preclude regulatory intervention in the future G&T rate setting process; Some Distribution Member/Owner Cooperatives May Be Subject to Rate Regulation by State Commission; Very Supportive Commission Practices; Very Good Regulatory/ Contractual Relationships	> 80% and/or G&T is Rate Regulated by State Commission; Some Distribution Member/Owner Cooperatives May Be Rate Regulated by State Commission; Very Supportive Commission Practices; Very Good Regulatory/ Contractual Relationships	> 70% and/or G&T is Rate Regulated by State Commission; Some Distribution Member/Owner Cooperatives May Be Rate Regulated By State Commission; Moderately Supportive Commission Practices; Reasonably Good Regulatory/ Contractual Relationships	< 70% and/or G&T is Rate Regulated by State Commission; Some Distribution Member/Owner Cooperatives May Be Rate Regulated By State Commission; Unsupportive Commission Practices; Generally Difficult Regulatory/ Contractual Relationships	< 60% and/or G&T is Rate Regulated by State Commission; Most Distribution Member/Owner Cooperatives are Rate Regulated By State Commission; Very Unsupportive Commission Practices; Often Contentious Regulatory/ Contractual Relationships	20%

Factor 2: Rate Flexibility

Weighting: 20%	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Assess Board Involvement in Setting Rates / Variable Cost Adjustment Mechanisms	Exceptionally proactive board that supports management recommendations for timely adjustment of rates to cover all costs of service; no regulatory/political intervention in the rate setting process; Legislative statute to preclude regulatory intervention in the future rate setting process	Proactive board that supports management recommendations for timely adjustment of rates to cover all costs of service; no regulatory/political intervention in the rate setting process; No legislative statute to preclude regulatory intervention in the future rate setting process	Active board in support of timely rate filings; possibility for regulatory/political intervention in the rate setting process in certain instances; frequent fuel cost adjustment capability in place under regulatory practice; timely recovery of any deferrals	Reasonably active board in support of timely rate filings; annual fuel cost adjustment capability in place under regulatory practice; reasonably timely recovery of any deferrals	Inactive board; limited, if any ability to adjust for fuel cost variability; uncertainty surrounding recovery of deferrals	Inactive board; no ability to adjust for fuel cost variability; uncertainty surrounding recovery of deferrals	5%
Purchased Power/Total MWh Sales (%)	$x < 5\%$	$5\% \leq x < 20\%$	$20\% \leq x < 30\%$	$30\% \leq x < 40\%$	$40\% \leq x < 60\%$	$x \geq 60\%$	5%
New Build Exposure (Prospective 5-yr New Build Capex as % Net PP&E)	$x < 5\%$	$5\% \leq x < 25\%$	$25\% \leq x < 50\%$	$50\% \leq x < 75\%$	$75\% \leq x \leq 120\%$	$x > 120\%$	5%
Potential for Rate Shock Exposure	Better rates than all others in the region on a consistent basis; Extremely low (e.g. Less than 5% reliance on purchased power and less than 5% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and 0-20% of generation from carbon fuels	Much better rates than most in the region on a consistent basis; Very low (e.g. less than 20% reliance on purchased power and less than 25% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and 20-40% of generation from carbon fuels	Better rates than most in the region on a consistent basis; Low (e.g. less than 30% reliance on purchased power and/or less than 50% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 40-55% of generation from carbon fuels	Better rates than some and worse rates than some in the region on a consistent basis; Moderate (e.g. less than 40% reliance on purchased power and/or less than 75% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 55-70% of generation from carbon fuels	Worse rates than most in the region on a consistent basis; High (e.g. greater than 40% reliance on purchased power or greater than 75% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 70-85% of generation from carbon fuels	Worse rates than all in the region on a consistent basis; Very high (e.g. greater than 40% reliance on purchased power and greater than 75% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 85-100% of generation from carbon fuels	5%

FIGURE 11

Appendix A: U.S. Electric Generation & Transmission Cooperatives Methodology Factor Grid

Factor 3: Member / Owner Profile

Weighting: 10%	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Residential Sales/Total Sales (%)	x ≥ 80%	75% ≤ x < 80%	50% ≤ x < 75%	40% ≤ x < 50%	20% ≤ x < 40%	x < 20%	5%
Members' Consolidated Equity/Capitalization (%)	x ≥ 65%	55% ≤ x < 65%	50% ≤ x < 55%	25% ≤ x < 50%	20% ≤ x < 25%	x < 20%	5%

Factor 4: 3-Year Average G&T Financial Metrics

Weighting: 40%	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
TIER	x ≥ 1.6x	1.4x ≤ x < 1.6x	1.2x ≤ x < 1.4x	1.1x ≤ x < 1.2x	1.0x ≤ x < 1.1x	x < 1.0x	5%
DSC	x ≥ 1.9x	1.4x ≤ x < 1.9x	1.2x ≤ x < 1.4x	1.1x ≤ x < 1.2x	1.0x ≤ x < 1.1x	x < 1.0x	5%
FFO/Debt	x ≥ 15%	10% ≤ x < 15%	6% ≤ x < 10%	3% ≤ x < 6%	2% ≤ x < 3%	x < 2%	10%
FFO/Interest	x ≥ 3.25x	2.5x ≤ x < 3.25x	2.0x ≤ x < 2.5x	1.5x ≤ x < 2.0x	1.2x ≤ x < 1.5x	x < 1.2x	10%
Equity/Total Capitalization	x ≥ 50%	35% ≤ x < 50%	20% ≤ x < 35%	5% ≤ x < 20%	3% ≤ x < 5%	x < 3%	10%

Factor 5: G&T Size

Weighting: 10%	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Megawatt hour sales (Millions of MWhs)	x ≥ 50	20 ≤ x < 50	11 ≤ x < 20	5 ≤ x < 11	3 ≤ x < 5	x < 3	5%
Net PP&E ($ in Billions)	x ≥ $5 billion	2 ≤ x < 5	1 ≤ x < 2	0.4 ≤ x < 1	0.3 ≤ x < 0.4	x < $0.3 billion	5%

Appendix B: Methodology Grid Indicated Ratings with Observations and Outliers for Grid Mapping

FIGURE 12

Rating Factors					Factor 1: Wholesale Power Contracts / Reg Status	Factor 2: Rate Flexibility				Factor 3: Member/ Owner Profile		Factor 4: 3-Year Average G&T Financial Metrics					Factor 5: G&T Size	
	Long-Term Rating	Type of Rating	Outlook	Indicated Rating	% Memb. Load Served & Reg Stat	Board Involve / Rate Adj. Mech.	Purch. Pwr / Sales (%)	New Build Capex (% Net PP&E)	Rate Shock	Resid. Sales	Member Consol. Eq / Cap	TIER	DSC	FFO / Debt	FFO / Interest	Eq / Cap	MWh sales	Net PP&E
Factor Weighting					20%	5%	5%	5%	5%	5%	5%	5%	5%	10%	10%	10%	5%	5%
Arkansas Electric Cooperative (a)	A1	Senior Secured	Stable	A2	A	A	Aa	Baa	Ba	A	Baa	Aa	A	A	Aa	Aa	A	A
Associated Electric Cooperative	A1	Senior Secured	Stable	A1	Aa	Aa	Aa	Aa	Ba	A	Baa	A	A	A	A	Baa	Aa	Aa
Basin Electric Power Cooperative	A1	Senior Secured	Stable	A3	Aa	Aa	Baa	A	Ba	Ba	Baa	B	A	Baa	A	A	Aa	Aa
Big Rivers Electric Corp.	Ba1	Senior Secured	RUR ↓	A2	A	Baa	A	Aa	B	B	Baa	Ba	Aaa	Aaa	Aaa	A	A	A
Buckeye Power Inc. (b)	A2	Senior Secured	Stable	A3	Aa	A	Ba	A	B	A	A	A	Baa	Baa	A	Baa	Baa	A
Chugach Electric Association	<c>	<c>	Stable	A3	Baa	A	Aa	Ba	B	A	Baa	A	Aaa	A	Aaa	A	B	Baa
Dairyland Power Cooperative	A3	Issuer Rating	Stable	A3	Aa	Aa	Baa	A	B	A	Baa	A	A	Baa	A	Baa	Baa	A
Georgia Transmission	A2	Senior Secured	Positive	A3	Aa	Aa	Aaa	A	A	A	Baa	Baa	Ba	Baa	Baa	Baa	B	A
Golden Spread Electric Cooperative	A3	Issuer Rating	Stable	A2	A	Aa	B	Ba	Ba	B	A	Aaa	Aaa	Aaa	Aaa	Aa	Baa	Baa
Great River Energy	Baa1	Senior Secured	Stable	Baa1	A	A	A	A	Ba	A	Baa	Ba	Baa	Baa	Baa	Baa	A	Aa
Hoosier Energy	A3	Senior Secured	Stable	A2	Aa	A	A	Baa	B	A	Aa	Aa	A	A	Aa	Baa	Baa	A
Minnkota Power Cooperative	Baa2	Issuer Rating	Stable	Baa1	Aa	Aa	Baa	B	B	A	Baa	A	A	Ba	Baa	Baa	Baa	Baa
Oglethorpe Power Corp.	Baa1	Senior Secured	Stable	Baa2	Ba	Baa	Aaa	Ba	Ba	A	Baa	B	A	Baa	Baa	Baa	Aa	Aaa
Old Dominion Electric Cooperative	A3	Senior Secured	Positive	A3	Aa	A	B	Baa	Baa	A	Baa	A	B	A	A	A	A	A
PowerSouth Energy	A3	Senior Secured	Stable	A3	Aa	Aa	A	A	B	A	Baa	A	A	Baa	A	Baa	Baa	A
Seminole Electric	A3	Senior Secured	Stable	A3	A	Aa	Baa	Aa	B	A	Baa	Aa	A	A	A	Baa	A	A
South Mississippi Electric Power Association	A3	Senior Secured	Stable	A2	Aa	Aa	B	B	B	A	Aa	Aa	A	A	Aa	Baa	Baa	A
Tri-State G&T Association	A3	Senior Secured	Stable	A3	A	A	Baa	A	B	Ba	A	Aa	Baa	A	A	A	A	Aa

We identify positive or negative "outliers" for a given sub-factor as an issuer whose grid sub-factor score is at least two broad rating categories higher or lower than a company's actual rating (e.g. a Baa -rated company whose rating on a specific sub-factor is in the Aa-rating category is flagged as a positive outlier for that sub-factor).

Positive outlier: grid-indicated performance for a sub-factor is two or more broad rating categories higher than the actual Moody's Rating for the issuer

Negative outlier: grid-indicated performance for a sub-factor is two or more broad rating categories lower than the actual Moody's Rating for the issuer

(a) Fiscal year-end October 31

(b) Fiscal year-end June 30

<c> No LT rating;Senior Secured A3 was withdrawn on Feb. 1, 2012; short-term rating is P-2

Factor 1: Observations and Outlier Discussion

Long-Term Wholesale Power Supply Contracts/Regulatory Status

The nature of the long-term wholesale power contracts taken together with regulatory status is one of the most important drivers of G&T co-op ratings, so it is not surprising that there are no negative outliers. The large majority of rated G&T co-ops score quite well with indicated ratings of Aa or A. The high ratings that so many of the G&T co-ops receive for Factor 1 help offset weaker scores in other areas, especially in Factor 2.

Notwithstanding the solid indicated ratings for Factor 1, we draw attention to the following observations. The protection afforded by wholesale power supply contracts can be eroded by challenges to, or changes in, the contracts over time, or more suddenly, due to a need for exceptionally large rate increases.

Under a strict interpretation of the definitions, Oglethorpe Power Corp. (OPC) would receive a B indicated rating for Factor 1. This strict interpretation results from the fact that OPC's owned resources provided only about 52% of its members' power requirements in fiscal year 2011. The situation results from a conscious decision by OPC's members to enter into power supply arrangements with third-party suppliers for their future incremental growth as permitted under the amended wholesale power supply contracts, extending through 2050. In Oglethorpe's case, we do not consider the low score to be an undue credit risk because its members remain joint and severally liable to pay all of the cooperative's costs and we believe Oglethorpe's stable supply of relatively affordable baseload power will become increasingly valuable to its members as their needs grow and they are continually forced to look for additional sources of supply. We believe an indicated rating of Ba sufficiently captures the degree of credit impact from the current relationships between OPC and its members when considered together with its rate autonomy.

Chugach Electric Association (CEA) is somewhat unique because it operates as a combined G&T co-op and distribution cooperative. As such, the 95% of its sales made to customers includes not only the 39% of energy sales made under wholesale power contracts, but also the 54% of energy sales made directly to retail customers under the tariff and certificated service territory in the state of Alaska. In our view, retail revenues from direct sales to commercial and residential customers are equal to, if not better than, the quality of wholesale revenues derived from sales to member co-ops. There is uncertainty surrounding the wholesale contracts that Chugach has with Homer Electric Association (HEA) and Matanuska Electric Association (MEA), which comprise the large majority of its wholesale revenues. Initially, both customers stated that they were not intending to renew when their contracts expire on January 1, 2014 and December 31, 2014, respectively. Although HEA currently stands by its stated intentions, MEA periodically holds discussions with Chugach about possible alternatives to an all-requirements arrangement in the future. Notwithstanding what appears to be an evolving stance on the part of MEA, we observe that Chugach has been steadily planning for the potential loss of at least some, if not substantially all, of its existing wholesale revenue. For example, Chugach has been adjusting its depreciation schedules, beyond those steps already approved, to coincide with the potential loss of this wholesale load and is seeking approval for additional revenue opportunities through use of its existing transmission assets and/or by providing additional services. Beyond these steps, Chugach could seek recovery of revenue shortfalls through rate cases. The uncertainty surrounding the impending wholesale load loss is incorporated into our credit risk assessment of Chugach.

Although bankruptcy filings have been rare within the U.S. electric generation and transmission cooperative sector, the bankruptcy filings of Cajun Electric Power Cooperative, Wabash Valley Power Association, and Big Rivers Electric Corporation in the late 1980's and 1990's, and the more recent filing by Southern Montana Electric Generation and Transmission Cooperative, Inc. were partially due to insufficient rate relief by its state regulators. These examples are worthy representation of the added uncertainty and credit risk that can be caused by third party regulation.

Factor 2: Observations and Outlier Discussion

Rate Flexibility

Factor 2 contains the most outliers of any of the five key Factors, the substantial majority of which are negative outliers. In particular, almost three-quarters of the rated universe are negative outliers for the Rate Shock Exposure sub-factor, largely reflecting the substantial dependence that the sector has on generation from carbon emitting fuels, especially coal. There are also four negative outliers for the New Build Exposure sub-factor, primarily reflecting the sizable capital investments in new generating capacity and transmission infrastructure on top of normal maintenance of existing property, plant and equipment for those G&Ts. Although Oglethorpe's New Build Exposure had previously been a negative outlier, this is no longer the case since its participation in construction of a new nuclear plant, contributed to the October 2010 downgrade of its senior secured rating to Baa1 from A3.

Golden Spread, Old Dominion, and South Mississippi are all negative outliers for the sub-factor measuring Purchased Power as a Percentage of Sales. In the case of Golden Spread, we classify their contracts with Southwestern Public Service Company and AEP as purchased power, which results in a very weak score on this factor; however, we do not believe that Golden Spread is overly exposed to the market price volatility. For example, Golden Spread can reduce market sales from its Mustang units and other facilities and utilize this owned capacity for the benefit of its members, if needed. Golden Spread's negative outlier status may also improve as it pursues construction of additional generation capacity. Old Dominion and South Mississippi may also seek to increase their respective owned generating capacity; however, in the near term we believe purchased power will remain integral to their resource strategy.

Big Rivers' outlier status for the sub-factors measuring Purchased Power as a Percentage of Sales and New Build Capex both shifted to positive from negative following two negative rating actions since August 2012, following contract termination notices jeopardizing the high concentration of sales that its largest member/owner, Kenergy, makes to two aluminum smelters. We also note that the amount of power that Big Rivers is purchasing significantly declined when it completed unwind transactions to re-establish its direct rights to power produced from its generation assets previously leased to LG&E. Moreover, Big Rivers' capex budget includes some flexibility related to maintenance projects and environmental spending for the next two years is estimated at $60 million; we understand that Big Rivers is arranging funding for environmental related capex.

The low ratings for so many of the G&Ts relating to sub-factors in Factor 2 are largely balanced by higher scores in Factor 1 and Factor 4. The rate autonomy and relatively competitive rates for so many of the G&Ts make it more likely that the members will accept what in many instances will be the ongoing need for rate increases even after a series of rate increases implemented over the past few years.

Factor 3: Observations and Outlier Discussion

Member/Owner Profile

Indicated ratings for Factor 3 map reasonably well to the actual ratings for the large majority of the 18 rated G&T co-ops in this methodology, with just three negative outliers.

Basin Electric Power Cooperative, Golden Spread Electric Cooperative, and Tri-State Electric G&T Association are negative outliers for residential sales as a percentage of total sales to retail customers. We note that Basin's member base serves territories dependent on farming, mining, and oil and gas exploration and production. Thus, Basin is considerably more dependent on potentially more cyclical sales than many of its peers who sell energy to a more sizable and generally more stable residential customer base. Although the absolute level of residential sales made by Basin's members is expected to continue to increase modestly, those will likely be outpaced by large commercial and industrial sales due to the make-up of the customer base for several of Basin's members. That said, many of the regions served by Basin's members have economies that are growing at a faster pace than the national average which bodes well for Basin's utility revenue growth potential. Golden Spread's sixteen members have a substantial footprint extending from the Oklahoma panhandle in the North and South through the mid-plains section of Texas. The substantially lower percentage of sales made by Golden Spread to residential customers compared to its peers results from a significant presence of oil and gas companies, agriculture-related industries and live stock farmers/ranchers in its service territory. Also, there is a significant seasonal irrigation load it serves, which can vary year to year. Importantly, Golden Spread is not exposed to any significant industrial load concentration. Since Tri-State's member base spans a vast territory throughout four states, including service territories dependent on farming, mining, and oil and gas exploration and production, it has among the smallest percentage of residential sales compared to its peers. Also, Tri-State is not over-exposed to commercial or industrial customer concentration, which tempers credit risk related to its members' relatively smaller percentage of residential sales compared to other G&T co-ops' members.

Big Rivers' low score for residential sales as a percentage of total sales to retail customers is no longer a negative outlier because its reliance on industrial load factored heavily in the two negative rating actions since August 2012, following contract termination notices jeopardizing the high concentration of sales that its largest member/owner, Kenergy, makes to two aluminum smelters.

Factor 4: Observations and Outlier Discussion

G&T Financial Metrics

Factor 4 takes into account historical financial statements. Historic results help us to understand the pattern of a G&T's financial and operating performance and how the G&T compares to its peers. While Moody's rating committees and the rating process use both historical and projected financial results, this document makes use only of historic data, and does so solely for illustrative purposes.

Although a significant number of the sub-factors in Factor 4 map reasonably well to a G&T's actual rating, there are several instances where significant positive outlier status is evident. Most notably, Golden Spread and Big Rivers are positive outliers for four of their five key financial metrics. In the case of Golden Spread, this reflects conservative financing strategies through the years. We anticipate that additional debt to fund Golden Spread's current long-term capital expansion plan is likely to cause these metrics to drift on average into the Aa category at a minimum, thus eliminating the outlier status. Big Rivers' mapping is based on its three-year average financial metrics through December 31, 2011, which reflect substantial improvement upon completion of the unwinding of lease transactions in 2009. Recent historical financial performance, which does not include the effect of the 2009 lease unwind, produces financial metrics more aligned with other peer G&T's. Notwithstanding the current A2 Indicated Rating for Big Rivers under the Methodology, its actual senior secured rating of Ba1, which is under review for downgrade, reflects the unique credit risks relating to Big Rivers' load concentration to two aluminum smelters, the smelter contract termination notices and the fact that receipt of the notices will impact cash flow in August 2013 in one instance and in January 2014 for the other.

Georgia Transmission Corporation and Oglethorpe Power Corporation are negative outliers on DSC and TIER, respectively, reflecting greater acceptance by their respective management and boards to manage results close to the minimum required levels contained in their debt indentures.

Factor 5: Observations and Outlier Discussion

G&T Size

Even the largest G&T co-op, Oglethorpe Power Corporation, is considered to be relatively small by investor-owned electric utility standards, so this has a limiting effect on the number of positive outliers.

In the case of Oglethorpe Power and Great River Energy, the significant investments in property, plant, and equipment were financed primarily with debt, which resulted in weaker metrics and lower ratings, thus contributing to the positive outlier status for the size factor. Although Big Rivers has increased its megawatt hours sold and net property, plant and equipment in recent years, it is a positive outlier for the size factors more so because of its low rating level reflecting the unique risks relating to Big Rivers' load concentration to the two aluminum smelters.

The two negative outliers are Chugach Electric and Georgia Transmission Corp., reflecting smaller than average size for the rated universe.

Although Chugach Electric is a negative outlier for megawatt hours sold it is by far the largest power provider in the state of Alaska and is geographically isolated, which tends to temper credit risk related to its small size.

Appendix C: G&T Co-op Industry Overview

G&T co-ops represent one of the three main forms of ownership for enterprises involved in the generation and delivery of electricity. Investor owned utilities (IOUs) constitute a sizeable majority of the U.S. electricity sector, with government owned municipal or public power entities representing the second largest segment of the market, and G&T co-ops being by far the smallest segment. G&T co-ops do not directly compete with each other or with investor owned utilities or government owned entities in a substantial way because cooperatives mainly provide service to their owner members under long term all requirements power contracts.

The A3 average (senior most) rating assigned for G&T co-ops is two alpha-numeric notches below the average rating for municipal or public power entities which is in the high A range; is one alpha-numeric notch below the average rating for US municipal joint action agencies, which is in the mid-A range; and is one alpha-numeric notch higher than the average rating for IOUs, which is in the high Baa range. G&T co-ops tend to be significantly smaller than investor owned utilities but have higher ratings because they are able to raise rates without the regulatory review required for investor owned utilities. G&T co-ops also face less competition given their contractual relationship with their member owners.

The following chart compares some of the characteristics that distinguish the risk profiles of these three subsets of the U.S. power sector.

FIGURE 13

Investor-Owned Utilities	G&T Co-Ops	Municipal And Public Power
Rate regulated	Most are not rate regulated but their owners may be	Not rate regulated
Profit seeking; operated for the benefit of public shareholders with obligations to serve regulated ratepayers	Not-for-profit; operated for the benefit of their owner members	Not-for profit; Operated for public benefit for the region served
Most are larger; may have multiple entities in an issuer family	All are small relative to IOUs	Most are small relative to IOUs
Subject to competition in the wholesale market; sometimes in the retail market	Little competition	Little competition
Some history of defaults, usually as a result of needing rate increases that are too large to be acceptable to ratepayers	Some history of defaults; usually due to need for rate increases that are too large to be acceptable to members	No defaults for load servicing utilities; two for JAA or project related financings
Can file Chapter 11 bankruptcy	Can file Chapter 11 bankruptcy	More impediments to bankruptcy but may be able to file Chapter 9
Tend to have higher rates compared to municipal or public power	Rates tend to be comparable to IOUs	Tend to have lower rates than G&T co-ops and IOUs
Rely extensively on capital markets	Most borrow from the Rural Utilities Service and cooperative financial institutions; larger issuers access the capital markets	Rely on public and private markets for financing needs; may have access to government funding if needed

Comparison with Joint Action Agencies

Moody's rates approximately $42 billion of bonds issued by U.S. Municipal Joint Action Agencies (JAAs), which have an average rating in the mid-A range and exhibit some characteristics in common with electric generation and transmission cooperatives. Both are nonprofit enterprises and are governed by their members. Cooperatives as well as many JAAs tend to serve small rural communities in the U.S. A significant difference between the two is the greater ability of JAAs to issue low cost tax-exempt debt, although cooperatives may borrow at below market rates through the federal RUS.

Since the 1970's, groups of city-owned electric utilities have established JAAs to pool resources to finance the construction of new generation facilities or to jointly purchase electric power supply. Participating members of JAAs are contractually obligated for power supply through take-or-pay and take-and-pay power sales agreements. These agreements are the underlying security for tax-exempt debt issued by JAAs. The power sales agreements are structured to have the same term as the debt issue.

JAAs have unregulated rate-setting authority and their municipal utility participants can recover costs by independently raising retail rates. The most recently completed period of borrowing by the JAA's was largely undertaken to finance ownership in new generation plants in order to assist their participant members in meeting demand growth and also to diversify their generation fuel mix.

The four key rating factors Moody's considers for JAA ratings include:

» Participant Credit Quality and Cost Recovery framework

» Asset Quality (Take-or-Pay)/Resource Risk Management (All Requirement)

» Competitiveness

» Financial Strength and Liquidity

» Willingness to Recover Costs With Sound Financial Metrics (All-Requirement)

Key questions embedded in our analysis of these factors are:

» What is the average weighted credit quality of participants?

» What are the demographic and economic characteristics of the service areas of the participating municipal electricity distributors?

» How economic are power sales contracts relative to competitors?

» How are the power supply contracts structured, and what are the bond security provisions?

» How do JAAs manage their balance sheet and liquidity as they plan for capital spending in order to position the JAA to meet future demand growth and competition?

Appendix D

Key Rating Issues over the Intermediate Term

Environmental Regulations on the Horizon

Many G&T co-ops have been postponing some of the sizable environmental expenditures originally anticipated to meet pollution control measures and emissions limitations to address concerns about carbon while awaiting more clarity on the specifics of the requirements. Nevertheless, these expenditures still loom on the horizon and will undoubtedly influence supply planning decisions, including whether to retrofit or retire coal units, diversify more into gas-fired plants and/or renewable energy sources, and/or promote efficiency and demand-side management programs. As the effective dates for some impending regulations quickly approach and other regulations are developed, G&T co-ops could experience progressively higher capital expenditures over the intermediate term, all of which would be recoverable in rates under their respective wholesale power supply contracts.

Large Capital Expenditures

Given the capital intensive nature of the G&T co-op sector, it is not unusual for capital spending plans to outpace depreciation and amortization in heavy spending years. In addition to the aforementioned environmental related spending there are other more routine maintenance and upgrades to existing generation and transmission infrastructure that are essential to ensure meeting reliability standards so critical when providing an essential service. In order to meet rising electricity demand as the U.S. slowly emerges from a recession, many G&T co-ops will wrestle with supply planning decisions. Finding the delicate balance between the right mix of new owned resources, power purchase arrangements, efficiency and demand-side management programs, while also complying with environmental regulations and/or renewable portfolio standards is no easy task. For those G&Ts that elect to participate in the construction of large, highly capital intensive projects that are largely financed with debt, especially nuclear plants, which have not been built in the U.S. in many years, the challenges could be particularly daunting and significantly pressure their credit quality.

The U.S. Economic and Financial Market Conditions

Having fared reasonably well during the recession period of 2008-2009, G&T co-ops are poised to take advantage of the sluggish economic recovery unfolding in the U.S. Our view is influenced in part by the load forecasts for many G&T co-ops that point to modest increases in customer usage of electricity in the 1% - 2% range over the next few years. We see this projected trend as a credit positive since falling demand for electricity would likely increase the need for rate increases to avoid material decline in overall financial performance and a weakening of the credit profile. With sound credit quality expected to be maintained going forward, we anticipate that investors will continue to be receptive to making investments in debt offerings made by G&T co-ops.

Ability versus Willingness To Raise Rates

Rate autonomy, long-term contractual relationships with member/owners, and virtual monopoly control over providing an essential service are key factors that will continue to support sound credit quality in the U.S. electric G&T cooperative sector. Because electric G&T co-ops provide such an essential service, we believe that the sector has a high degree of flexibility to raise rates charged to customers, which facilitates control over their financial position and increases the likelihood of achieving targeted financial metrics. We refer to this flexibility as the "willingness of a G&T co-op to adequately maintain its financial strength commensurate with its rating level". For some of the G&T co-ops, the prevailing low commodity price environment, especially for natural gas, has helped cushion the overall effect on members' rates owing to rate increases to cover other non-fuel costs. That said, there are occasions when affordability pressures surface and test the willingness of G&T co-ops to move ahead with wholesale power rate increases to their member/owners. For example, this may occur on the heels of situations where debt costs rapidly increase during large capital construction programs or when expansions are undertaken to accommodate projected customer growth that comes up short of original expectations. Also, a G&T co-op's "willingness" can be severely tested when unemployment rates persist at high levels and/or other economic growth indicators are weak. Since electricity is one of the most essential services to the economy, we view the customer's willingness to pay for the service to be very high. We also note that the relatively small proportion of total personal income spent on electricity can help temper credit risks tied to the affordability factor.

G&Ts who choose to defer increasing rates to their members in the face of sharply higher costs or who are unable to gain approval from regulators to do so when rate regulation applies will likely experience a deterioration in their key credit metrics. Inability to obtain regulatory approval for rate increases has contributed to the bankruptcy of G&T co-ops in the past. As an alternative to imposing a large rate increase at one time, we observe that some G&T co-ops have had reasonably good success following a strategy of smaller, more frequent rate increases to be phased in over a period of years.

Rates charged by G&T co-ops need to be regionally competitive with rates charged by other power providers. Rate competitiveness of G&T co-ops relative to other power providers is important because it affects the willingness of co-op members to accept rate increases when costs increase. With most other power providers currently facing similar operating costs and capital spending requirements, as well as sometimes increasingly expensive insurance and pension benefits, we do not expect that the rates that G&T co-ops charge their members will be materially less competitive than those charged by other power providers.

Prevailing Reliance on Low-Cost Loans from U.S. Government Sponsored Agencies, While Increasing Access to Other Capital Sources

G&T co-ops rely heavily on low cost loans from the Rural Utilities Service of the U.S. Department of Agriculture (RUS) and from RUS guaranteed loans provided by the Federal Financing Bank (FFB), a government funding arm. Thus, any federal budgetary constraints could have negative consequences on this vital low-cost funding source. That said, a strong historical lobbying presence in Washington through National Rural Electric Cooperative Association has historically served as a buffer to this risk.

In addition to the RUS, G&T co-ops also rely heavily on loans provided by cooperative financial institutions such as the National Rural Utilities Cooperative Finance Corporation (NRUCFC; A2 senior unsecured; stable outlook) and CoBank. More recently, given the benefits from flight to quality, there is a growing number of the larger commercial banking institutions that have increased lending to the sector through participation in syndicated bank revolving credit agreements. Often the G&T co-ops also maintain relationships with smaller local commercial banking institutions.

Still, the RUS is the single largest provider of debt financing to the sector. Given the history of political support for the RUS loan program, our ratings reflect our assessment that the probability of systemic withdrawal of such low cost funding is low. The ratings do, however, incorporate the RUS decision not to provide loans for the construction of base load coal and nuclear plants.

Some cooperatives have elected to repay all RUS loans or otherwise obtain lien accommodations in order to obtain more financial flexibility, which results in a greater reliance upon the capital markets as a source of funding. Larger G&T co-ops, such as some of those in Moody's rated universe, have long ago increased financial flexibility by accessing the capital markets. In recent years, a growing number of G&T co-ops have done likewise, given their desire to increase financing flexibility and the RUS decision not to lend for the construction of base load coal and nuclear plants. We anticipate that this trend will continue.

Moody's Related Research

Industry Outlooks:

- » U.S Regulated Electric Utilities, February 2013 (149379)
- » U.S. Power Projects February 2013 (149974)
- » U.S. Public Power Industry Outlook, June 2012 (141124)

Rating Methodologies:

- » Natural Gas Pipelines, November 2012 (146415)
- » Regulated Electric and Gas Utilities, August 2009 (118481)
- » U.S. Public Power Electric Utilities with Generation Ownership Exposure, November 2011 (135299)
- » U.S. Municipal Joint Action Agencies, October 2012 (145899)
- » Power Generation Projects, December 2012 (147991)
- » U.S. Public Power Electric Utilities, April 2008 (106322)

Special Comments:

- » Infrastructure Companies Well Insulated from Fiscal Cliff Risks, December 2012 (148299)
- » Slow Economic Recovery Tests Willingness to Manage Rates and Costs, October 2012 (146421)
- » Household Electric Utility Affordability – Impact of Recession, October 2012 (146562)
- » Default and Recovery Rates for Project Finance Bank Loans, 1983-2011, February 2013 (149603)
- » Infrastructure Default and Recovery Rates, 1983-2012H1, December 2012 (146791)
- » Southern Montana Electric Bankruptcy Is Credit Negative for US Generation and Transmission Cooperative Sector, October 2011 (137017)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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Nicholas R. Castlen

From:	Billie Richert
Sent:	Tuesday, April 02, 2013 10:47 AM
To:	Nicholas R. Castlen
Subject:	FW: Updated Financial Information for Big Rivers Electric Corporation
Attachments:	Big Rivers Electric Corporation - 2012 Audited Financial Statements.pdf; Financial Model for Rate Case - Financial Forecast (2013-2016) 11-09-2012 (Filing).xlsx; PSC Order - 2012-00492 - SKMBT_C45213032609030.pdf; KPSC Order Rehearing Order - 2013-01-29.pdf

FYI

From: Billie Richert
Sent: Tuesday, April 02, 2013 10:45 AM
To: david_bodek@standardandpoors.com
Cc: Ralph Ashworth
Subject: Updated Financial Information for Big Rivers Electric Corporation

Good morning, David. Please find attached the following documents:

1) Audited financial statements for years ended December 31, 2012 and 2011
2) 2013 Budget and 2014-2016 Financial Forecast – These values reflect the exit of Century Aluminum on August 20, 2013.
3) Kentucky Public Service Commission (KPSC) Order dated March 26, 2013 granting Big Rivers' request to have access to the $35 million Transition Reserve to fund capital expenditures; and to repurpose $60 million borrowed
   From CoBank in July 2012 to pay off the 1983 Pollution Control Bonds ($58.8 million) which are due June 1, 2013.
4) KPSC Final Order dated January 29, 2013 for the 2011 Rate Case Rehearing. This Order provided for retroactive recovery of approximately $1.4 million in additional revenues for 2013 as well as an increase in annual revenue of $1.04 million in 2013 from the increase in base rates starting January 1, 2013.

The Century rate case is in progress but no firm dates have been established for the hearing which is anticipated in late June. We are planning to file another rate case (the 'Alcan' rate case) in late June 2013.

We have just filed a financing case, Case No. 2013-00125. This case is to amend the CFC $50 million Revolver. We continue to work with CoBank to amend its revolver and are planning to file another financing case for the three year bridge financing with CFC to fund our Environmental Compliance Plan (ECP) for approximately $60 million. Our application for ECP long-term financing with RUS is anticipated to be filed in late May, 2013.

After you have had a chance to review, please let me know if there are any questions.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
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Henderson, KY 42420

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Nicholas R. Castlen

From:	Billie Richert
Sent:	Tuesday, April 02, 2013 10:47 AM
To:	Nicholas R. Castlen
Subject:	FW: Updated Financial Information for Big Rivers Electric Corporation
Attachments:	Big Rivers Electric Corporation - 2012 Audited Financial Statements.pdf; Financial Model for Rate Case - Financial Forecast (2013-2016) 11-09-2012 (Filing).xlsx; PSC Order - 2012-00492 - SKMBT_C45213032609030.pdf; KPSC Order Rehearing Order - 2013-01-29.pdf

FYI

From: Billie Richert
Sent: Tuesday, April 02, 2013 10:45 AM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Cc: Ralph Ashworth
Subject: Updated Financial Information for Big Rivers Electric Corporation

Good morning, Kevin. Please find attached the following documents:

1) Audited financial statements for years ended December 31, 2012 and 2011
2) 2013 Budget and 2014-2016 Financial Forecast – These values reflect the exit of Century Aluminum on August 20, 2013.
3) Kentucky Public Service Commission (KPSC) Order dated March 26, 2013 granting Big Rivers' request to have access to the $35 million Transition Reserve to fund capital expenditures; and to repurpose $60 million borrowed
   From CoBank in July 2012 to pay off the 1983 Pollution Control Bonds ($58.8 million) which are due June 1, 2013.
4) KPSC Final Order dated January 29, 2013 for the 2011 Rate Case Rehearing. This Order provided for retroactive recovery of approximately $1.4 million in additional revenues for 2013 as well as an increase in annual revenue of $1.04 million in 2013 from the increase in base rates starting January 1, 2013.

The Century rate case is in progress but no firm dates have been established for the hearing which is anticipated in late June. We are planning to file another rate case (the 'Alcan' rate case) in late June 2013.

We have just filed a financing case, Case No. 2013-00125. This case is to amend the CFC $50 million Revolver. We continue to work with CoBank to amend its revolver and are planning to file another financing case for the three year bridge financing with CFC to fund our Environmental Compliance Plan (ECP) for approximately $60 million. Our application for ECP long-term financing with RUS is anticipated to be filed in late May, 2013.

After you have had a chance to review, please let me know if there are any questions.

Regards,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Nicholas R. Castlen

From:	Billie Richert
Sent:	Tuesday, April 02, 2013 10:47 AM
To:	Nicholas R. Castlen
Subject:	FW: Updated Financial Information for Big Rivers Electric Corporation
Attachments:	Big Rivers Electric Corporation - 2012 Audited Financial Statements.pdf; Financial Model for Rate Case - Financial Forecast (2013-2016) 11-09-2012 (Filing).xlsx; PSC Order - 2012-00492 - SKMBT_C45213032609030.pdf; KPSC Order Rehearing Order - 2013-01-29.pdf

FYI

From: Billie Richert
Sent: Tuesday, April 02, 2013 10:46 AM
To: Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com); alan.spen@fitchratings.com
Cc: Ralph Ashworth
Subject: Updated Financial Information for Big Rivers Electric Corporation

Good morning, Dennis and Alan. Please find attached the following documents:

1) Audited financial statements for years ended December 31, 2012 and 2011
2) 2013 Budget and 2014-2016 Financial Forecast – These values reflect the exit of Century Aluminum on August 20, 2013.
3) Kentucky Public Service Commission (KPSC) Order dated March 26, 2013 granting Big Rivers' request to have access to the $35 million Transition Reserve to fund capital expenditures; and to repurpose $60 million borrowed
From CoBank in July 2012 to pay off the 1983 Pollution Control Bonds ($58.8 million) which are due June 1, 2013.
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We have just filed a financing case, Case No. 2013-00125. This case is to amend the CFC $50 million Revolver. We continue to work with CoBank to amend its revolver and are planning to file another financing case for the three year bridge financing with CFC to fund our Environmental Compliance Plan (ECP) for approximately $60 million. Our application for ECP long-term financing with RUS is anticipated to be filed in late May, 2013.

After you have had a chance to review, please let me know if there are any questions.

Regards,

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BIG RIVERS ELECTRIC CORPORATION

Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

KPMG

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors and Members
Big Rivers Electric Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Big Rivers Electric Corporation, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations, comprehensive income, equities (deficit), and cash flows for each of the years in the three-year period ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Big Rivers Electric Corporation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2012, in accordance with U.S. generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2013, on our consideration of Big Rivers Electric Corporations' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

Philadelphia, Pennsylvania
March 29, 2013

BIG RIVERS ELECTRIC CORPORATION

Balance Sheets

December 31, 2012 and 2011

(Dollars in thousands)

Assets	2012	2011
Utility plant – net	$ 1,087,227	1,092,063
Restricted investments – member rate mitigation	144,514	163,162
Restricted investments – Transition reserve	35,009	—
Restricted investments – NRUCFC Capital Term Certificates	43,156	—
Other deposits and investments – at cost	6,092	5,911
Current assets:		
Cash and cash equivalents	68,860	44,849
Restricted cash	41,313	—
Accounts receivable	48,376	44,287
Fuel inventory	34,146	33,894
Nonfuel inventory	24,957	25,295
Prepaid expenses	4,093	4,217
Total current assets	221,745	152,542
Deferred charges and other	8,935	4,244
Total	$ 1,546,678	1,417,922
Equities and Liabilities		
Capitalization:		
Equities	$ 402,882	389,820
Long-term debt	845,317	714,254
Total capitalization	1,248,199	1,104,074
Current liabilities:		
Current maturities of long-term obligations	79,926	72,145
Purchased power payable	1,402	1,878
Accounts payable	31,611	28,446
Accrued expenses	10,955	10,380
Accrued interest	4,925	9,899
Total current liabilities	128,819	122,748
Deferred credits and other:		
Regulatory liabilities – member rate mitigation	147,732	169,001
Other	21,928	22,099
Total deferred credits and other	169,660	191,100
Commitments and contingencies (note 14)		
Total	$ 1,546,678	1,417,922

See accompanying notes to financial statements.

BIG RIVERS ELECTRIC CORPORATION

Statements of Operations

Year ended December 31, 2012, 2011, and 2010

(Dollars in thousands)

		2012	2011	2010
Operating revenue	$	568,342	561,989	527,324
Total operating revenue		568,342	561,989	527,324
Operating expenses:				
Operations:				
Fuel for electric generation		226,369	226,229	207,749
Power purchased and interchanged		111,465	112,262	99,421
Production, excluding fuel		48,055	50,410	52,507
Transmission and other		40,189	39,085	35,273
Maintenance		45,962	47,718	46,880
Depreciation and amortization		41,090	35,407	34,242
Total operating expenses		513,130	511,111	476,072
Electric operating margin		55,212	50,878	51,252
Interest expense and other:				
Interest		44,414	45,226	46,570
Income tax expense		—	100	259
Other – net		546	220	166
Total interest expense and other		44,960	45,546	46,995
Operating margin		10,252	5,332	4,257
Nonoperating margin:				
Interest income and other		1,025	268	2,734
Total nonoperating margin		1,025	268	2,734
Net margin	$	11,277	5,600	6,991

See accompanying notes to financial statements.

BIG RIVERS ELECTRIC CORPORATION

Statements of Comprehensive Income

Year ended December 31, 2012, 2011, and 2010

(Dollars in thousands)

		2012	2011	2010
Net margin	$	11,277	5,600	6,991
Other comprehensive income:				
Defined-benefit plans:				
Prior service cost		14	14	19
Unamortized actuarial gain (loss)		1,035	(1,797)	297
Defined-benefit plans		1,049	(1,783)	316
Postretirement benefits other than pensions				
Prior service cost		1,974	17	17
Unamortized actuarial loss		(1,269)	(620)	(172)
Transition obligation		31	31	31
Postretirement benefits other than pensions		736	(572)	(124)
Other comprehensive income (loss)		1,785	(2,355)	192
Comprehensive income	$	13,062	3,245	7,183

See accompanying notes to financial statements.

BIG RIVERS ELECTRIC CORPORATION

Statements of Equities (Deficit)

Years ended December 31, 2012, 2011 and 2010

(Dollars in thousands)

				Other equities		
		Total equities	Retained margin (deficit)	Donated capital and memberships	Consumers' contributions to debt service	Accumulated other comprehensive loss
Balance – December 31, 2009	$	379,392	384,507	764	3,681	(9,560)
Net margin		6,991	6,991	—	—	—
Pension and postretirement benefit plans		192	—	—	—	192
Balance – December 31, 2010		386,575	391,498	764	3,681	(9,368)
Net margin		5,600	5,600	—	—	—
Pension and postretirement benefit plans		(2,355)	—	—	—	(2,355)
Balance – December 31, 2011		389,820	397,098	764	3,681	(11,723)
Net margin		11,277	11,277	—	—	—
Pension and postretirement benefit plans		1,785	—	—	—	1,785
Balance – December 31, 2012	$	402,882	408,375	764	3,681	(9,938)

See accompanying notes to financial statements.

BIG RIVERS ELECTRIC CORPORATION

Statements of Cash Flows

Years ended December 31, 2012, 2011 and 2010

(Dollars in thousands)

		2012	2011	2010
Cash flows from operating activities:				
Net margin	$	11,277	5,600	6,991
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation and amortization		44,733	37,808	37,650
Interest compounded – RUS Series A Note		7,603	8,398	—
Interest compounded – RUS Series B Note		7,291	6,884	6,499
Noncash member rate mitigation revenue		(22,873)	(18,947)	(23,953)
Changes in certain assets and liabilities:				
Accounts receivable		(4,090)	1,618	1,588
Inventories		87	1,357	(2,304)
Prepaid expenses		124	(1,715)	731
Deferred charges		(1,278)	121	1,251
Purchased power payable		(476)	362	(1,846)
Accounts payable		3,164	(1,336)	(875)
Accrued expenses		(4,399)	(1,481)	2,800
Other – net		278	(70)	555
Net cash provided by operating activities		41,441	38,599	29,087
Cash flows from investing activities:				
Capital expenditures		(39,853)	(38,746)	(42,683)
Proceeds from restricted investments		(58,094)	56,095	28,143
Purchases of restricted investments and other deposits and investments		146	—	—
Change in restricted cash		(41,313)	—	—
Net cash provided by (used in) investing activities		(139,114)	17,349	(14,540)
Cash flows from financing activities:				
Principal payments on long-term obligations		(456,206)	(45,879)	(121,355)
Proceeds from long-term obligations		580,156	—	83,300
Principal payments on short-term notes payable		—	(10,000)	—
Proceeds from short-term notes payable		—	—	10,000
Debt issuance cost on bond refunding		(2,266)	—	(2,002)
Net cash provided by (used in) financing activities		121,684	(55,879)	(30,057)
Net increase in cash and cash equivalents		24,011	69	(15,510)
Cash and cash equivalents – beginning of year		44,849	44,780	60,290
Cash and cash equivalents – end of year	$	68,860	44,849	44,780
Supplemental cash flow information:				
Cash paid for interest	$	34,893	31,441	37,268
Cash paid for income taxes		—	130	260

See accompanying notes to financial statements.

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(Dollars in thousands)

(1) Organization and Summary of Significant Accounting Policies

(a) General Information

Big Rivers Electric Corporation (Big Rivers or the Company), an electric generation and transmission cooperative, supplies wholesale power to its three member distribution cooperatives (Kenergy Corp., Jackson Purchase Energy Corporation, and Meade County Rural Electric Cooperative Corporation) under all requirements contracts, excluding the power needs of two large aluminum smelters (the Aluminum Smelters). Additionally, Big Rivers sells power under separate contracts to Kenergy Corp. for the Aluminum Smelters load and markets power to nonmember utilities and power marketers. The members provide electric power and energy to industrial, residential, and commercial customers located in portions of 22 western Kentucky counties. The wholesale power contracts with the members remain in effect until December 31, 2043. Rates to Big Rivers' members are established by the Kentucky Public Service Commission (KPSC) and are subject to approval by the Rural Utilities Service (RUS). The financial statements of Big Rivers include the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, *Regulated Operations*, which was adopted by the Company in 2003, and gives recognition to the ratemaking and accounting practices of the KPSC and RUS.

Management evaluated subsequent events up to and including March 29, 2013, the date the financial statements were available to be issued.

(b) Estimates

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

(c) System of Accounts

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

(d) Revenue Recognition

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

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(Dollars in thousands)

(e) Utility Plant and Depreciation

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

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

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

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

For 2012, 2011, and 2010, the average composite depreciation rates were 2.23%, 1.91%, and 1.86%, respectively. At the time plant is disposed of, the original cost plus cost of removal less salvage value of such plant is charged to accumulated depreciation, as required by the RUS.

(f) Impairment Review of Long-Lived Assets

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

(g) Inventory

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

(Continued)

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(Dollars in thousands)

(h) Restricted Investments

Investments are restricted under KPSC order to establish certain reserve funds for member rate mitigation and a Transition Reserve as described in note 5. These investments have been classified as held-to-maturity and are carried at amortized cost. In addition, Big Rivers was required to purchase investments in National Rural Utilities Cooperative Finance Corporation's (CFC) Capital Term Certificates (CTCs) in connection with a secured term loan agreement with CFC (note 8), which are also classified as held-to-maturity.

(i) Cash and Cash Equivalents

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

(j) Restricted Cash

Certain cash amounts are restricted under KPSC order for capital expenditures in the ordinary course of business (note 9).

(k) Income Taxes

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

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

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

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(Dollars in thousands)

(l) Patronage Capital

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

(m) Derivatives

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

(n) Fair Value Measurements

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

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

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(Dollars in thousands)

(2) Utility Plant

At December 31, 2012 and 2011, utility plant is summarized as follows:

		2012	2011
Classified plant in service:			
Production plant	$	1,715,486	1,706,243
Transmission plant		248,276	238,738
General plant		35,103	33,744
Other		543	543
		1,999,408	1,979,268
Less accumulated depreciation		962,994	936,355
		1,036,414	1,042,913
Construction in progress		50,813	49,150
Utility plant – net	$	1,087,227	1,092,063

Interest capitalized for the years ended December 31, 2012, 2011, and 2010, was $767, $548, and $684, respectively.

The Company has not identified any material legal asset retirement obligations, as defined in FASB ASC 410, *Asset Retirement and Environmental Obligations*. In accordance with regulatory treatment, the Company records an estimated net cost of removal of its utility plant through normal depreciation. As of December 31, 2012 and 2011, the Company had approximately $43,559 and $41,449, respectively, related to nonlegal removal costs included in accumulated depreciation.

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(Dollars in thousands)

(3) Debt and Other Long-Term Obligations

A detail of long-term debt at December 31, 2012 and 2011 is as follows:

		2012	2011
CFC Refinance Promissory Note, Series 2012 B, serial note pricing, all-in effective interest rate of 4.50%, final maturity date of July 3032	$	298,513	—
CFC Equity Note, Series 2012B, stated interest rate of 5.35%, final maturity date of July 2032		42,845	—
CoBank Promissory Note, Series 2012A, stated interest rate of 4.30%, final maturity date of June 2032		231,426	—
RUS Series A Promissory Note, stated amount of $80,456, stated interest rate of 5.75%, with an imputed interest rate of 5.84% maturing July 2021		80,019	521,250
RUS Series B Promissory Note, stated amount of $245,530, no stated interest rate, with interest imputed at 5.80%, maturing December 2023		130,340	123,049
County of Ohio, Kentucky, promissory note, fixed interest rate of 6.00%, maturing in July 2031		83,300	83,300
County of Ohio, Kentucky, promissory note, variable interest rate (average interest rates of 3.25% and 3.30% in 2012 and 2011, respectively), maturing in June 2013		58,800	58,800
Total long-term debt		925,243	786,399
Current maturities		79,926	72,145
Total long-term debt – net of current maturities	$	845,317	714,254

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

		Amount
Year:		
2013	$	79,926
2014		20,127
2015		20,903
2016		21,717
2017		22,576
Thereafter		759,994
Total	$	925,243

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(Dollars in thousands)

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

In July 2012, Big Rivers issued new debt with CFC in the form of a secured term loan in the amount of $302,000 (the Refinance Note) and a CFC Equity Note in the amount of $43,156. The Refinance Note consists of 20 individual notes with different fixed interest rates ranging from 3.05% to 5.35%. The Refinance Note has an all-in effective interest rate of 4.50% and a final maturity date of July 2032. The Equity Note has a fixed interest rate of 5.35% and a final maturity date of July 2032. The proceeds of the Refinance Note were used to prepay $302,000 of the RUS Series A Note. The proceeds of the CFC Equity Note were used to purchase interest-bearing Capital Term Certificates (CTCs), as required in connection with the Refinance Note (note 8).

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

In July 2012, Big Rivers issued new debt with CoBank in the form of a secured term loan in the amount of $235,000. The loan has a fixed interest rate of 4.30% per annum and a final maturity date of June 2032. Proceeds from the CoBank term loan were used to prepay $140,000 of the RUS Series A Note and replenish the $35,000 Transition Reserve fund (depleted on April 1, 2011 to prepay the RUS Series A Note and realize a net interest expense reduction). The remaining $60,000 will be used to fund capital expenditures in the ordinary course of business or to refinance existing debt (note 5).

(c) ***RUS Notes***

On July 15, 2009, Big Rivers' previous RUS debt was replaced with the RUS 2009 Promissory Note Series A (the RUS Series A Note) and the RUS 2009 Promissory Note Series B (the RUS Series B Note). The RUS Series A Note is recorded at an interest rate of 5.84%. The RUS Series B Note is recorded at an imputed interest rate of 5.80%. The RUS Notes are secured under the Indenture dated July 1, 2009 between the Company and U.S. Bank National Association.

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

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

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

The County of Ohio, Kentucky, issued $58,800 of Pollution Control Variable Rate Demand Bonds, Series 1983 (Series 1983 Bonds), the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate as the bonds. These bonds bear interest at a variable rate, subject to a maximum interest rate of 13.00%, and mature in June 2013. As of December 31, 2012, the interest rate on the Series 1983 Bonds was 3.25%.

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The Series 1983 Bonds are supported by a liquidity facility issued by Credit Suisse First Boston, which was assigned to Dexia Credit in 2006. In addition, the Series 1983 Bonds are supported by a municipal bond insurance and surety policy issued by Ambac Assurance Corporation. Big Rivers has agreed to reimburse Ambac Assurance Corporation for any payments under the municipal bond insurance policy or the surety policy. Both Series are secured by the Indenture dated July 1, 2009 between the Company and U.S. Bank National Association.

(e) Lines of Credit

The Company has lines of credit with the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank, ACB (CoBank). In July 2012, a new unsecured CoBank line-of-credit facility (the CoBank Revolver),with a five-year term, was established to replace the line-of-credit facility dated July 2009, having a three-year term. The CFC line-of-credit facility (the CFC Revolver) is for a five-year term and will terminate in July 2014. The maximum borrowing capacity on the Revolvers is \$100,000 consisting of \$50,000 each for CFC and CoBank. In March 2011, Big Rivers paid down the \$10,000 of borrowings outstanding on the CoBank Revolver at December 31, 2010. The Company had no borrowings outstanding on the Revolvers at December 31, 2012 and 2011. Letters of credit issued under an associated Letter of Credit Facility with CFC reduced the borrowing capacity on the CFC Revolver by \$5,375 for years ended December 31, 2012 and 2011.

As the result of a contract termination notice rendered by Century Aluminum Company on August 20, 2012 (note 5), Big Rivers, based on current language in its line-of-credit agreements, does not have access to borrow under the CoBank Revolver and will lose access to the CFC Revolver on August 20, 2013 (the date on which Century indicated it will terminate and cease aluminum smelting operations at the Hawesville Smelter). The Company is currently in negotiations with both CoBank and CFC to modify the language in the line-of-credit agreements to ensure it has access to the Revolvers upon termination of the Century agreement. Amendments to these agreements are subject to approval by the KPSC.

Advances on the CFC Revolver bear interest at a variable rate and outstanding balances are payable in full by the maturity date of July 16, 2014. The CFC variable rate is equal to the CFC Line-of-Credit Rate, which is defined as "the rate published by CFC from time to time, by electronic or other means, for similarly classified lines of credit, but if not published, then the rate determined for such lines of credit by CFC from time to time." Advances on the CoBank Revolver may be made as either London Interbank Offered Rate Loans or Base Rate Loans. LIBOR Loans bear interest at a rate per annum equal to the LIBOR Rate determined for such day plus the Applicable Margin for each day during the Interest Period. The Applicable Margin is determined based on the Company's credit rating. The Interest Period commences on the borrowing, continuation, or conversion date and ends on the numerically corresponding day, either one, two, three, six, nine, or twelve months thereafter, as selected by the Company. Base Rate Loans bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin. The Base Rate is defined as "the rate of interest in effect from day to day defined as a rate per annum announced by the Administrative Agent on the first Banking Day of each week equal to the greatest of (A) 100 basis points greater than the LIBOR or (B) the Prime Rate."

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On February 25, 2011, a $2,500 CFC line of credit, available to the Company to finance storm emergency repairs and expenses related to electric utility operations, matured.

(f) ***Covenants***

Big Rivers is in compliance with all debt covenants associated with both long-term and short-term debt. The Company's Indenture and other debt agreements require that a Margins for Interest Ratio (MFIR) of at least 1.10 be maintained for each fiscal year. The CoBank line-of-credit agreement requires that the Company have a Total Debt to Total Capitalization Ratio of no greater than 80% at the end of each fiscal year, and the CFC line-of-credit agreement requires an Equity to Asset Ratio of no less than 12%. Big Rivers' MFIR for the fiscal year ended December 31, 2012 was 1.25. Big Rivers' Total Debt to Total Capitalization Ratio, as of December 31, 2012, was 70% and its Equity to Asset Ratio was 26%. The CoBank Revolver that expired and was replaced in July 2012 included a Debt Service Coverage Ratio reporting requirement. Big Rivers existing debt agreements do not have a Debt Service Coverage Ratio requirement.

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

(4) Rate Matters

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

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

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

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On March 1, 2011, the Company filed an application with the KPSC requesting, among other things, authority to adjust its rates for wholesale electric service. The KPSC entered an order on November 17, 2011, granting Big Rivers an annual revenue increase of $26,745. Big Rivers petitioned for and was granted a rehearing by the KPSC to address certain issues. The KPSC later expanded the scope of the rehearing to include other issues raised by one of the intervenors in the case. An evidentiary hearing was held by the KPSC in September 2012 and an order was issued January 29, 2013. The KPSC order granted the Company an additional increase in annual revenues of approximately $1,043 effective retroactive to September 1, 2011 (the effective date of the rates granted on November 17, 2011 order).

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

(5) Aluminum Smelters Termination Notices

On August 20, 2012, Big Rivers as wholesale power supplier, and Kenergy Corp. (Kenergy) as retail power supplier, received a letter from Century Aluminum Company (Century) serving Notice of Termination of its Retail Service Agreement with Kenergy. Big Rivers provided notification to the three credit rating agencies and certain creditors, in accordance with its debt covenant requirements, of the Century termination notice. As a result of Century's notice, two credit rating agencies revised their Outlook for Big Rivers to negative from stable and the other revised Outlook from stable to under review for further downgrade during late August of 2012. Standard & Poor's Rating Services (Standard & Poor's) and Fitch Ratings (Fitch) maintained their credit ratings at BBB-, while Moody's Investors Service, Inc. (Moody's) downgraded its rating of Big Rivers' Series 2010A Bonds (in the amount of $83,300) to Baa2 from Baa1 and placed the rating under review. Big Rivers has developed and is in the process of implementing its Load Concentration Mitigation Plan (LCMP) to preserve its financial position notwithstanding Century's termination, which will become effective August 20, 2013. On January 15, 2013, Big Rivers filed an application for a $74,500 increase in rates with the KPSC — the first phase of its mitigation plan. Big Rivers' rate request represents a base retail rate increase of approximately: 19% for rural customers; 17% for large industrial customers; and 15.6% for the remaining aluminum smelter (Alcan Primary Products Corporation).

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

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continues to implement its LCMP, which includes the filing of an application requesting approval of a second rate increase to become effective January 31, 2014. The Company expects to file this application no later than June 28, 2013. In addition, Big Rivers is actively pursuing replacement load for the 850 MW currently being utilized by Century and Alcan.

In accordance with the Amended and Consolidated Loan Contract between Big Rivers and the United States of America (acting by and through the RUS Administrator), Big Rivers provided notification to the RUS Administrator via letter dated February 7, 2013 of a failure to maintain two Credit Ratings of Investment Grade. Based on this, the Company is required to provide a corrective plan to the RUS. Big Rivers in consultation with RUS is in the process of developing a corrective plan setting forth the actions that will be taken by management that are reasonably expected to achieve two Credit Ratings of Investment Grade.

As a result of the termination notice from Century, as of December 31, 2012 Big Rivers does not have access to draw on its $50,000 line of credit with CoBank. In addition, in order for Big Rivers to have access to the $50,000 line of credit with CFC after August 20, 2014, that agreement must be amended. Big Rivers is currently negotiating with CFC and CoBank to modify certain terms of the Company's line-of-credit agreements to ensure access to the lines of credit, given receipt of the two Smelter termination notices. Amendments to these agreements are subject to approval by the KPSC.

On November 14, 2012, Big Rivers filed an application with the KPSC seeking approval to issue new debt to be used to refund the $58,800 Series 1983 Bonds (note 3) that mature in June 2013. However, with the uncertainty created by the Aluminum Smelters' termination notices, and potential cumulative impact on prospective bond purchasers, the Company has decided to seek KPSC approval to repay the bonds from repurposed funds currently restricted by previously issued orders of the KPSC. The restricted funds consist of CoBank borrowings to be used for capital expenditures in the ordinary course of business; and a Transition Reserve established for use upon the loss of one or both of the Aluminum Smelter loads (the December 31, 2012 balances were $41,313 and $35,009, respectively). On March 26, 2013, the KPSC issued an Order granting the approval sought by the Company in this matter.

Certain legislators in Western Kentucky have filed companion bills in the Kentucky General Assembly (HB 211 and SB 71) in an attempt to legislate power supply pricing options for the Aluminum Smelters on Big Rivers' system that will encourage the smelters to continue operating their facilities. Big Rivers does not support those legislative proposals, and cannot predict whether the efforts will be successful.

While the ultimate outcome of the filings with the KPSC, discussions with lenders, and possible legislation are all uncertain, management of Big Rivers believes that the Company's results of operations and cash flows will provide sufficient liquidity for the Company to operate its business and meet its obligations as they come due for the foreseeable future. However, negative outcomes in one or more of these matters could potentially have a material impact on the Company's results of operations, cash flows, and liquidity.

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(6) Income Taxes

At December 31, 2012, Big Rivers had a Nonpatron Net Operating Loss Carryforward of approximately $31,933 expiring at various times between 2012 and 2031, and an Alternative Minimum Tax Credit Carryforward of approximately $7,028, which carries forward indefinitely.

The Company has not recorded any regular income tax expense for the years ended December 31, 2012, 2011, and 2010, as the Company has utilized federal net operating losses to offset any regular taxable income during those years. Had the Company not had the benefit of a net operating loss carryforward, the Company would have recorded $0, $3,613, and $3,846 in current regular tax expense for the years ended December 31, 2012, 2011, and 2010, respectively.

The components of the net deferred tax assets as of December 31, 2012 and 2011 were as follows:

		2012	2011
Deferred tax assets:			
Net operating loss carryforward	$	12,614	12,812
Alternative minimum tax credit carryforwards		7,028	7,138
Member rate mitigation		10,326	10,326
Fixed asset basis difference		3,352	3,980
RUS Series B Note		19,689	19,689
Total deferred tax assets		53,009	53,945
Deferred tax liabilities:			
RUS Series B Note		—	—
Bond refunding costs		(9)	(9)
Total deferred tax liabilities		(9)	(9)
Net deferred tax asset (prevaluation allowance)		53,000	53,936
Valuation allowance		(53,000)	(53,936)
Net deferred tax asset	$	—	—

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A reconciliation of the Company's effective tax rate for 2012, 2011, and 2010 is as follows:

	2012	2011	2010
Federal rate	35.0%	35.0%	35.0%
State rate – net of federal benefit	4.5	4.5	4.5
Permanent differences	0.9	0.9	0.5
Patronage allocation to members	(40.4)	(40.8)	(38.8)
Tax benefit of operating loss carryforwards and other	—	0.4	(1.2)
Alternative minimum tax	—	3.5	3.0
Effective tax rate	—%	3.5%	3.0%

The Company files a federal income tax return, as well as certain state income tax returns. The years currently open for federal tax examination are 2007 through 2011 and 1996 through 1997, due to unused net operating loss carryforwards. The major state tax jurisdiction currently open for tax examination is Kentucky for years 2004 through 2012 and years 2001 through 2003, also due to unused net operating loss carryforwards. The Company has not recorded any unrecognized tax benefits or liabilities related to federal or state income taxes.

The Company classifies interest and penalties as an operating expense on the income statement and accrued expense in the balance sheet. No material interest or penalties have been recorded during 2012, 2011, or 2010.

(7) Pension Plans

(a) Defined-Benefit Plans

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

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

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

FASB ASC 715 also requires an employer to measure the funded status of a plan as of the date of its year-end balance sheet and requires disclosure in the notes to the financial statements certain additional information related to net periodic benefit costs for the next fiscal year. The Company's pension and other postretirement benefit plans are measured as of December 31, 2012 and 2011.

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

A reconciliation of the Company's benefit obligations of its noncontributory defined-benefit pension plans at December 31, 2012 and 2011 is as follows:

		2012	2011
Benefit obligation – beginning of period	$	31,743	28,804
Service cost – benefits earned during the period		1,428	1,279
Interest cost on projected benefit obligation		1,304	1,296
Benefits paid		(6,499)	(481)
Actuarial loss		2,931	845
Benefit obligation – end of period	$	30,907	31,743

Big Rivers' defined-benefit pension plans provide retirees with a lump-sum payment option. Benefits paid in 2012 include lump-sum payments in the amounts of $6,462 – the result of ten retirees electing the lump-sum payment option. In 2011, only one retiree elected the lump-sum payment option for an amount of $441.

The accumulated benefit obligation for all defined-benefit pension plans was $24,211 and $25,482 at December 31, 2012 and 2011, respectively.

A reconciliation of the Company's pension plan assets at December 31, 2012 and 2011 is as follows:

		2012	2011
Fair value of plan assets – beginning of period	$	28,000	25,267
Actual return on plan assets		3,020	324
Employer contributions		4,810	2,890
Benefits paid		(6,499)	(481)
Fair value of plan assets – end of period	$	29,331	28,000

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The funded status of the Company's pension plans at December 31, 2012 and 2011 is as follows:

		2012	2011
Benefit obligation – end of period	$	(30,907)	(31,743)
Fair value of plan assets – end of period		29,331	28,000
Funded status	$	(1,576)	(3,743)

Components of net periodic pension costs for the years ended December 31, 2012, 2011, and 2010 were as follows:

		2012	2011	2010
Service cost	$	1,428	1,279	1,289
Interest cost		1,304	1,296	1,368
Expected return on plan assets		(1,897)	(1,737)	(1,533)
Amortization of prior service cost		14	14	19
Amortization of actuarial loss		779	461	584
Settlement loss		2,064	—	—
Net periodic benefit cost	$	3,692	1,313	1,727

As a result of the 2012 lump-sum payments there was a settlement required to the defined-benefit pension plans as provided in FASB ASC 715. The 2012 settlement loss of $2,064 reflects an accelerated amortization of unrecognized losses existing at the settlement date of December 31, 2012. The settlement loss is determined by multiplying the total unrecognized losses as of the settlement date by the projected benefit obligation that was settled or eliminated due to the lump-sum payments.

A reconciliation of the pension plan amounts in accumulated other comprehensive income at December 31, 2012 and 2011 is as follows:

		2012	2011
Prior service cost	$	(12)	(26)
Unamortized actuarial loss		(10,116)	(11,151)
Accumulated other comprehensive income	$	(10,128)	(11,177)

In 2013, $11 of prior service cost and $635 of actuarial loss is expected to be amortized to periodic benefit cost.

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The recognized adjustments to other comprehensive income (loss) at December 31, 2012 and 2011 are as follows:

		2012	2011
Prior service cost	$	14	14
Unamortized actuarial gain (loss)		1,035	(1,797)
Other comprehensive income (loss)	$	1,049	(1,783)

At December 31, 2012 and 2011, amounts recognized in the balance sheets were as follows:

		2012	2011
Deferred credits and other	$	(1,576)	(3,743)

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

	2012	2011	2010
Discount rate – projected benefit obligation	3.57%	4.26%	4.95%
Discount rate – net periodic benefit cost	4.26	4.95	5.59
Rates of increase in compensation levels	4.00	4.00	4.00
Expected long-term rate of return on assets	7.25	7.25	7.25

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

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

Big Rivers utilizes a third-party investment manager for the plan assets, and has communicated thereto the Company's Retirement Plan Investment Policy, including a target asset allocation mix of 50% U.S. Equities (an acceptable range of 45% – 55%), 15% International Equities (an acceptable

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range of 10% – 20%), and 35% fixed income (an acceptable range of 30% – 40%). As of December 31, 2012 and 2011, the investment allocation was 49% and 56%, respectively, in U.S. Equities, 6% and 8%, respectively, in International Equities, and 45% and 36%, respectively, in fixed income. The objective of the investment program seeks to (a) maximize return on investment, (b) minimize volatility, (c) minimize company contributions, and (d) provide the employee benefit in accordance with the plans. The portfolio is well diversified and of high quality. The average quality of the fixed income investments must be "A" or better. The equity portfolio must also be of investment grade quality. The performance of the investment manager is reviewed semiannually.

At December 31, 2012 and 2011, the fair value of Big Rivers' defined-benefit pension plan assets by asset category are as follows:

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

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	Level 1	Level 2	December 31, 2011
Cash and money market	$ 2,129	—	2,129
Equity securities:			
U.S. Large-Cap Stocks	10,178	—	10,178
U.S. Mid-Cap Stock Mutual Funds	3,365	—	3,365
U.S. Small-Cap Stock Mutual Funds	1,666	—	1,666
International Stock Mutual Funds	2,168	—	2,168
Preferred stock	493	—	493
Fixed:			
TIPS Bond Fund	723	—	723
U.S. Government Agency Bonds	—	1,085	1,085
Taxable U.S. Municipal Bonds	—	3,258	3,258
U.S. Corporate Bonds	—	2,630	2,630
Global Bond Fund	—	305	305
	$ 20,722	7,278	28,000

Expected retiree pension benefit payments projected to be required during the years following 2012 are as follows:

	Amount
Year(s) ending December 31:	
2013	$ 4,718
2014	1,682
2015	3,034
2016	3,573
2017	1,865
2018 – 2022	13,563
Total	$ 28,435

In 2013, the Company expects to contribute $924 to its pension plan trusts.

(b) *Defined-Contribution Plans*

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

(Dollars in thousands)

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

The Company's expense under these plans was $4,808 and $4,464 for the years ended December 31, 2012 and 2011, respectively.

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

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

The nonqualified deferred compensation plan is unfunded, but the Company has chosen to finance its obligations under the plan, including any employee deferrals, through a rabbi trust. The trust assets remain a part of the Company's general assets, subject to the claims of its creditors. The 2012 employer contribution was $60 and deferred compensation expense was $122. As of December 31, 2012, the trust asset was $404 and the deferred liability was $263.

(8) Restricted Investments

The amortized costs and fair values of Big Rivers restricted investments held for member rate mitigation and the Transition Reserve at December 31, 2012 and 2011 are as follows:

	2012		2011	
	Amortized costs	Fair values	Amortized costs	Fair values
Cash and money market	$ 1,292	1,292	12,765	12,764
Debt securities:				
U.S. Treasuries	63,208	64,097	62,073	63,917
U.S. government agency	115,023	115,040	88,324	88,485
Total	$ 179,523	180,429	163,162	165,166

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December 31, 2012 and 2011

(Dollars in thousands)

Gross unrealized gains and losses on restricted investments at December 31, 2012 and 2011 were as follows:

		2012		2011	
		Gains	Losses	Gains	Losses
Debt securities:					
U.S. Treasuries	$	889	—	1,843	—
U.S. government agency		20	3	161	—
Total	$	909	3	2,004	—

Debt securities at December 31, 2012 and 2011 mature, according to their contractual terms, are as follows (actual maturities may differ due to call or prepayment rights):

		2012		2011	
		Amortized costs	Fair values	Amortized costs	Fair values
In one year or less	$	56,315	56,330	43,021	43,092
After one year through five years		123,208	124,099	120,141	122,074
Total	$	179,523	180,429	163,162	165,166

Gross unrealized losses on investments and the fair values of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2012 and 2011 were as follows:

		2012		2011	
		Less than 12 months		Less than 12 months	
		Losses	Fair values	Losses	Fair values
Debt securities:					
U.S. Treasuries	$	—	—	—	—
U.S. government agency		3	34,997	—	—
Total	$	3	34,997	—	—

The unrealized loss positions were primarily caused by interest rate fluctuations. The number of investments in an unrealized loss position as of December 31, 2012 and 2011 was two and zero, respectively. Since the Company does not intend to sell and will more likely than not maintain each debt security until its anticipated recovery, and no significant credit risk is deemed to exist, these investments are not considered other-than-temporarily impaired.

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(Dollars in thousands)

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

(9) Fair Value of Other Financial Instruments

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

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

		2012	2011
Institutional money market government portfolio	$	110,165	44,844

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

Big Rivers' long-term debt at December 31, 2012 consists of CFC loans totaling $341,358, a CoBank loan in the amount of $231,426, RUS notes totaling $210,359, variable rate pollution control bonds in the amount of $58,800, and fixed-rate pollution control bonds in the amount of $83,300 (note 3). The RUS, CFC, and CoBank debt cannot be traded in the market, and therefore, a value other than their outstanding principal amount cannot be determined. The fair value of the Company's variable rate pollution control debt is par value, as each variable rate reset effectively prices such debt to the current market. At December 31, 2012, the fair value of Big Rivers' fixed-rate pollution control debt was determined based on quoted prices in active markets of similar instruments (Level 1 measure) and totaled $86,778.

(10) Postretirement Benefits Other than Pensions

Big Rivers provides certain postretirement medical benefits for retired employees and their spouses. Generally, except for generation bargaining retirees, Big Rivers pays 85% of the premium cost for all retirees age 62 to 65. The Company pays 25% of the premium cost for spouses under age 62. For salaried retirees age 55 to age 62, Big Rivers pays 25% of the premium cost. Beginning at age 65, the Company pays 25% of the premium cost if the retiree is enrolled in Medicare Part B. For each generation bargaining retiree, Big Rivers establishes a retiree medical account at retirement equal to $1,200 per year of service up to 30 years ($1,250 per year for those retiring on or after January 1, 2012). The account balance is credited

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(Dollars in thousands)

with interest based on the 10-year treasury rate subject to a minimum of 4% and a maximum of 7%. The account is to be used for the sole purpose of paying the premium cost for the retiree and spouse.

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

	2012	2011	2010
Discount rate — projected benefit obligation	3.72%	4.29%	4.96%
Discount rate — net periodic benefit cost	4.29	4.96	5.78

The healthcare cost trend rate assumptions as of December 31, 2012 and 2011 were as follows:

	2012	2011
Initial trend rate	7.30%	7.40%
Ultimate trend rate	4.50	4.50
Year ultimate trend is reached	2028	2028

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

		2012	2011
One-percentage-point decrease:			
Effect on total service and interest cost components	$	(209)	(211)
Effect on year-end benefit obligation		(1,454)	(1,056)
One-percentage-point increase:			
Effect on total service and interest cost components	$	253	254
Effect on year-end benefit obligation		1,723	1,226

A reconciliation of the Company's benefit obligations of its postretirement plan at December 31, 2012 and 2011 is as follows:

		2012	2011
Benefit obligation – beginning of period	$	18,040	15,864
Service cost – benefits earned during the period		1,169	1,253
Interest cost on projected benefit obligation		766	754
Participant contributions		177	160
Amendments		(1,957)	—
Benefits paid		(796)	(611)
Actuarial loss		1,270	620
Benefit obligation – end of period	$	18,669	18,040

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(Dollars in thousands)

Big Rivers revised the eligibility requirements for postretirement medical with regard to age and service. Beginning January 1, 2014, eligibility for retirement is age 62 with 10 years of service. The service requirement is waived for active employees on December 31, 2012 who will not have 10 years of service at age 62. These amendments to the plan represent a $1,957 reduction in the accrued liability as of December 31, 2012.

A reconciliation of the Company's postretirement plan assets at December 31, 2012 and 2011 is as follows:

		2012	2011
Fair value of plan assets – beginning of period	$	—	—
Employer contributions		619	451
Participant contributions		177	160
Benefits paid		(796)	(611)
Fair value of plan assets – end of period	$	—	—

The funded status of the Company's postretirement plan at December 31, 2012 and 2011 is as follows:

		2012	2011
Benefit obligation – end of period	$	(18,669)	(18,040)
Fair value of plan assets – end of period		—	—
Funded status	$	(18,669)	(18,040)

The components of net periodic postretirement benefit costs for the years ended December 31, 2012, 2011, and 2010 were as follows:

		2012	2011	2010
Service cost	$	1,169	1,253	1,313
Interest cost		766	754	743
Amortization of prior service cost		17	17	17
Amortization of transition obligation		31	31	31
Net periodic benefit cost	$	1,983	2,055	2,104

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(Dollars in thousands)

A reconciliation of the postretirement plan amounts in accumulated other comprehensive income (loss) at December 31, 2012 and 2011 is as follows:

		2012	2011
Prior service cost	$	1,844	(130)
Unamortized actuarial loss		(1,655)	(385)
Transition obligation		—	(31)
Accumulated other comprehensive income (loss)	$	189	(546)

In 2013, $17 of prior service cost and $0 of actuarial gain is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive loss at December 31, 2012 and 2011 are as follows:

		2012	2011
Prior service cost	$	1,974	17
Unamortized actuarial loss		(1,269)	(620)
Transition obligation		31	31
Other comprehensive income (loss)	$	736	(572)

At December 31, 2012 and 2011, amounts recognized in the balance sheets were as follows:

		2012	2011
Accounts payable	$	(992)	(762)
Deferred credits and other		(17,677)	(17,278)
Net amount recognized	$	(18,669)	(18,040)

Expected retiree benefit payments projected to be required during the years following 2012 are as follows:

		Amount
Year(s):		
2013	$	992
2014		1,160
2015		1,231
2016		1,330
2017		1,488
2018 – 2022		8,033
Total	$	14,234

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2012 and 2011

(Dollars in thousands)

In addition to the postretirement plan discussed above, Big Rivers has another postretirement benefit plan, which vests a portion of accrued sick leave benefits to salaried employees upon retirement or death. To the extent, an employee's sick leave hour balance exceeds 480 hours such excess hours are paid at 20% of the employee's base hourly rate at the time of retirement or death. The accumulated obligation recorded for the postretirement sick leave benefit is \$589 and \$579 at December 31, 2012 and 2011, respectively. The postretirement expense recorded was \$57, \$191, and \$21 for 2012, 2011, and 2010, respectively, and the benefits paid were \$47, \$3, and \$5 for 2012, 2011, and 2010, respectively.

(11) Related Parties

For the years ended December 31, 2012, 2011, and 2010, Big Rivers had tariff sales to its members of \$158,893, \$151,472, and \$151,001, respectively. In addition, for the years ended December 31, 2012, 2011, and 2010, Big Rivers had certain sales to Kenergy for the Aluminum Smelters and Domtar Paper loads of \$366,758, \$306,420, and \$281,473, respectively.

At December 31, 2012 and 2011, Big Rivers had accounts receivable from its members of \$42,759 and \$40,314, respectively.

(12) Commitments and Contingencies

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

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

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS	)))	CASE NO. 2012-00492

ORDER

On November 14, 2012, Big Rivers Electric Corporation ("Big Rivers") tendered its application seeking Commission approval to issue new evidences of indebtedness in connection with refunding by purchase of $58.8 million in County of Ohio, Kentucky ("Ohio County"), Pollution Control Floating Rate Demand Bonds, Series 1983 ("1983 Bonds") and the issuance by Ohio County of a like amount of Pollution Control Refunding Revenue Bonds, Series 2013A ("2013A Bonds").[1] On January 24, 2013, Big Rivers filed a motion to amend and supplement its application, seeking, among other things, Commission approval to use all or a portion of the $60 million in remaining proceeds from its financing with CoBank ACB ("CoBank"), which was authorized by the Commission in Case No. 2012-00119[2] and was designated for capital expenditures in the ordinary course of business, as an alternative option to purchase the 1983 Bonds upon their maturity. The amended and supplemental filing also sought Commission approval to use the "Transition Reserve" approved by the Commission in

[1] At the February 28, 2013 Hearing, Big Rivers' witness Billie J. Richert testified that Big Rivers has withdrawn its request to issue the 2013A Bonds. See Video log at 11:36:53 a.m.

[2] Case No. 2012-00119, Application of Big Rivers Electric Corporation for Approval to Issue Evidences of Indebtedness (Ky. PSC May 25, 2012).

Case No. 2007-00455,[3] in conjunction with the unwind transaction, to replace to the extent of $35 million, the CoBank amounts that would otherwise have been used for capital expenditures in the ordinary course of business.

Big Rivers is an electric generation and transmission cooperative, organized under KRS Chapter 279, which owns electric generation and transmission facilities, and purchases, transmits and sells electricity at wholesale. It exists for the primary purpose of supplying the wholesale electricity requirements of its three distribution cooperative members, Kenergy Corp., Meade County Rural Electric Cooperative Corporation, and Jackson Purchase Energy Corporation ("Members"). Its Members provide retail electric service to approximately 112,000 retail members in 22 Western Kentucky counties.

Intervenors are the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention; Kentucky Industrial Utility Customers, Inc.; and Alcan Primary Products Corporation ("Alcan"). Two informal conferences were held during this case and Big Rivers responded to two rounds of data requests. A formal evidentiary hearing was held at the Commission offices on February 28, 2013. Big Rivers provided responses to requests for information made at the hearing on March 5 and 11, 2013. The record is now closed and the matter stands submitted for a decision.

BACKGROUND

Big Rivers financed pollution control facilities at its Wilson Generating Station in part with proceeds of the 1983 Bonds, which will mature on June 1, 2013. Big Rivers stated in its initial application that it would purchase the 1983 Bonds from their current

[3] Case No. 2007-00455, Applications of Big Rivers Electric Corporation for (1) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporation, (2) Approval of Transactions, (3) Approval to Issue Evidences of Indebtedness, and (4) Approval of Amendments to Contracts; and of EON U.S. LLC, Western Kentucky Energy Corp, and LG&E Energy Marketing, Inc. for Approval of Transactions (Ky. PSC Mar. 6, 2009).

holder, Dexia Credit Local, in conjunction with issuing the 2013A Bonds. However, due to the uncertainties facing potential bond purchasers as a result of Century Aluminum's ("Century") notice to terminate its retail service agreement,[4] Big Rivers' pending rate case, and the impacts of the pending rate case on Alcan's smelter operation in Sebree, Kentucky, Big Rivers opted to amend and supplement its application as previously described.

AMENDED PROPOSAL

CoBank Funds

In Case No. 2012-00119, we approved Big Rivers' request to use $60 million of the proceeds of the secured loan with CoBank for capital expenditures in the ordinary course of business. Ordering paragraph 6 of the May 25, 2012 Order in that proceeding stated that "the proposed loans shall be used only for the lawful purposes set out in Big Rivers' Application." With that restriction on Big Rivers' use of the CoBank funds, it now seeks Commission approval to use those funds to pay its obligations under the 1983 Bonds.

In support of its amended request, Big Rivers points out that the 1983 Bonds are tax exempt. If it pays off the 1983 Bonds with funds that are not borrowed funds, it is Big Rivers' understanding that it would be unable to later refinance that debt with tax exempt bonds. While there is little difference at present in the interest rates on taxable debt and tax exempt debt, Big Rivers states that these circumstances could change in the future. Big Rivers states that while use of the CoBank borrowed funds does not

[4] On January 31, 2013, Alcan provided Big Rivers with Notice of Termination of its Retail Electric Service Agreement with Kenergy Corp., the Big Rivers' member cooperative from which it takes service.

assure that it will have access to tax exempt debt in the future, such use holds open the opportunity to do so.

Transition Reserve

The Transition Reserve was established by Big Rivers in 2009 in connection with the unwind transaction and was addressed further in Case No. 2012-00119. Ordering paragraph 8 in the May 25, 2012 Order in that case directed that Big Rivers invest the $35 million in the Transition Reserve "in an interest-bearing account to be used exclusively as an emergency fund to offset the loss of revenue should one or both Smelters close, unless authorized by the Commission to use the funds for another purpose." Big Rivers now seeks authority to use the Transition Reserve funds for capital expenditures in the ordinary course of business to replace a portion of the CoBank funds, which it now seeks to use to pay the 1983 Bond obligations.

DISCUSSION OF ISSUES

As stated in its amended application, Big Rivers must purchase, refund or pay the 1983 Bonds on or before their June 1, 2013 maturity date or be considered in default on its obligations with respect to those bonds, which would result in default on its obligations with respect to all its indenture debt. If, due to the uncertainties cited previously, it is unable to issue new debt at reasonable terms, or is unable to issue new debt under any terms, Big Rivers is still required to purchase, refund or pay the 1983 Bonds.[5] At the present time, Big Rivers has limited alternatives to its amended and supplemental financing proposal. One option would be to use internally generated

[5] Subsequent to Alcan's provision of its Notice of Termination of its Retail Electric Service Agreement, Big Rivers' credit rating was lowered by each of the three major rating agencies, Standard and Poor's, Moody's Investor Service, and Fitch Ratings Ltd.

funds to pay the 1983 Bonds, but there are serious concerns about the impact of this option on its liquidity.[6] It has commenced negotiations with CoBank and National Rural Utilities Cooperative Finance Corporation ("CFC") in an attempt to revise the terms of its revolving credit agreements with those lenders to permit access to the funds therein, which are now either unavailable from CoBank due to the termination notices of Century and Alcan or will become unavailable from CFC upon the termination of the Century or Alcan wholesale power contract. However, whether those negotiations are successful and when the funds might be available if the negotiations are successful, are both uncertain at a time when Big Rivers needs certainty. Removing the uncertainty regarding Big Rivers' ability to purchase the 1983 Bonds without impairing its liquidity is a step that we believe should be viewed favorably by Big Rivers' lenders, its auditor, the credit rating agencies which monitor both its financial and operational risks, and the 112,000 customers who rely on its generation and transmission facilities. Accordingly, we will grant the approval sought by Big Rivers in its amended application.

IT IS THEREFORE ORDERED that:

1. The May 25, 2012 Order in Case No. 2012-00119 is amended to provide that Big Rivers is authorized to pay its obligations under the 1983 Bonds by using $60 million of the proceeds of the secured loan with CoBank, as requested in its amended application.

2. Big Rivers is authorized to use the Transition Reserve funds to replace up to $35 million of the aforementioned CoBank funds and use them for capital

[6] One concern is how Big Rivers will be viewed by its auditor, KPMG, and the extent to which the many uncertainties facing Big Rivers may impact KPMG's consideration of Big Rivers' ability to continue as a going concern as described in the American Institute of Certified Public Accountants' auditing standards.

expenditures in the ordinary course of business, as requested in its amended application.

3. All other provisions of the Commission's May 25, 2012 Order in Case No. 2012-00119 shall remain in full force and effect.

By the Commission

ENTERED
MAR 26 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

Case No. 2012-00492

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	)))	CASE NO. 2011-00036

ORDER

By Order issued November 17, 2011 ("Rate Order"), the Commission granted Big Rivers Electric Corporation ("Big Rivers") an increase in its wholesale base rates to generate additional annual revenues of $26,744,776.[1] A petition for rehearing was filed by Big Rivers on December 6, 2011, raising four issues. The Commission issued an Order on December 8, 2011 granting rehearing on all four issues. Kentucky Industrial Utility Customers, Inc. ("KIUC") then filed a motion on December 14, 2011 to dismiss the rehearing and vacate our December 8, 2011 Order, on the basis that it had already filed an appeal with the Franklin Circuit Court challenging the Rate Order and, as a result, the Commission lacked jurisdiction to grant Big Rivers' petition for rehearing.

The Commission denied KIUC's motion by Order dated February 14, 2012. In a March 8, 2012 ruling, the Franklin Circuit Court held that the Commission did have jurisdiction to hear the issues raised on rehearing by Big Rivers and the Court remanded the case back to the Commission for further proceedings. On April 12, 2012, in response to the Court's March 8, 2012 ruling, we expanded the scope of our rehearing to include the three issues raised by KIUC in its appeal of the Rate Order and

[1] Big Rivers had sought an increase of approximately $39.95 million.

we modified the procedural schedule previously established for the rehearing of this case.

The Commission directed Big Rivers and KIUC to file testimony on their respective rehearing issues, and an opportunity was provided for all other parties to also file testimony. After conducting discovery, the Commission held an evidentiary hearing on September 12, 2012. At that rehearing, the Commission ruled that the only evidence to be considered on rehearing would be that which was in existence at the time the Rate Order was issued. Rehearing briefs were filed by Big Rivers, KIUC, the Attorney General ("AG"), and Kenergy Corp., one of Big Rivers' member-owner cooperatives. The record is now complete and the matter now stands submitted for a decision.

BIG RIVERS' REHEARING ISSUES

Big Rivers made the following four claims in its request for rehearing, each of which are addressed in detail below:

1. The Rate Order did not allow recovery of Big Rivers' rate case expenses;

2. There was an error of $450,000 in the calculation of Big Rivers' depreciation expense in the Rate Order;

3. Depreciation expense should be allowed on Big Rivers' utility plant recorded as Construction Work in Progress ("CWIP") at the end of the test year; and

4. The Rate Order should be revised to correct an erroneous statement in the section addressing the "smelter Times Interest Earned Ratio ("TIER") adjustment charge revenues."

Rate Case Expenses

As pointed out by Big Rivers, the Rate Order inadvertently omitted recovery of Big Rivers' expenses incurred in conjunction with the preparation of its application and the prosecution of its case up through August 2011 ("rate case expenses").[2] Big Rivers originally proposed an adjustment of $281,719, based on estimated rate case expenses of $898,930.[3] In response to an ongoing data request,[4] Big Rivers updated its actual rate case expenses throughout the course of the original proceeding. The final update, filed on August 18, 2011, reflected total actual rate case expenses of $1,976,030.[5]

For this rate case, Big Rivers employed the legal services of the Owensboro, Kentucky, firm of Sullivan, Mountjoy, Stainback and Miller, PSC, and the Washington, D.C., office of Hogan Lovells US LLP ("Hogan Lovells"). On rehearing, none of the parties challenged Big Rivers' claim that the Rate Order did not allow for the recovery of any rate case expenses. However, KIUC and the AG did oppose Big Rivers' request to recover the full amount of its expenses, claiming that Big Rivers did not properly manage its rate case expenses, specifically the expenses it was charged by Hogan Lovells. KIUC and the AG particularly take exception to the hourly fees charged by Hogan Lovells, which were roughly three times the highest hourly rates charged by Big Rivers' Kentucky law firm. KIUC argues that Big Rivers' rate recovery should be limited

[2] The Commission's typical practice for many years has been to allow the utility to amortize its rate case expenses over a three-year period and include the annual amortization expense in determining the utility's required revenue increase.

[3] Big Rivers' March 1, 2011 application, Volume III, Exhibit Wolfrom-2, Reference Schedule 2.13, ($898,930 / 3 - $17,924) = $281,719. A total of $17,924 of the expense was incurred during the test year.

[4] Item 52 of First Information Request of Commission Staff, dated Feb. 18, 2011.

[5] Big Rivers' update to Item 52 of First Information Request of Commission Staff, filed Aug. 18, 2011.

to the amount of the estimate included in its application, based to a great extent on Big Rivers' initial refusal to provide unredacted copies of the invoices submitted by Hogan Lovells.[6] KIUC claims that this refusal prevented all intervenors and Commission Staff from reviewing the invoices to determine whether the charges were appropriate or necessary.[7] In his brief, the AG proposes that Big Rivers' rate case expenses be limited by applying an hourly rate more in line with those of local or regional law firms to the hours billed by Hogan Lovells, to the extent that the total Hogan Lovells charges of $897,200 exceed the $174,000 original estimate included in Big Rivers' application.[8]

Big Rivers claims that its rate case expenses were reasonable and necessary, including the fees charged by Hogan Lovells. Big Rivers states that Hogan Lovells has a great deal of experience working with Big Rivers, specifically citing the firm's work with issues involving the Midwest Independent System Operator, Inc., the "unwind transaction" proceeding, and its familiarity with the aluminum smelter contracts and "smelter issues."[9] Big Rivers cites two primary reasons why its actual rate case expenses exceed the estimate in its application: (1) It underestimated the level of expenses, in general, that it would incur during the course of this case; and (2) It had not anticipated the degree of complexity that the case would take on, which caused the role of Hogan Lovells to be greatly expanded beyond what was expected prior to filing

[6] KIUC's post-hearing brief at 26.

[7] *Id.* Big Rivers did not file the largely unredacted copies of these invoices until after the evidentiary rehearing.

[8] The AG provided no estimate of the amount of the resulting level of rate case expenses.

[9] Big Rivers' rehearing brief at 5-6.

its application.[10] Big Rivers points out that it provided periodic updates of its actual rate case expenses up to the month that briefs were filed and that none of the intervenors took issue with the amount of those expenses at any time during the initial phase of this case.[11] It argues that, consistent with its longstanding practice, the Commission should permit recovery of the actual level of rate case expenses incurred as reported in its August 18, 2011 update. Based on that actual expense of $1,976,030, with $17,924 of that amount recorded in the test year, the resulting adjustment, based on a three-year amortization, is $640,753.

Based on a review of the record, the Commission finds that the concerns raised about Big Rivers' rate case expenses are legitimate. Although Big Rivers did file mostly unredacted copies of its legal invoices after the evidentiary rehearing, the rate case expenses it seeks to recover are more than double its original estimate, the expenses for Hogan Lovells are more than five times the original estimate, and there was a lack of meaningful oversight of those expenses by Big Rivers as they were being incurred. As pointed out during the evidentiary rehearing, the review process employed by Big Rivers was performed primarily for the purpose of ensuring the accuracy of the amounts it was billed by outside counsel and rate case consultants, with little effort to evaluate the reasonableness of the charges.[12] While Hogan Lovells appears to possess both the experience and expertise claimed by Big Rivers, the mostly unredacted invoices show that much of the work it performed for Big Rivers during the initial phase of this rate

[10] *Id.*, at 6-7.

[11] *Id.*, at 10.

[12] September 12, 2012 hearing video at generally 11:12:50 – 11:19:50.

case was in conjunction with tasks such as reviewing and drafting data responses and data requests, tasks that have not been shown to require its specialized level of experience or expertise.

In conclusion, the Commission finds that while Big Rivers should not be limited to its original estimate of $898,930 for rate case expenses, its request to recover actual expenses that are more than double its original estimate has not been shown to be reasonable and necessary. Consequently, in determining the appropriate level of rate case expenses to be recoverable by Big Rivers, there must be some reduction from the actual amount of $1,976,030 for which it seeks recovery. Therefore, for ratemaking purposes, we will reduce the amount charged Big Rivers by Hogan Lovells in excess of the original estimate by 20 percent, from $897,200 to $752,546. This reduces the total rate case expenses allowable for ratemaking purposes to $1,831,376. Based on a three-year amortization and recognizing the amount already reflected in the test year, this results in an adjustment of $592,535.

The Commission also notes that Big Rivers, as the applicant in this case, bears the burden of proof, and had it not filed unredacted copies of its legal invoices, none of those expenses would have been included for recovery in rates. In future rate cases, any request for recovery of rate case expenses must be supported by unredacted copies of invoices. In addition, there must be a showing that the use of highly compensated counsel was essential for the particular tasks being performed.

<u>Depreciation Error</u>

Big Rivers claims that our Rate Order contained an error which understated its adjusted depreciation expense by $450,000. None of the intervenors contested this claim and neither does the Commission. Accordingly, we will correct that error and restate Big Rivers' test year depreciation expense, as adjusted. This correction results in adjusted test year depreciation expense of $40,668,778, an increase of $450,000 above the amount of $40,218,778 contained in the Rate Order.

Depreciation Expense on Test Year-end CWIP

The Rate Order denied Big Rivers' request to recover depreciation expense on its test year-end CWIP. In doing so, the Rate Order stated: "Going beyond the end of test year plant-in-service balances is inconsistent with the concept of a historical test year and a violation of the broad 'matching principle' described previously in this Order."[13] On rehearing, Big Rivers states that depreciation expense should be allowed on two components of its test year-end CWIP: (1) Plant that was providing service at test year-end but had not yet been transferred on its books from CWIP to plant in service; and (2) Plant that was not in service at test year-end, but was placed in service by September 1, 2011, the date new rates became effective. The expense for these two categories, $359,678 and $1,284,476, respectively, would result in an additional increase in depreciation expense of $1,644,154. Big Rivers claims that, with the limits on its annual Margins for Interest Ratio ("MFIR"), it has little "maneuvering room" between its allowable maximum margin and the minimum margin it must realize to meet the required MFIR of 1.10, and that recovering, or not recovering, this additional expense could significantly impact its financial results.[14]

[13] November 17, 2011 Order, at 20.

[14] Direct Testimony on Rehearing of Mark A. Hite ("Hite Testimony") at 12.

In support of its request, Big Rivers cites prior cases in which the Commission allowed recovery of depreciation expense on year-end CWIP balances, or in which Big Rivers contends the recovery was allowed.[15] It also emphasizes that none of the plant in CWIP for which it seeks recovery of depreciation expense generates any revenue.[16]

The Commission is not persuaded by Big Rivers' arguments. As shown in the discovery on this issue, the circumstances in the cases cited by Big Rivers in which depreciation on test year-end CWIP was allowed by the Commission are distinguishable from those in this case. In the 1990 rate case of Louisville Gas and Electric Company ("LG&E"),[17] the distinguishing issue was the commercialization of a base load generating unit, for which the magnitude of the cost resulted in a significant increase in LG&E's rate base and its depreciation expense. In the 2010 rate case of Delta Natural Gas Company, Inc.,[18] $2,809 in depreciation expense on the test year-end CWIP balance was less than one-tenth of one percent of the revenue increase, a di minimus amount. In the 2009 rate cases of Kentucky Utilities Company and LG&E,[19] the parties had reached a non-unanimous settlement which did not address depreciation expense. The Commission's analysis in those cases addressed only the issues raised by the AG, the party that did not agree to the revenue requirement terms of the settlement.

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[15] Direct Testimony on Rehearing of John Wolfrom at 11-15.

[16] Hite Testimony at 14.

[17] Case No. 90-158, Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company (Ky. PSC Dec. 21, 1990).

[18] Case No. 2010-00116, Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates (Ky. PSC Oct. 21, 2010).

[19] Case No. 2009-00548, Application of Kentucky Utilities for an Adjustment of Base Rates (Ky. PSC July 30, 2010), and Case No. 2009-00549, Application of Louisville Gas and Electric Company for an Adjustment of Electric and Gas Base Rates (Ky. PSC July 30, 2010).

Depreciation expense was not one of the issues raised by the AG and, in ultimately accepting the revenue level in the settlement, the Commission's Orders made no findings regarding depreciation on test year-end CWIP.

Big Rivers points out that none of the utility plant included in its test year-end CWIP balance for which it seeks recovery of depreciation expense is revenue-producing plant. It claims, therefore, that there are no corresponding adjustments that can be made to revenues to be "matched" with its proposed depreciation expense adjustment. In this regard, Big Rivers is viewing the matching principle as it applies to a historic test year too narrowly. The manner in which the Commission has employed the matching principle takes a broad view of the test year, considering all items of revenue, expense, and capital costs. The Commission's interest is not limited to whether specific items of plant are revenue producing. Rather, our interest is in whether all components that may impact a utility's revenue requirement are, to the greatest extent reasonably possible, reported for the same time period, or from an accounting perspective, for the same reporting period. This is not a recent development; the Commission has long viewed the matching principle in such a broad manner. As Big Rivers pointed out in a data response, the Commission stated in an order in the 1990 LG&E rate case that:

> ...if a historic test period is used, adjustments for post-test year plant additions should not be requested unless ***all*** revenues, expenses, rate base, and capital items have been updated to the same period as the plant additions.[20] (Emphasis added).

Going beyond the end of test year plant-in-service balances without similarly going beyond the test year to adjust revenues, rate base, etc., is inconsistent with the concept of a historical test year and a violation of the broad "matching principle"

[20] Case No. 90-158, December 21, 1990 Order at 4-5.

described in our Rate Order. For this reason, we will affirm our earlier decision and limit the depreciation expense adjustment to the amount derived by applying Big Rivers' depreciation rates to its test year-end plant in service balances.

Statement Regarding Smelter TIER Adjustment Charge Revenues

The Rate Order, at page 6, under the heading "Smelter TIER [Times Interest Earned Ratio] Adjustment Charge," stated in the third sentence that "the financial model relied upon by Big Rivers in conjunction with the Unwind Transaction did not include any Smelter TIER Adjustment revenues." In its rehearing request, Big Rivers claims that (1) the cited financial model was not in evidence in this case; and (2) the Commission's statement is erroneous in that the financial model in question did include Smelter TIER Adjustment revenues in each of the years 2011 through 2023. Big Rivers seeks rehearing to have this finding eliminated from the Rate Order, and to have any other findings or conclusions contained in the Rate Order be modified, as appropriate, based on the elimination of the challenged finding.

Through discovery, Big Rivers affirmed that the financial model it had used in conjunction with the Unwind Transaction did not include any Smelter TIER Adjustment revenues in projecting its financial results for 2009 and 2010, which are the two years reflected in the test year used in this case, the 12 months ended March 31, 2010. It also clarified that its concern was that the statement indicated that the financial model contained no Smelter TIER Adjustment revenues, although the model included such revenues for each of the 13 years subsequent to 2010.[21]

[21] Response to Item 3 of First Information Request of Commission Staff, filed Mar. 22, 2012.

In its rehearing brief, Big Rivers recommended that the statement in the Rate Order be revised to read as follows: "The financial model relied upon by Big Rivers in conjunction with the Unwind Transaction did not include any Smelter TIER Adjustment revenues *in the years 2009 and 2010*." (Emphasis added). No other party took exception to Big Rivers' position on this issue, and no other party addressed this issue in a rehearing brief.

Having considered the matter, we conclude that Big Rivers' suggested revision to the statement is accurate and reasonable and should be adopted. Accordingly, we will revise the Rate Order to reflect this change.

Effective Date of New Rates

At the September 12, 2012 evidentiary rehearing, Big Rivers referred to the additional revenues that might be granted on rehearing as being granted retroactive to the September 1, 2011, the effective date of the new rates approved by the Rate Order.[22] The parties were requested to address this issue in their rehearing briefs, and Big Rivers and KIUC did address the issue.

Big Rivers states that the Commission has the authority to retroactively correct errors in its orders and cites Case No. 10498,[23] in which the Commission granted a rate increase by Order dated October 6, 1989 and an October 17, 1989 Order which corrected an error in the earlier order and granted an additional rate increase with the same effective date as the earlier order. Big Rivers claims that correcting the $450,000 error in its depreciation expense and awarding it rate case expenses are corrections of

[22] September 12, 2012 hearing video at 14:09:40.

[23] Case No. 10498, Adjustment of Rates of Columbia Gas of Kentucky, Inc. (Ky. PSC Oct. 6, 1989).

the types of errors that should be made retroactive. It also claims that denying depreciation on projects in CWIP at the test year-end is an error in applying the matching principle to a historical test year.

KIUC contends that any modification of Big Rivers' rates resulting from rehearing must be made on a prospective basis. It relies on the language of KRS 278.270 to argue that changes in rates are to be prospective only. That statute reads:

> Whenever the commission, upon its own motion or upon complaint as provided in KRS 278.260, and after a hearing had upon reasonable notice, finds that any rate is unjust, unreasonable, insufficient, unjustly discriminatory or otherwise in violation of any of the provisions of this chapter, the commission shall by order prescribe a just and reasonable rate *to be followed in the future*. (Emphasis added)

KIUC cites a February 2, 2007 ruling against the Commission by the Kentucky Court of Appeals concerning a decision to require refunds of rates paid by payphone service providers to telecommunications companies ("Telcos"). After finding that the Telcos' rates did not comply with tariff guidelines of the Federal Communications Commission, the Commission adjusted the rates downward and required the Telcos to refund the difference between the old and new rates retroactive to the date of the order approving the old rates. Citing KRS 278.270, the Court stated that:

> In light of the General Assembly's comprehensive rate-making scheme, including only a narrowly defined circumstance under which refunds can be ordered, the filed rate can only be lawfully altered prospectively. KRS 278.270, supra. Under the requirements of the statute, the rate the PSC authorized BellSouth to charge payphone service providers remained in full force and effect until the Commission modified it by its order of May 2003. Consequently, as a matter of law, BellSouth was never overpaid; no credits accrued; and no refunds were owed.

Determining the effective date for Big Rivers' new rates involves an analysis of both the filed rate doctrine and our authority to correct clerical errors back to the date of the error. The filed rate doctrine provides that "when the legislature has established a comprehensive ratemaking scheme, the filed rate defines the relationship between the regulated utility and its customer with respect to the rate that the customer is obligated to pay and that the utility is authorized to collect."[24] Once the Commission establishes a rate by order, that order "shall continue in force until the expiration of the time, if any, named by the commission in the order, or until revoked or modified by the commission, unless the order is suspended, or vacated in whole or part, by order or decree of a court of competent jurisdiction." KRS 278.390.

Citing these requirements, KIUC argues that the rates in the Rate Order became the filed and lawful rates for service rendered by Big Rivers on and after September 1, 2011 and that they can be changed prospectively only, not retroactive to that date. However, Kentucky Courts have also recognized that the filed rate doctrine does not infringe on the Commission's authority to correct clerical mistakes in its orders, and that those corrections can be made retroactively to the date of its original order.

In the case of Union Light, Heat & Power Co. v. Public Service Comm'n., 271 S.W. 2d 361, 365-366 (Ky. 1954), Kentucky's then highest court held that:

> An administrative agency unquestionably has the authority, just as has a court, to reconsider and change its orders during the time it retains control over any question under submission to it. It has been held that an administrative agency has the power to amend or correct its records by nunc pro tunc entries.

[24] Cincinnati Bell v. Kentucky Public Service Comm'n., 223 S.W.3d 829 (Ky. App. 2007).

Some years later, the Kentucky Court of Appeals affirmed a Commission order entered without notice or hearing, reducing a previously approved rate and requiring refunds, when the record showed the previously approved rate resulted from a mathematical error.

> It is well settled that administrative agencies, as well as courts, have sufficient authority to correct obvious clerical errors in their orders, so long as the mistake is plainly shown in the record.[25]

Here, the omission of an adjustment in the Rate Order to reflect Big Rivers' rate case expenses is shown by the record, and Big Rivers' request for such an adjustment was not challenged prior to the date of that order. In addition, no party challenges Big Rivers' claim that the Rate Order contains an error in its depreciation expense calculation. Such errors can be corrected retroactively without violating the filed rate doctrine.

Limited exceptions to the filed rate doctrine have also been recognized by federal courts. The U.S. Court of Federal Claims recognized that:

> When determining whether a FERC order violates either the filed rate doctrine or the rule against retroactive ratemaking, this court inquires whether, as a *practical matter*, the [parties] ... had sufficient notice that the approved rate was subject to change." Significantly, notice does not mean that the rule against retroactive ratemaking does not apply; rather, notice, such as that provided by a refund effective date, "changes what would be purely retroactive ratemaking into a functionally prospective process by placing the relevant audience on notice at the outset that the rates being promulgated are provisional only and subject to later revision. (Internal quotations and citations omitted).[26]

[25] Mike Little Gas Co. v. Public Service Comm'n., 574 S.W. 2d 926, 927 (Ky. App. 1978).

[26] Pacific Gas and Electric Co. v. The United States, 105 Fed. Cl. 420 (Fed. Cl. 2012). (Quoting *Public Utilities Commission of the State of California v. FERC, 988 F.2d 154, 164 (D.C.Cir.1993)*.

Here, Big Rivers sought rehearing of the Rate Order within the time allowed under KRS 278.400. Thus, all parties to the case were on notice that there was a claim that one expense adjustment had been omitted and that another contained a mathematical error. While the Commission typically addresses and corrects these types of errors quickly, we were unable to do so because of KIUC's immediate appeal of the Rate Order to Franklin Circuit Court and its challenge of our jurisdiction to proceed with this case administratively. The Court ultimately remanded the rate case back to the Commission, ruling that:

> The timely filing of the petition for rehearing at the Commission . . . converted the Commission's order from a final to a non-final order . . . . This Court should not attempt to wade into a dispute which has not been finally resolved by the administrative agency with primary jurisdiction in this matter.

As the Court has acknowledged that the Rate Order was not final, the filed rate doctrine does not prevent the correction of clerical errors retroactive to the September 1, 2011, the effective date of the rates approved therein.[27]

Having considered the parties' arguments and the applicable legal standards, the Commission finds that the correction of these two clerical errors, one an error of omission and the other a mathematical error, that are plainly shown by the record, should be accomplished by adjusting Big Rivers' rates retroactively. The errors were not the result of any action or inaction by Big Rivers, and in this instance it is reasonable to correct the rates effective as of September 1, 2011.[28]

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[27] Upon remand from the Court, all issues raised on appeal, including the rate case expense and depreciation error, were set for hearing to ensure that due process was afforded to all parties.

[28] Recovery of the amounts Big Rivers is to collect retroactive to September 1, 2011 is discussed in a later section of this Order, titled "Revenue Recovery Mechanism."

KIUC'S REHEARING ISSUES

There are three KIUC rehearing issues, which were part of its appeal of our Rate Order to Franklin Circuit Court. As stated earlier, the Court remanded these issues to the Commission for its consideration on rehearing. The issues, which we address in detail below, are: (1) the appropriate depreciation rates for Big Rivers; (2) the revenue allocation and treatment of the Rural class subsidy; and (3) the demand-side management expense allocation.

Depreciation Rates

In its case-in-chief, KIUC contested the results of Big Rivers' depreciation study and recommended adoption of an alternative set of depreciation rates based on modifications to Big Rivers' depreciation study. In our Rate Order, we authorized the use by Big Rivers of the depreciation rates resulting from its study.[29] KIUC requests, on rehearing, that we reverse that earlier decision and authorize Big Rivers to use the depreciation rates recommended by KIUC.

KIUC claims, as it did in the initial phase of this proceeding, that Big Rivers' depreciation study contained numerous inconsistencies and inaccuracies[30] and that the study's sponsor, Mr. Ted Kelly of Burns & McDonnell ("B&M"), substituted his judgment for that of Big Rivers' management regarding the useful lives of Big Rivers' generating units.[31] KIUC contends that the useful lives included in Big Rivers' deprecation study were substantially shorter than the useful lives Big Rivers submitted to the Rural Utilities

[29] November 17, 2011 Order at 20.

[30] Supplemental Rehearing Testimony and Exhibits of Lane Kollen, at 4.

[31] *Id.*, at 10.

Service, its principal lender. KIUC states that its depreciation expert's "study corrected the remaining service lives and used the estimates developed by Big Rivers' own management rather than substituting his own judgment."[32]

KIUC cites mathematical and process errors contained in a draft of the Big Rivers depreciation study, which Big Rivers had invited KIUC to review prior to the filing of the rate application in this case, as reason to question the reliability of the proposed depreciation rates.[33] KIUC concludes that the depreciation study sponsored by Mr. Kelly on behalf of Big Rivers is fundamentally flawed and unreliable, and that the Commission should reverse its earlier decision on the appropriate depreciation rates for Big Rivers.[34]

Big Rivers states that the depreciation rates contained in the study prepared by Mr. Kelly and submitted on its behalf as part of its rate application are clearly supported by the evidence in the record of this proceeding. Big Rivers denies KIUC's claim that Big Rivers provided retirement dates or estimated service lives to B&M and that B&M then ignored that data. Contrary to KIUC's claim, Big Rivers asserts that it never provided B&M with retirement dates or estimated service lives for Big Rivers' property.[35]

Big Rivers argues that since it did not develop estimates of remaining service lives of its generating units, there is no basis for KIUC's claim that its depreciation expert "corrected" the remaining service lives by using estimates developed by Big

[32] *Id.*, at 14.

[33] *Id.*, at 13.

[34] *Id.*, at 14.

[35] Rehearing Rebuttal Testimony of Ted J. Kelly on Behalf of Big Rivers Electric Corporation, at 5.

Rivers' management, rather than the estimates developed by B&M.[36] Big Rivers further states that it did not provide B&M with life spans, as claimed by KIUC, nor did Big Rivers provide probable retirement dates to B&M. Finally, Big Rivers contends that the retirement dates used by KIUC's depreciation expert were maximum retirement dates, which causes his results to be biased, incomplete and unusable.[37]

Based on a review of the issue of depreciation studies, the Commission finds that much of the information submitted into evidence on rehearing is not new; it was previously provided in the initial phase of this proceeding. We reject KIUC's assertions that Big Rivers' depreciation study does not constitute credible evidence and that the estimated useful lives recommended in that study are arbitrary. Big Rivers' expert, B&M, developed estimated service lives based on numerous factors including a B&M engineer assessment, maintenance reports, forced outage reports, and capital budgets. All of these factors supported B&M's adoption of useful lives shorter than the maximum potential lives proposed by KIUC.

As set forth in the Rate Order, our original decision to approve Big Rivers' depreciation study was based substantially on our finding that, "due to the problem of early retirements experienced by Big Rivers since closing the Unwind Transaction, there is a clear need to utilize shorter service lives."[38] KIUC has presented no evidence on rehearing to persuade us that this finding was erroneous. Big Rivers' depreciation study fully justifies the use of service lives that are shorter than the maximum potential lives. While the Commission understands KIUC's request for Big Rivers to use the maximum

[36] *Id.*, at 6.

[37] *Id.*, at 12.

[38] November 17, 2011 Order at 20.

service lives, which would result in lower depreciation expense and lower rates, KIUC's proposal is not credible under the facts presented in this case. Therefore, we will affirm our prior decision to authorize Big Rivers to use its proposed depreciation rates based on the depreciation study filed on its behalf by B&M.

<u>Rural Subsidy</u>

In our Rate Order, citing the principal of gradualism, we established rates that reduced the subsidy paid by the Smelter class to the Rural class by $2.4 million, from $13.5 million to $11.1 million.[39] On rehearing, KIUC requests that the Commission reconsider that decision and eliminate the subsidy in its entirety,[40] arguing that unique circumstances exist for Big Rivers and the Smelters which would make eliminating the subsidy in the interest of all customers. The first such circumstance cited by KIUC is Big Rivers' large concentration of risk associated with serving the Smelters. KIUC characterizes this risk as problematic because the Smelters' profitability is directly tied to the price of aluminum, with electricity as their primary production input factor. KIUC claims the subsidy increases the potential for the Smelters to become uneconomic, which would contribute to the potential loss of Smelter load and the loss of revenues to Big Rivers. KIUC further states that this loss would be borne by Big Rivers and its remaining customers.[41]

The second unique circumstance KIUC cites is the volatility of the London Metal Exchange's price for aluminum. KIUC contends that this volatility contributes

[39] *Id.*, at 29-30.

[40] Direct Rehearing Testimony of Stephen J. Baron ("Baron Rehearing Testimony") at 3.

[41] *Id.*, at 5-6.

significantly to the operational risk of the Smelters, and risk to Big Rivers and its remaining customers.[42] KIUC states that, if Big Rivers were to lose the Smelter load and were forced to sell the excess energy in the wholesale market, rates for its Rural class would need to be increased by more than 55 percent to make up the revenue shortfall.[43] KIUC contends that if the Smelter load is lost, the Rural class would suffer financial harm that would far exceed the benefit it currently receives from the subsidy, and it characterizes the subsidy as "penny-wise and pound-foolish."[44]

On rebuttal, Big Rivers states that the Commission's decision to eliminate the Rural subsidy gradually is "fair, just and reasonable."[45] Big Rivers asserts that KIUC's arguments were available for the Commission's consideration in its original deliberation and that the November 17, 2011 Order considered the "unique characteristics" of the Smelter load on its system.[46] It does not agree with KIUC's claim that the loss of the Smelter load would increase rates for Rural class customers by more than 55 percent. Big Rivers argues that it has previously addressed flaws in some of the assumptions used in the analysis developed by KIUC regarding the 55 percent increase.[47] Finally, Big Rivers argues that "in the unwind transaction, the smelters agreed to pay non-cost-of-service-based rates."[48]

[42] *Id.*, at 7-8.

[43] *Id.*, at 8-9.

[44] *Id.*, at 9.

[45] Rehearing Rebuttal Testimony of John Wolfram ("Wolfram Rehearing Rebuttal") at 5.

[46] *Id.*

[47] *Id.*, at 6.

[48] *Id.*, at 8.

In his rehearing brief, the AG expressed his support for the revenue allocation as set forth in the Rate Order, stating that it is consistent with the mandate of KRS 278.030(1) that rates be fair, just, and reasonable.

Based on a review of the record on this issue, the Commission finds no basis to modify the revenue allocation approved in the Rate Order. That revenue allocation reduced the Smelter subsidy by $2.4 million. The Smelters voluntarily signed long-term power contracts in 2009 which provided for the payment of rates to Big Rivers that would be above cost-of-service. As KIUC has acknowledged, there is no statutory requirement that rates be set based solely on cost of service; determining cost of service is an exercise in judgment; and factors other than cost of service, such as gradualism, can be considered when setting rates.[49] The Commission has long employed the principal of gradualism in moving rates to reflect cost of service, and we find no reason to depart from that principal in this case.

Demand-Side Management Expense and Revenue Allocation

The Rate Order found that the $1 million in demand-side management ("DSM") expense allowed for ratemaking purposes was being assigned only to the Rural class.[50] KIUC now claims the Rate Order did not fully accomplish that objective. It states that while the Commission adjusted the class cost-of-service study ("COSS"), the specific assignment of the $1 million would be effective only if the Rural class were paying its full cost of service without subsidies.[51] On rebuttal, Big Rivers disagreed with KIUC, stating

[49] KIUC Rehearing Brief at 13.

[50] November 17, 2011 Order at 29.

[51] Baron Rehearing Testimony at 15.

that the Commission can directly assign a particular cost to a class of customers even if that class continues to receive a subsidy.[52]

The AG, in his rehearing brief, stated that he disagreed with KIUC's position that a portion of the $1 million DSM costs was assigned to the Smelters. The AG asserted that there is no need for the Commission to change its findings on this point.[53]

Based on a review of the DSM allocation issue, the Commission partially agrees with KIUC's position, to the extent that we did not accomplish our goal of allocating the entire $1 million in DSM cost to the Rural class by assigning that cost to the Rural class in the COSS. However, the Commission does not agree that a particular cost cannot be directly assigned to a class of customers if that class continues to receive a subsidy. The $1 million DSM expense can be allocated fully to the Rural class by first allocating the additional revenue increase, not including the $1 million DSM expense, to each class based on a targeted subsidy reduction. Then, as a second step, the $1 million DSM expense is added to the revenue increase to be allocated to the Rural class under the first step. This approach was generally supported by KIUC's witness at the September 12, 2012 rehearing.[54]

Based on our decision to not modify the $2.4 million subsidy reduction, we will allocate the total revenue increase of $27,787,311,[55] excluding the $1 million DSM expense, to each rate class to produce the Rural class subsidy reduction approved in

[52] Wolfram Rehearing Rebuttal at 10.

[53] *Id.*, at 11.

[54] September 12, 2012 hearing video at 15:16:35.

[55] This is the original increase amount of $26,744,776 granted in the November 17, 2011 Order plus the additional increase of $1,042,535 granted with this Order.

the Rate Order, and then add $1 million to the amount of the Rural class rate increase to provide for recovery of the DSM expense. This methodology results in the following rate increases by class: $11.63 million to the Rural class, $1.97 million to the Large Industrial Customer class, and $14.2 million to the Smelter class.

REVENUE RECOVERY MECHANISM

Big Rivers proposed a methodology for recovering the difference between the revenue it collected under the rates in effect since September 1, 2011 and the revenue it would have collected absent the two errors in the Rate Order.[56] Big Rivers recommends that the difference be divided by the number of months remaining between the date of this Order and August 1, 2013, and that its members be billed this monthly amount on a revenue-proportionate basis through July of 2013. The Commission finds that Big Rivers' proposal is a reasonable method for recovery of the under-collection of revenue since September 1, 2011 attributable to the omission of rate case expenses and the depreciation expense error in the Rate Order. To implement this methodology, Big Rivers must submit the following information to the Commission not later than February 8, 2013:

1. The amount of revenue collected between September 1, 2011, and the date of this Order under the rates approved in the Rate Order (net of refunds made as a result of Big Rivers implementing its proposed rates prior to the issuance of the Rate Order), by rate schedule, and by member cooperative;

[56] Rehearing Brief of Big Rivers Electric Corporation at 29-30.

2. The amount of revenue it would have collected between September 1, 2011, and the date of this Order under the rates approved herein, by rate schedule, and by member cooperative;

3. The kWh sales by month to each rate class from September 1, 2011 through the date of this Order; and

4. For each month, beginning March 1, 2013 and ending July 31, 2013, the amount each member cooperative will be billed to allow Big Rivers to recover the difference between the amounts provided in parts (1) and (2) above.[57]

After it verifies Big Rivers' calculations, the Commission will issue a final order in this rehearing which will authorize both the amounts Big Rivers is to collect from its member cooperatives and the length of time over which it will collect these amounts.

SUMMARY

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that:

1. The November 17, 2011 Rate Order should be modified by increasing the amount of revenue granted therein to Big Rivers from $26,744,776 to $27,787,311, an increase of $1,042,535, to allow for recovery of the level of rate case expenses determined herein to be reasonable and the correction of the mathematical error in the calculation of the depreciation expense adjustment in the Rate Order as discussed herein.

[57] Big Rivers is to include the workpapers necessary to verify its calculations of each of the amounts it is required to file with the Commission.

2. Big Rivers' rehearing request to increase its depreciation expense allowed for ratemaking purposes to include depreciation expense on plant contained in its test year-end Construction Work In Progress should be denied.

3. The finding in the Rate Order regarding the financial model Big Rivers used in conjunction with the Unwind Transaction should be revised as discussed herein.

4. KIUC's rehearing requests to have Big Rivers' rates calculated on the basis of depreciation rates proposed by KIUC, rather than those proposed by Big Rivers, and to modify the revenue allocation and Rural class subsidy, should be denied.

5. KIUC's rehearing request to revise the methodology for allocation of the $1 million DSM expense should be granted as discussed herein.

6. The rates approved herein should be effective for service rendered by Big Rivers on and after September 1, 2011.

7. Big Rivers should file with the Commission not later than February 8, 2013, the information described in the Revenue Recovery Mechanism section of this Order.

IT IS THEREFORE ORDERED that:

1. The November 17, 2011 Rate Order is modified to (a) grant Big Rivers an additional increase in annual revenues of $1,042,535 above the revenue increase granted therein; (b) reflect the revised allocation of the $1 million DSM expense; and (c) correct the finding related to the financial model Big Rivers used in conjunction with the Unwind Transaction, as discussed in the findings above.

2. The rates in the appendix to this Order are approved for service rendered by Big Rivers on and after September 1, 2011.

3. Big Rivers' request to modify the November 17, 2011 Order to include depreciation expense on plant contained in its year-end Construction Work In Progress is denied.

4. KIUC's requests to modify the November 17, 2011 Order to adopt the KIUC proposed depreciation rates and to revise the revenue allocation to eliminate the Rural class subsidy are denied.

5. Within 20 days of the date of this Order, Big Rivers shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and reflecting their effective date and that they were authorized by this Order.

6. Not later than February 8, 2013, Big Rivers shall file the information described in the Revenue Recovery Mechanism section of this Order.

By the Commission

ENTERED
JAN 29 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2011-00036 DATED JAN 29 2013

The following rates and charges are prescribed for the customers in the area served by Big Rivers Electric Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RURAL DELIVERY SERVICE
FORMERLY SCHEDULE C.4.d(2)

Demand Charge	$ 9.697
Energy Charge per kWh	$ .029736

LARGE INDUSTRIAL CUSTOMER
FORMERLY SCHEDULE C.7.c(2)(b)

Demand Charge	$ 10.50
Energy Charge per kWh	$ .024508

COGENERATION/SMALL POWER PRODUCTION SALES – OVER 100 kW
FORMERLY SCHEDULE 9f(3)(1)

Demand Charge - Weekly	$ 2.238
Energy Charge per kWh	$ .029736

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	Big Rivers Financial Model 2013-2016	2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
1															
2	I. Sales														
3															
4	Energy (TWH)														
5	Rural		0.25	0.21	0.19	0.15	0.17	0.22	0.24	0.23	0.18	0.15	0.18	0.25	2.41
6	Large Industrial		0.08	0.07	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.94
7	Century		0.35	0.32	0.35	0.34	0.35	0.34	0.35	0.22	0.00	0.00	0.00	0.00	2.62
8	Alcan		0.28	0.25	0.28	0.27	0.28	0.27	0.27	0.27	0.26	0.27	0.26	0.27	3.20
9	Market		0.11	0.11	0.13	0.08	0.07	0.06	0.08	0.20	[redacted]				
10	Total Energy Sales		1.07	0.96	1.03	0.91	0.94	0.96	1.03	1.00	[redacted]				
11															
12	Demand (MW)														
13	Rural		540.18	482.11	418.81	328.15	374.55	472.17	493.51	533.48	416.26	336.41	377.17	494.38	5,267.19
14	Large Industrial		139.27	139.90	139.11	139.40	138.43	138.53	143.19	143.54	136.42	138.47	138.43	138.60	1,673.29
15															
16	II. Rates, Accrual Based ($/ MWH Sold, unless otherwise noted)														
17	General Rate Adjustment - Rural														
18	General Rate Adjustment - Large Industrial														
19															
20	Rural														
21	Load Factor (%)		62.01%	64.21%	60.23%	62.59%	59.28%	63.76%	66.25%	59.00%	59.69%	61.52%	66.01%	66.78%	62.67%
22	Demand ($/ KW-mo.)		9.50	9.50	9.50	9.50	9.50	9.50	9.50	12.14	16.95	16.95	16.95	16.95	12.10
23	Energy ($/ MWH)		29.74	29.74	29.74	29.74	29.74	29.74	29.74	29.83	30.00	30.00	30.00	30.00	29.83
24	Base Rate ($/ MWH)		50.33	51.75	50.94	50.82	51.28	50.43	49.01	57.49	69.44	67.03	65.66	64.12	56.20
25															
26															
27	Non-Smelter Non-FAC PPA		(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.38)	(0.78)	(0.78)	(0.78)	(0.78)	(1.18)
28	FAC		3.79	3.93	3.92	3.96	3.96	4.11	4.63	4.21	4.70	4.48	4.61	4.67	4.25
29	Environmental Surcharge		3.17	3.25	3.29	3.07	3.21	3.19	3.03	3.67	4.35	4.13	3.72	3.42	3.43
30	Surcredit		(3.54)	(3.85)	(4.33)	(5.05)	(4.75)	(3.87)	(3.53)	(2.87)	(1.91)	(2.14)	(1.91)	(1.54)	(3.23)
31	Total		3.42	3.32	2.86	1.97	2.42	3.43	4.13	5.02	7.14	6.47	6.42	6.55	4.45
32	Economic Reserve		(7.64)	(7.54)	(7.09)	(6.19)	(6.63)	(7.64)	(7.34)	(8.23)	(10.35)	(9.68)	(9.63)	(9.76)	(8.15)
33	Rural Economic Reserve		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
34	TIER Related Rebate		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
35	Effective Rate ($/ MWH)		44.76	46.18	45.37	45.25	45.71	44.88	44.44	52.93	65.45	63.04	61.67	60.13	51.32
36															
37	Large Industrial														
38	Load Factor (%)		75.77%	79.04%	77.68%	76.94%	76.72%	77.06%	77.88%	76.94%	76.20%	76.55%	77.16%	76.59%	77.20%
39	Demand ($/ KW-mo.)		10.50	10.50	10.50	10.50	10.50	10.50	10.50	11.18	12.41	12.41	12.41	12.41	11.19
40	Energy ($/ MWH)		24.51	24.51	24.51	24.51	24.51	24.51	24.51	26.45	30.00	30.00	30.00	30.00	26.48
41	Power Factor Penalty/ Demand Cr. (Lrg. Ind.)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
42	Base Rate ($/ MWH)		43.13	44.27	42.67	43.46	42.90	43.43	42.63	45.98	52.04	51.79	52.33	51.78	46.34
43															
44															
45	Non-Smelter Non-FAC PPA		(1.36)	(1.36)	(1.38)	(1.38)	(1.36)	(1.36)	(1.36)	(1.38)	(0.78)	(0.78)	(0.78)	(0.78)	(1.17)
46	FAC		3.79	3.93	3.92	3.96	3.96	4.11	4.63	4.21	4.70	4.48	4.61	4.67	4.25
47	Environmental Surcharge		2.75	2.81	2.79	2.65	2.72	2.78	2.67	2.99	3.33	3.25	3.01	2.80	2.88
48	Surcredit		(3.54)	(3.85)	(4.33)	(5.05)	(4.75)	(3.87)	(3.53)	(2.87)	(1.91)	(2.14)	(1.91)	(1.54)	(3.27)
49	Total		3.00	2.89	2.38	1.56	1.93	3.02	3.77	4.33	6.12	5.59	5.71	5.94	3.86
50	Economic Reserve		(7.21)	(7.10)	(6.59)	(5.77)	(6.15)	(7.23)	(6.98)	(7.55)	(9.33)	(8.80)	(8.92)	(9.15)	(7.56)
51	TIER Related Rebate		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
52	Effective Rate ($/ MWH)		37.56	38.71	37.10	37.89	37.33	37.86	38.06	41.41	48.05	47.80	48.34	47.78	41.47
53															
54	Non-Smelter Member Blend														
55	Base Rate ($/ MWH)		46.60	49.78	48.46	48.29	48.57	48.60	47.39	54.50	64.21	61.87	61.66	61.12	53.43
56															
57															
58	Non-Smelter Non-FAC PPA		(1.36)	(1.36)	(1.38)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(0.78)	(0.78)	(0.78)	(0.78)	(1.17)
59	FAC		3.79	3.93	3.92	3.96	3.96	4.11	4.63	4.21	4.70	4.48	4.61	4.67	4.25
60	Environmental Surcharge		3.07	3.14	3.14	2.93	3.05	3.08	2.94	3.50	4.04	3.83	3.51	3.27	3.28
61	Surcredit		(3.54)	(3.85)	(4.33)	(5.05)	(4.75)	(3.87)	(3.53)	(2.87)	(1.91)	(2.14)	(1.91)	(1.54)	(3.24)
62	Total		3.32	3.21	2.73	1.83	2.28	3.32	4.04	4.84	6.83	6.17	6.21	6.40	4.29
63	Economic Reserve		(7.53)	(7.42)	(6.94)	(6.04)	(6.46)	(7.53)	(7.25)	(8.05)	(10.05)	(9.38)	(9.42)	(9.61)	(7.99)
64	Rural Economic Reserve		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
65	TIER Related Rebate		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
66	Effective Rate ($/ MWH)		43.03	44.22	42.89	42.72	43.00	43.03	42.82	49.94	60.22	57.88	57.67	57.13	48.55
67															

Financial Model for Rate Case - Financial Forecast (2013-2016) 11-09-2012 (Filing).xlsx

	Big Rivers Financial Model 2013-2016	2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
68	Smelters														
69	Base Rate		39.43	39.43	39.43	39.43	39.43	39.43	39.43	40.72	47.60	47.60	47.60	47.60	41.02
70	TIER Adjustment		2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95
71	Total		42.38	42.38	42.38	42.38	42.38	42.38	42.38	43.67	50.55	50.55	50.55	50.55	43.97
72	Non-FAC PPA		(0.59)	(0.56)	(0.57)	(0.55)	(0.57)	(0.58)	(0.59)	(0.54)	(0.35)	(0.34)	(0.35)	(0.42)	(0.53)
73	FAC		3.79	3.93	3.92	3.96	3.96	4.11	4.63	4.21	4.70	4.48	4.61	4.67	4.16
74	Environmental Surcharge		2.48	2.48	2.55	2.38	2.48	2.50	2.44	2.72	3.03	2.97	2.73	2.56	2.56
75	Surcharge		1.85	1.92	1.85	1.87	1.85	1.87	1.86	1.87	1.88	1.86	1.88	1.86	1.87
76	TIER Related Rebate		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
77	Effective Rate ($/ MWH)		49.92	50.16	50.13	50.04	50.11	50.29	50.73	51.94	59.81	59.52	59.41	59.22	52.03
78															
79	Market		32.37	31.45	30.37	31.60	29.63	32.71	41.25	33.28	[redacted]				
80															
81	III. Statement of Operations														
82															
83	Electric Energy Revenues		51.46	46.38	48.73	43.81	45.47	47.34	51.19	50.01	[redacted]				
84	Income From Leased Property Net														0.00
85	Other Operating Revenue and Income		0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.70
86	TOTAL OPER. REVENUES & PATRONAGE CAPITAL		51.77	46.67	49.04	44.11	45.78	47.65	51.50	50.32	[redacted]				
87															
88	Operating Expense-Production-Excluding Fuel		4.62	4.36	4.76	4.50	5.14	4.46	4.61	4.53	[redacted]				
89	Operating Expense-Production-Fuel		22.04	19.91	21.43	20.67	19.83	20.31	22.36	21.58					
90	Operating Expense-Other Power Supply		7.63	7.13	8.38	7.70	8.02	7.14	7.41	7.08					
91	Operating Expense-Transmission		0.79	0.74	0.80	0.74	0.77	0.79	0.79	0.79					
92	Operating Expense-RTO/ISO		0.21	0.18	0.19	0.18	0.19	0.19	0.20	0.20					
93	Operating Expense-Distribution														
94	Operating Expense-Customer Accounts														
95	Operating Expense-Customer Service and Information		0.07	0.06	0.19	0.08	0.09	0.28	0.09	0.09					
96	Operating Expense-Sales		0.01	0.00	0.02	0.01	0.01	0.03	0.01	0.01					
97	Operating Expense-Administrative and General		2.25	2.10	2.86	2.22	2.60	2.90	2.21	2.31					
98	TOTAL OPERATION EXPENSE		37.61	34.49	38.65	36.09	36.64	36.11	37.67	36.58					
99															
100	Maintenance Expense-Production		2.74	3.21	3.48	3.94	7.29	3.02	3.31	3.27	[redacted]				
101	Maintenance Expense-Transmission		0.38	0.36	0.45	0.37	0.44	0.53	0.53	0.45					
102	Maintenance Expense-Distribution														
103	Maintenance Expense-General Plant		0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02					
104	TOTAL MAINTENANCE EXPENSE		3.14	3.59	3.94	4.33	7.75	3.56	3.86	3.74					
105															
106	Depreciation and Amortization Expense		3.44	3.44	3.45	3.45	3.47	3.48	3.49	3.49	3.64	3.65	3.66	3.66	42.31
107	Taxes		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
108	Interest on Long-Term Debt		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.87	3.97	46.31
109	Interest Charged to Construction - Credit		(0.00)	(0.01)	(0.02)	(0.05)	(0.04)	(0.06)	(0.08)	(0.04)	(0.06)	(0.10)	(0.14)	(0.18)	(0.77)
110	Other Interest Expense		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
111	Asset Retirement Obligation														
112	Other Deductions		0.05	0.04	0.05	0.05	0.04	0.06	0.04	0.04	0.04	0.05	0.05	0.07	0.58
113															
114	TOTAL COST OF ELECTRIC SERVICE		48.03	45.06	49.99	47.71	51.81	46.95	48.92	47.75	[redacted]				
115															
116	OPERATING MARGINS		3.74	1.61	(0.95)	(3.59)	(6.03)	0.70	2.58	2.57	[redacted]				
117															
118	Interest Income		0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.16	2.02
119	Allowance For Funds Used During Construction														
120	Income (Loss) From Equity Investments														
121	Other Non-Operating Income (Net)														
122	Generation and Transmission Capital Credits														
123	Other Capital Credits and Patronage Dividends		0.00	0.00	1.24	0.03	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	1.27
124	Extraordinary Items														
125	NET PATRONAGE CAPITAL OR MARGIN		3.91	1.78	0.46	(3.40)	(5.88)	0.67	2.75	2.74	[redacted]				
126															

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	Big Rivers Financial Model 2013-2016	2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
127															
128	IV. Balance Sheet														
129	Total Utility Plant in Service	2,003.19	2,013.27	2,014.57	2,018.96	2,025.29	2,031.25	2,034.08	2,036.69	2,038.22	2,040.49	2,046.15	2,048.32	2,048.69	2,048.69
130	Construction Work in Progress	49.15	40.00	40.00	40.00	40.00	40.90	42.11	44.43	46.75	50.29	57.51	64.78	72.20	72.20
131	Total Utility Plant	2,052.34	2,053.27	2,054.57	2,058.96	2,065.29	2,072.15	2,076.19	2,081.12	2,084.97	2,090.79	2,103.86	2,113.09	2,120.89	2,120.89
132	Accum. Provision for Depreciation and Amort.	967.07	970.49	973.80	976.14	977.89	979.77	982.65	985.61	988.91	992.12	994.27	997.53	1,001.36	1,001.36
133	NET UTILITY PLANT	1,085.27	1,082.78	1,080.77	1,082.82	1,087.40	1,092.39	1,093.54	1,095.50	1,096.06	1,098.67	1,109.40	1,115.56	1,119.53	1,119.53
134															
135	Non-Utility Property (Net)														
136	Invest. In Assoc. Org - Patronage Capital	3.68	3.68	3.68	4.14	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
137	Invest. In Assoc. - Other - General Funds	43.84	43.84	43.52	43.52	43.52	43.21	43.21	43.21	42.88	42.88	42.88	42.55	42.55	42.55
138	Other Investments	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
139	Special Funds	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
140	Special Funds (Transition Reserve)	35.02	35.03	35.04	35.05	35.05	35.06	35.07	35.08	35.09	35.10	35.11	35.12	35.13	35.13
141	Special Funds (Economic Reserve)	80.58	78.16	76.11	74.29	72.98	71.44	69.27	66.95	64.44	61.91	59.76	57.39	54.30	54.30
142	Special Funds (Rural Economic Reserve)	64.40	64.50	64.59	64.69	64.79	64.89	64.99	65.09	65.19	65.29	65.39	65.49	65.60	65.60
143	TOTAL OTHER PROPERTY AND INVESTMENTS	228.59	226.27	224.01	222.77	221.56	219.82	217.76	215.54	212.83	210.40	208.37	205.77	202.79	202.79
144															
145	Cash - General Funds	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.006	0.01
146	Cash - Construction Funds - Trustee														
147	Special Deposits	0.60	0.60	0.60	0.80	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
148	Temporary Investments	101.42	107.66	110.08	114.27	113.78	102.03	101.93	100.20	94.01	114.21	105.98	95.16	82.84	82.84
149	Accounts Receivable - Sales of Energy (Net)	49.72	51.46	46.36	48.73	43.81	45.47	47.34	51.19	50.01	38.17	38.53	38.41	42.26	42.26
150	Accounts Receivable - Other (Net)	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22
151	Fuel Stock	32.00	32.22	32.33	32.41	32.27	32.22	32.34	32.45	32.47	32.76	32.97	33.10	33.18	33.18
152	Materials and Supplies - Other	26.18	26.24	26.30	26.35	26.41	26.46	26.52	26.58	26.64	26.70	26.76	26.83	26.89	26.89
153	Prepayments	4.21	3.60	3.29	2.97	2.68	2.35	2.05	1.76	1.46	1.17	0.87	0.58	4.18	4.18
154	Other Current and Accrued Assets	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71
155	TOTAL CURRENT AND ACCRUED ASSETS	216.06	223.73	220.89	227.28	221.46	211.08	212.73	214.71	207.13	215.54	207.65	196.61	191.89	191.89
156															
157	Unamortized Debt Discount & Extraor. Prop. Losses	3.81	3.78	5.16	5.13	5.09	5.06	5.03	5.00	4.96	4.93	4.90	4.86	4.83	4.83
158	Regulatory Assets	1.14	1.24	1.40	1.50	1.63	1.80	2.08	2.13	6.72	6.58	6.44	6.29	6.15	6.15
159	Other Deferred Debits	2.94	2.89	2.87	2.81	2.76	2.75	2.69	2.84	2.62	2.56	2.51	2.47	2.42	2.42
160	Accumulated Deferred Income Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
161															
162	TOTAL ASSETS AND OTHER DEBITS	1,537.814	1,540.70	1,535.11	1,542.30	1,539.92	1,532.89	1,533.83	1,535.53	1,530.32	1,538.68	1,539.25	1,531.57	1,527.62	1,527.62
163															
164															
165	TOTAL MARGINS & EQUITY	397.28	401.19	402.97	403.43	400.03	394.17	395.04	397.78	400.53	400.38	397.88	398.26	402.23	402.23
166															
167	Long-Term Debt - RUS	210.36	210.37	210.37	212.23	212.24	212.24	214.16	214.17	214.17	216.13	216.14	216.14	218.13	218.13
168	Long-Term Debt - Other	714.88	714.88	711.06	714.25	714.25	710.39	718.08	718.08	715.08	730.02	730.02	726.99	725.10	725.10
169	TOTAL LONG-TERM DEBT	925.24	925.25	921.43	926.48	926.49	922.63	932.24	932.25	929.25	946.14	946.16	943.13	943.23	943.23
170															
171	Notes Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
172	Accounts Payable	27.32	28.37	26.95	30.61	29.95	33.79	28.31	29.07	28.41	22.93	24.95	22.37	20.18	20.18
173	Accounts Payable (TIER Rebate)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
174	Taxes Accrued	0.23	0.55	0.88	1.20	1.53	1.85	2.18	2.50	0.69	1.01	1.34	1.10	0.81	0.81
175	Interest Accrued	4.91	5.01	4.68	4.24	6.92	7.00	4.86	5.13	5.25	4.50	7.29	7.40	4.89	4.89
176	Other Current and Accrued Liabilities	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29
177	Other Current and Accrued Liabilities (Purchased Power)														
178	TOTAL CURRENT AND ACCRUED LIABILITIES	40.75	42.23	40.60	44.34	46.69	50.93	43.64	44.99	42.64	36.73	41.87	39.16	34.17	34.17
179															
180	Deferred Credits	4.16	3.91	3.88	3.47	3.29	3.10	2.87	2.62	2.38	2.25	2.15	2.04	1.92	1.92
181	Deferred Credits (Economic Reserve)	80.58	78.16	76.11	74.29	72.98	71.44	69.27	66.95	64.44	61.91	59.76	57.39	54.30	54.30
182	Deferred Credits (Rural Economic Reserve)	64.40	64.50	64.59	64.69	64.79	64.89	64.99	65.09	65.19	65.29	65.39	65.49	65.60	65.60
183	Accumulated Operating Provisions	25.40	25.46	25.53	25.59	25.65	25.72	25.78	25.85	25.91	25.98	26.04	26.11	26.17	26.17
184	Obligation under Capital Leases - Noncurrent														
185															
186	TOTAL LIABILITIES AND OTHER CREDITS	1,537.81	1,540.70	1,535.11	1,542.30	1,539.92	1,532.89	1,533.83	1,535.53	1,530.32	1,538.68	1,539.25	1,531.57	1,527.62	1,527.62
187															
188	Balance Check	(0.000000)	(0.000000)	0.000000	0.000000	(0.000000)	0.000000	(0.000000)	(0.000000)	(0.000000)	(0.000000)	(0.000000)	(0.000000)	0.000000	0.000000

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-73

	Big Rivers Financial Model 2013-2016	2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June
189	V. Cash Flow Statement							
190	Operating Receipts							
191	Rural		11:15	9.61	8.51	6.89	7.55	9.72
192	Large Industrial		2.95	2.88	2.98	2.93	2.95	2.91
193	Smelters		31.30	28.41	31.43	30.37	31.42	30.51
194	Offsystem		3.58	3.37	3.94	2.46	1.97	1.98
195	Lease Income							
196	Other Operating Revenues		0.31	0.31	0.31	0.31	0.31	0.31
197	Gain on Sale of Allowances		0.00	0.00	0.00	0.00	0.00	0.00
198	Other		0.00	0.00	1.24	0.03	0.00	0.00
199	Interest Earnings		0.17	0.17	0.17	0.17	0.17	0.17
200	Total Receipts		49.47	44.74	48.59	42.95	44.37	45.61
201								
202	Operating Disbursements							
203	PPA							
204	Fuel Costs		25.29	22.69	24.44	21.12	21.47	23.23
205	Fuel Costs (Labor & Exp)		0.84	0.82	0.88	0.85	0.90	0.79
206	Domtar		0.00	0.00	0.00	0.00	0.00	0.00
207	Power Supply (Purch. Power, APM, Cogen, & TVA Tran)		3.74	3.58	4.51	6.16	5.34	3.51
208	Production O&M		7.36	7.57	8.24	8.43	12.44	7.47
209	Transmission O&M		1.38	1.29	1.44	1.28	1.39	1.51
210	A&G		2.30	2.18	3.05	2.29	2.70	3.16
211	Working Capital		(0.24)	(4.62)	(1.45)	(4.88)	(3.13)	6.72
212	Other		0.11	0.16	0.11	0.14	0.17	0.31
213	Total Disbursements		40.77	33.68	41.21	35.39	41.29	46.72
214								
215	Operating Receipts less Disbursements		8.70	11.06	7.38	7.55	3.08	(1.11)
216								
217	Capital Expenditures							
218	Generation		0.60	0.16	4.63	6.41	7.50	3.58
219	Transmission		0.55	0.85	0.58	0.61	0.63	0.80
220	A&G		0.02	0.60	0.30	0.58	0.10	0.10
221	Other / IT		0.05	0.10	0.24	0.48	0.47	0.39
222	Total Capital Expenditures		1.22	1.70	5.75	8.27	8.69	4.86
223								
224	Income Taxes from Operations		0.00	0.00	0.00	0.00	0.00	0.00
225								
226	Net Pre-Finance Cash Flow		7.48	9.35	1.63	(0.72)	(5.61)	(5.97)
227								
228	Financing							
229	Principal		0.00	3.83	(3.19)	0.00	3.86	(7.69)
230	Interest		3.68	3.81	2.49	1.13	3.85	4.03
231	Debt Issuance Cost		0.00	1.40	0.00	0.00	0.00	0.00
232	Line of Credit (Upfront Fee)		0.00	0.00	0.00	0.00	0.00	0.00
233	Aggregate Debt Service (incl. Line of Credit)		3.68	9.04	(0.70)	1.13	7.71	(3.67)
234								
235	Post-Finance Cash Flow		3.80	0.32	2.34	(1.84)	(13.32)	(2.30)
236								
237	Unwind Transaction							
238	Cash Proceeds							
239	Debt Reduction							
240	Misc. Transaction							
241	Net Before Member Reserves							
242	Station Two O&M Fund							
243	Rural Economic Reserve		0.00	0.00	0.00	0.00	0.00	0.00
244	Economic Reserve		2.47	2.10	1.86	1.36	1.58	2.21
245	Net Before Transition Reserve		2.47	2.10	1.86	1.36	1.58	2.21
246								
247	Ending Cash Balances (Incl. Transition Reserve)	138.44	142.71	145.13	149.32	148.84	137.10	137.01
248	Ending Cash Balances excl. Transition Reserve)	101.42	107.68	110.09	114.28	113.79	102.04	101.94

	Big Rivers Financial Model 2013-2016	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
189	V. Cash Flow Statement							
190	Operating Receipts							
191	Rural	10.81	12.39	11.71	9.71	11.06	14.77	123.68
192	Large Industrial	3.18	3.40	3.69	3.77	3.72	3.77	39.11
193	Smelters	31.44	25.13	15.53	15.97	15.43	15.89	302.82
194	Offsystem	3.42	6.54	[redacted]				
195	Lease Income							
196	Other Operating Revenues	0.31	0.31	0.31	0.31	0.31	0.31	3.70
197	Gain on Sale of Allowances	0.00	0.00	0.00	0.00	0.00	0.00	0.00
198	Other	0.00	0.01	0.00	0.00	0.00	0.00	1.27
199	Interest Earnings	0.17	0.17	0.17	0.17	0.17	0.16	2.02
200	Total Receipts	49.30	47.95	[redacted]				
201								
202	Operating Disbursements							
203	PPA							
204	Fuel Costs	25.35	24.24	[redacted]				
205	Fuel Costs (Labor & Exp)	0.88	1.04					
206	Domtar	0.00	0.00					
207	Power Supply (Purch. Power, APM, Cogen, & TVA Tran)	3.82	3.37					
208	Production O&M	7.93	7.80					
209	Transmission O&M	1.52	1.44					
210	A&G	2.28	2.41	2.38	2.47	2.09	2.49	29.80
211	Working Capital	2.46	0.67	(6.98)	(2.29)	2.08	9.93	(1.72)
212	Other	0.06	4.59	(0.14)	(0.14)	(0.14)	(0.14)	5.09
213	Total Disbursements	44.09	45.56	[redacted]				
214								
215	Operating Receipts less Disbursements	5.21	2.39	[redacted]				
216								
217	Capital Expenditures							
218	Generation	4.72	3.49	[redacted]				
219	Transmission	0.52	0.49					
220	A&G	0.10	0.10	0.15	0.20	0.20	0.20	2.64
221	Other / IT	0.31	0.22	0.15	0.11	0.12	0.08	2.68
222	Total Capital Expenditures	5.65	4.29	[redacted]				
223								
224	Income Taxes from Operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
225								
226	Net Pre-Finance Cash Flow	(0.44)	(1.90)	5.31	(9.24)	(6.43)	(9.04)	(15.57)
227								
228	Financing							
229	Principal	0.00	3.00	(14.94)	0.00	3.03	1.88	(10.22)
230	Interest	3.65	3.82	2.62	1.17	3.76	4.49	38.47
231	Debt Issuance Cost	0.00	0.00	0.00	0.00	0.00	0.02	1.42
232	Line of Credit (Upfront Fee)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
233	Aggregate Debt Service (incl. Line of Credit)	3.65	6.82	(12.32)	1.17	6.79	6.39	29.67
234								
235	Post-Finance Cash Flow	(4.09)	(8.72)	17.63	(10.41)	(13.22)	(15.43)	(45.25)
236								
237	Unwind Transaction							
238	Cash Proceeds							
239	Debt Reduction							
240	Misc. Transaction							
241	Net Before Member Reserves							
242	Station Two O&M Fund							
243	Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00
244	Economic Reserve	2.37	2.55	2.57	2.19	2.41	3.12	26.78
245	Net Before Transition Reserve	2.37	2.55	2.57	2.19	2.41	3.12	26.78
246								
247	Ending Cash Balances (Incl. Transition Reserve)	135.29	129.11	149.31	141.09	130.26	117.97	117.97
248	Ending Cash Balances excl. Transition Reserve)	100.20	94.02	114.21	105.98	95.17	82.85	82.85

	Big Rivers Financial Model 2013-2016	2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
249	Change in Working Capital														
250	Other Property		0.00	(0.32)	0.46	0.01	(0.32)	0.00	0.00	(0.32)	0.00	0.00	(0.33)	0.00	(0.81)
251	Accounts Receivable		1.74	(5.10)	2.38	(4.93)	1.67	1.87	3.84	(1.18)	(11.84)	0.36	(0.12)	3.85	(7.46)
252	Materials, Supplies & Other		0.06	0.06	0.06	0.08	0.05	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.71
253	Prepayments		(0.59)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	3.61	0.06
254	Other Current Assets		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
255	Accounts Payable		(1.05)	1.42	(3.66)	0.66	(3.84)	5.48	(0.75)	0.66	5.48	(2.02)	2.58	2.19	7.14
256	Taxes Accrued		(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	1.81	(0.32)	(0.32)	0.24	0.29	(0.58)
257	Other Accruals		(0.06)	(0.06)	(0.06)	(0.06)	(0.08)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.07)	(0.07)	(0.77)
258	Total		(0.24)	(4.62)	(1.45)	(4.88)	(3.13)	6.72	2.46	0.67	(6.98)	(2.29)	2.08	9.93	(1.72)
259															
260															
261	VI. Cash Flow Statement (Indirect Method)														
262															
263	Cash Flows From Operating Activities:														
264	Net Margin		3.91	1.78	0.48	(3.40)	(5.86)	0.87	2.75	2.74	[redacted]				
265	Adjustments to reconcile net margin to net cash														
266	provided by operating activities:														
267	Depreciation and amortization		3.71	3.72	3.72	3.73	3.75	3.76	3.77	3.78	3.92	3.93	3.94	3.94	45.66
268	Interest compounded - RUS Series A Note		0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.04
269	Interest compounded - RUS Series B Note		0.00	0.00	1.86	0.00	0.00	1.91	0.00	0.00	1.96	0.00	0.00	1.99	7.72
270	Noncash member rate mitigation revenue		(2.82)	(2.46)	(2.17)	(1.67)	(1.94)	(2.72)	(2.67)	(7.39)	(2.54)	(2.15)	(2.38)	(3.09)	(34.03)
271	Changes in certain assets and liabilities:														
272	Other property		0.00	0.32	(0.46)	(0.01)	0.32	0.00	0.00	0.32	0.00	0.00	0.33	0.00	0.81
273	Accounts receivable		(1.74)	5.10	(2.38)	4.93	(1.67)	(1.87)	(3.84)	1.18	11.84	(0.38)	0.12	(3.85)	7.46
274	Inventories		(0.28)	(0.17)	(0.13)	0.08	(0.01)	(0.18)	(0.17)	(0.08)	(0.35)	(0.27)	(0.20)	(0.14)	(1.89)
275	Prepayments		0.61	0.31	0.31	0.31	0.31	0.30	0.30	0.30	0.30	0.30	0.30	(3.61)	0.03
276	Other current assets		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
277	Accounts payable		1.05	(1.42)	3.66	(0.66)	3.84	(5.48)	0.75	(0.66)	(5.48)	2.02	(2.58)	(2.19)	(7.14)
278	Taxes accrued		0.32	0.32	0.32	0.32	0.32	0.32	0.32	(1.81)	0.32	0.32	(0.24)	(0.29)	0.58
279	Other accruals		0.23	(0.23)	(0.30)	2.78	0.15	(2.05)	0.34	0.20	(0.66)	2.84	0.11	(2.52)	0.90
280	Net cash provided by operating activities		5.02	7.25	4.89	6.42	(0.77)	(5.14)	1.56	(1.43)	[redacted]				
281															
282	Cash Flows From Investing Activities:														
283	Capital expenditures		(1.22)	(1.70)	(5.75)	(8.27)	(8.69)	(4.86)	(5.65)	(4.29)	[redacted]				
284	Net proceeds from restricted investments		2.46	2.09	1.85	1.35	1.57	2.20	2.36	2.54	2.56	2.16	2.40	3.11	26.67
285	Net cash provided by (used in) investing activities		1.24	0.38	(3.90)	(6.92)	(7.12)	(2.65)	(3.29)	(1.75)	[redacted]				
286															
287	Cash Flows From Financing Activities:														
288	Net principal payments on debt obligations		0.00	(3.83)	3.19	0.00	(3.66)	7.69	0.00	(3.00)	14.94	0.00	(3.03)	(1.88)	10.22
289	Debt issuance cost		0.00	(1.40)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.02)	(1.42)
290	Line of Credit (Upfront Fee)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
291	Net cash provided by (used in) financing activities		0.00	(5.23)	3.19	0.00	(3.86)	7.69	0.00	(3.00)	14.94	0.00	(3.03)	(1.90)	8.80
292															
293	Net increase (decrease) in cash and cash equivalents		6.26	2.40	4.19	(0.49)	(11.75)	(0.10)	(1.74)	(6.19)	20.19	(8.23)	(10.62)	(12.32)	(18.57)
294															
295	Cash and Cash Equivalents - Beginning of Period														101.42
296	Cash and Cash Equivalents - End of Period														82.85
297															
298	Check		0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.000000

Financial Model for Rate Case - Financial Forecast (2013-2016) 11-09-2012 (Filing) xlsx

Big Rivers Financial Model 2013-2016	2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
VII. Credit Measures														
Contract TIER														
Earnings		3.91	1.78	0.46	(3.40)	(5.86)	0.87	2.75	2.74	[redacted]				
Plus: Interest Expense		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.87	3.97	46.31
Plus: Imputed Rate Increase in 2010		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Offset to Imputed Rate Increase in 2010		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Interest on Sequestered Funds		(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.11)
Total		7.70	5.27	4.38	0.43	(1.92)	4.66	6.68	6.67	3.67	1.46	4.24	7.92	51.15
Plus Sale-Leaseback Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total		7.70	5.27	4.38	0.43	(1.92)	4.66	6.68	6.67	3.67	1.46	4.24	7.92	51.15
Divided by														
Interest Expense		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.87	3.97	46.31
Plus Sale-Leaseback Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.87	3.97	46.31
Contract TIER		2.03	1.51	1.11	0.11	(0.49)	1.23	1.70	1.69	[redacted]				
Conventional TIER														
Earnings		3.91	1.78	0.46	(3.40)	(5.86)	0.87	2.75	2.74	[redacted]				
Plus: Interest Expense		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.87	3.97	46.31
Plus Income Tax														
Total		7.71	5.28	4.39	0.44	(1.91)	4.67	6.68	6.68	3.68	1.47	4.25	7.93	51.25
Plus Sale-Leaseback Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total		7.71	5.28	4.39	0.44	(1.91)	4.67	6.68	6.68	3.68	1.47	4.25	7.93	51.25
Divided by														
Interest Expense		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.87	3.97	46.31
Plus Sale-Leaseback Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.87	3.97	46.31
Conventional TIER		2.03	1.51	1.12	0.11	(0.49)	1.23	1.70	1.70	[redacted]				
North Star														
Total Cost of Electric Service (millions of $)		48.03	45.05	49.99	47.71	51.81	46.95	48.92	47.75	[redacted]				
Non-Member Revenues (millions of $)		4.07	3.85	5.66	2.96	2.45	2.46	3.89	7.02					
		43.97	41.20	44.33	44.75	49.36	44.49	45.02	40.73					
Smelter and Non-Smelter Member Sales (TWh)		0.95	0.85	0.90	0.83	0.87	0.90	0.95	0.80	[redacted]				
$/MWh		46.05	48.55	49.53	53.79	56.65	49.41	47.60	50.91					
$/kWh		0.046050	0.048548	0.049528	0.053786	0.056651	0.049414	0.047595	0.050906					

Big Rivers Financial Model 2013-2016	2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
VIII. Debt Service - Cash Flow (M$)														
ECP														
Beginning Principal		0.00	0.00	0.00	5.01	5.01	5.01	15.01	15.01	15.01	31.81	31.81	31.81	0.00
Principal		0.00	0.00	(5.01)	0.00	0.00	(10.00)	0.00	0.00	(16.80)	0.00	0.00	0.00	(31.81)
Interest		0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.11	0.00	0.00	0.24	0.39
Debt Service		0.00	0.00	(5.01)	0.00	0.00	(9.96)	0.00	0.00	(16.69)	0.00	0.00	0.24	(31.42)
CoBank														
Beginning Principal		231.43	231.43	231.43	229.61	229.61	229.61	227.77	227.77	227.77	225.91	225.91	225.91	231.43
Principal		0.00	0.00	1.82	0.00	0.00	1.84	0.00	0.00	1.86	0.00	0.00	1.88	7.40
Interest		0.00	0.00	2.49	0.00	0.00	2.50	0.00	0.00	2.50	0.00	0.00	2.48	9.97
Debt Service		0.00	0.00	4.31	0.00	0.00	4.34	0.00	0.00	4.36	0.00	0.00	4.37	17.37
NRUCFC														
Beginning Principal		298.51	298.51	295.00	295.00	295.00	291.46	291.46	291.46	288.78	288.78	288.78	286.08	298.51
Principal		0.00	3.51	0.00	0.00	3.54	0.00	0.00	2.68	0.00	0.00	2.70	0.00	12.44
Interest		0.00	3.24	0.00	0.00	3.28	0.00	0.00	3.25	0.00	0.00	3.20	0.00	12.96
Debt Service		0.00	6.75	0.00	0.00	6.82	0.00	0.00	5.93	0.00	0.00	5.90	0.00	25.40
Lines of Credit														
Beginning Principal		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Principal		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RUS Series A Note (GAAP)														
Beginning Principal		80.02	80.03	80.03	80.03	80.04	80.04	80.04	80.05	80.05	80.05	80.06	80.06	80.02
Principal		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest		1.18	0.00	0.00	1.13	0.00	0.00	1.15	0.00	0.00	1.17	0.00	0.00	4.62
Debt Service		1.18	0.00	0.00	1.13	0.00	0.00	1.15	0.00	0.00	1.17	0.00	0.00	4.82
Interest Compounded to Principal		0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.04
RUS Series B Note (GAAP)														
Beginning Principal		130.34	130.34	130.34	132.20	132.20	132.20	134.12	134.12	134.12	136.08	136.08	136.08	130.34
Principal		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Compounded to Principal		0.00	0.00	1.86	0.00	0.00	1.91	0.00	0.00	1.96	0.00	0.00	1.99	7.72
PCB														
Beginning Principal		142.10	142.10	142.10	142.10	142.10	142.10	141.64	141.84	141.64	141.64	141.64	141.64	142.10
Principal		0.00	0.00	0.00	0.00	0.00	0.47	0.00	0.00	0.00	0.00	0.00	0.00	0.47
Interest		2.50	0.00	0.00	0.00	0.00	1.49	2.50	0.00	0.00	0.00	0.00	1.78	8.26
Debt Service		2.50	0.00	0.00	0.00	0.00	1.96	2.50	0.00	0.00	0.00	0.00	1.76	8.72
CFC CTC Loan														
Beginning Principal		42.84	42.64	42.53	42.53	42.53	42.21	42.21	42.21	41.89	41.89	41.89	41.56	42.84
Principal		0.00	0.32	0.00	0.00	0.32	0.00	0.00	0.32	0.00	0.00	0.33	0.00	1.29
Interest		0.00	0.57	0.00	0.00	0.57	0.00	0.00	0.56	0.00	0.00	0.56	0.00	2.27
Debt Service		0.00	0.89	0.00	0.00	0.89	0.00	0.00	0.89	0.00	0.00	0.89	0.00	3.55
Total														
Beginning Principal		925.24	925.25	921.43	926.48	926.49	922.83	932.24	932.25	929.25	946.14	946.16	943.13	925.24
Principal		0.00	3.83	(3.19)	0.00	3.86	(7.69)	0.00	3.00	(14.94)	0.00	3.03	1.88	(10.22)
Interest		3.68	3.81	2.49	1.13	3.85	4.03	3.65	3.82	2.62	1.17	3.76	4.49	38.47
Line of Credit Fee		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service		3.68	7.64	(0.70)	1.13	7.71	(3.67)	3.65	6.82	(12.32)	1.17	6.79	6.37	28.25
Interest Compounded to Principal		0.01	0.00	1.86	0.01	0.00	1.91	0.01	0.00	1.96	0.01	0.00	1.99	7.77

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-73

Big Rivers Financial Model 2013-2016	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014
I. Sales													
Energy (TWH)													
Rural	0.25	0.21	0.19	0.15	0.17	0.22	0.25	0.24	0.18	0.16	0.18	0.25	2.45
Large Industrial	0.08	0.07	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.94
Century	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Alcan	0.27	0.24	0.27	0.26	0.27	0.26	0.27	0.27	0.26	0.27	0.26	0.27	3.16
Market	[redacted]												
Total Energy Sales													
Demand (MW)													
Rural	548.56	489.60	425.32	333.27	380.07	479.13	500.79	541.33	422.41	341.34	383.06	502.06	5,346.95
Large Industrial	140.57	139.90	139.11	139.40	138.43	138.53	143.19	143.54	136.42	138.47	138.43	138.60	1,674.59
II. Rates, Accrual Based ($/ MWH Sold, unless otherwise noted)													
General Rate Adjustment - Rural	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Rate Adjustment - Large Industrial	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rural													
Load Factor (%)	62.04%	64.25%	60.26%	62.62%	59.36%	63.85%	66.35%	59.09%	59.77%	61.61%	66.05%	66.80%	62.74%
Demand ($/ KW-mo.)	16.95	16.95	16.95	16.95	16.95	16.95	16.95	16.95	16.95	16.95	16.95	16.95	16.95
Energy ($/ MWH)	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Base Rate ($/ MWH)	66.72	69.26	67.61	67.59	68.38	66.87	64.34	68.56	69.38	66.98	65.64	64.11	67.01
Non-Smelter Non-FAC PPA	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.33)	(0.33)	(0.33)	(0.33)	(0.64)
FAC	4.90	5.07	5.22	5.34	5.44	5.64	5.66	5.70	5.77	5.38	5.43	5.44	5.41
Environmental Surcharge	3.73	3.88	3.67	3.99	3.94	3.87	3.70	4.55	5.35	5.10	4.65	4.22	4.16
Surcredit	(1.50)	(1.64)	(1.84)	(2.15)	(2.02)	(1.64)	(1.51)	(1.56)	(1.89)	(2.12)	(1.89)	(1.52)	(1.73)
Total	7.13	7.32	7.05	7.18	7.37	7.87	7.85	8.69	9.23	8.37	8.19	8.14	7.87
Economic Reserve	(10.34)	(10.53)	(10.26)	(10.39)	(10.58)	(11.08)	(9.06)	(9.90)	(10.44)	(9.58)	(9.40)	(9.35)	(10.05)
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Effective Rate ($/ MWH)	62.73	65.27	63.81	63.60	64.38	62.88	62.35	66.56	67.84	65.44	64.10	62.57	64.18
Large Industrial													
Load Factor (%)	75.71%	79.04%	77.88%	76.94%	76.72%	77.06%	77.88%	76.94%	78.20%	76.55%	77.18%	76.59%	77.20%
Demand ($/ KW-mo.)	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41	12.41
Energy ($/ MWH)	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Power Factor Penalty/ Demand Cr. (Lrg. Ind.)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Base Rate ($/ MWH)	52.03	53.37	51.47	52.40	51.74	52.37	51.42	51.68	52.04	51.79	52.33	51.76	52.02
Non-Smelter Non-FAC PPA	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.33)	(0.33)	(0.33)	(0.33)	(0.63)
FAC	4.90	5.07	5.22	5.34	5.44	5.64	5.66	5.70	5.77	5.38	5.43	5.44	5.42
Environmental Surcharge	2.96	3.05	2.85	3.16	3.06	3.10	3.02	3.52	4.11	4.03	3.77	3.47	3.34
Surcredit	(1.50)	(1.64)	(1.84)	(2.15)	(2.02)	(1.64)	(1.51)	(1.56)	(1.89)	(2.12)	(1.89)	(1.52)	(1.77)
Total	6.37	6.49	6.23	6.35	6.48	7.09	7.17	7.88	7.99	7.29	7.32	7.39	6.99
Economic Reserve	(9.58)	(9.70)	(9.44)	(9.56)	(9.69)	(10.31)	(8.38)	(8.87)	(9.20)	(8.50)	(8.53)	(8.60)	(9.19)
TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Effective Rate ($/ MWH)	48.04	49.37	47.48	48.41	47.75	48.37	49.43	49.69	50.50	50.25	50.78	50.24	49.19
Non-Smelter Member Blend													
Base Rate ($/ MWH)	63.22	65.13	62.96	62.44	63.05	63.12	61.09	64.23	64.23	61.89	61.69	61.14	62.84
Non-Smelter Non-FAC PPA	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.33)	(0.33)	(0.33)	(0.33)	(0.64)
FAC	4.90	5.07	5.22	5.34	5.44	5.64	5.66	5.70	5.77	5.38	5.43	5.44	5.42
Environmental Surcharge	3.54	3.66	3.43	3.71	3.66	3.67	3.53	4.29	4.99	4.74	4.39	4.04	3.95
Surcredit	(1.50)	(1.64)	(1.84)	(2.15)	(2.02)	(1.64)	(1.51)	(1.56)	(1.89)	(2.12)	(1.89)	(1.52)	(1.74)
Total	6.95	7.10	6.81	6.90	7.08	7.67	7.68	8.43	8.86	8.01	7.93	7.96	7.62
Economic Reserve	(10.16)	(10.31)	(10.02)	(10.11)	(10.29)	(10.88)	(8.89)	(9.64)	(10.08)	(9.22)	(9.14)	(9.17)	(9.81)
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Effective Rate ($/ MWH)	59.23	61.13	58.97	58.44	59.06	59.12	59.10	62.23	62.69	60.35	60.15	59.60	60.01

Financial Model for Rate Case - Financial Forecast (2013-2016) 11-09-2012 (Filing).xlsx

	Big Rivers Financial Model 2013-2016	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014
68	Smelters													
69	Base Rate	47.60	47.60	47.60	47.60	47.60	47.60	47.60	47.60	47.60	47.60	47.60	47.60	47.60
70	TIER Adjustment	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94	2.94
71	Total	50.54	50.54	50.54	50.54	50.54	50.54	50.54	50.54	50.54	50.54	50.54	50.54	50.54
72	Non-FAC PPA	(0.41)	(0.35)	(0.36)	(0.31)	(0.34)	(0.38)	(0.41)	(0.40)	(0.34)	(0.32)	(0.34)	(0.41)	(0.36)
73	FAC	4.90	5.07	5.22	5.34	5.44	5.64	5.66	5.70	5.77	5.38	5.43	5.44	5.42
74	Environmental Surcharge	2.70	2.72	2.62	2.86	2.80	2.81	2.78	3.23	3.78	3.71	3.44	3.19	3.06
75	Surcharge	1.86	1.93	1.86	1.88	1.86	1.88	1.86	1.86	1.88	1.86	1.88	1.86	1.87
76	TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
77	Effective Rate ($/ MWH)	59.59	59.91	59.88	60.32	60.31	60.49	60.43	60.92	61.62	61.17	60.95	60.82	60.52
78														
79	Market	[redacted]												
80														
81	III. Statement of Operations													
82														
83	Electric Energy Revenues	[redacted]												
84	Income From Leased Property Net													0.00
85	Other Operating Revenue and Income	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.70
86	TOTAL OPER. REVENUES & PATRONAGE CAPITAL	[redacted]												
87														
88	Operating Expense-Production-Excluding Fuel	[redacted]												
89	Operating Expense-Production-Fuel													
90	Operating Expense-Other Power Supply													
91	Operating Expense-Transmission													
92	Operating Expense-RTO/ISO													
93	Operating Expense-Distribution													
94	Operating Expense-Customer Accounts													
95	Operating Expense-Customer Service and Information													
96	Operating Expense-Sales													
97	Operating Expense-Administrative and General													
98	TOTAL OPERATION EXPENSE													
99														
100	Maintenance Expense-Production	[redacted]												
101	Maintenance Expense-Transmission													
102	Maintenance Expense-Distribution													
103	Maintenance Expense-General Plant													
104	TOTAL MAINTENANCE EXPENSE													
105														
106	Depreciation and Amortization Expense	3.66	3.67	3.87	3.68	3.69	3.71	3.71	3.71	3.84	3.85	3.86	3.86	44.91
107	Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
108	Interest on Long-Term Debt	3.91	3.66	3.98	3.90	4.01	3.88	4.01	4.01	3.89	4.01	3.90	4.00	47.16
109	Interest Charged to Construction - Credit	(0.17)	(0.19)	(0.22)	(0.29)	(0.34)	(0.38)	(0.39)	(0.01)	(0.02)	(0.04)	(0.02)	(0.02)	(2.10)
110	Other Interest Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
111	Asset Retirement Obligation													
112	Other Deductions	0.05	0.05	0.05	0.05	0.04	0.06	0.04	0.04	0.04	0.05	0.05	0.07	0.59
113														
114	TOTAL COST OF ELECTRIC SERVICE	[redacted]												
115														
116	OPERATING MARGINS	[redacted]												
117														
118	Interest Income	0.17	0.17	0.17	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	1.95
119	Allowance For Funds Used During Construction													
120	Income (Loss) From Equity Investments													
121	Other Non-Operating Income (Net)													
122	Generation and Transmission Capital Credits													
123	Other Capital Credits and Patronage Dividends	0.00	0.00	2.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.71
124	Extraordinary Items													
125	NET PATRONAGE CAPITAL OR MARGIN	[redacted]												
126														

	Big Rivers Financial Model 2013-2016	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014
127														
128	IV. Balance Sheet													
129	Total Utility Plant in Service	2,049.94	2,050.62	2,053.81	2,065.17	2,072.74	2,074.16	2,075.48	2,139.74	2,142.64	2,145.96	2,146.14	2,146.25	2,146.25
130	Construction Work in Progress	77.36	82.55	87.83	93.13	98.46	101.21	101.50	40.00	40.00	40.00	40.00	40.00	40.00
131	Total Utility Plant	2,127.30	2,133.18	2,141.64	2,158.31	2,171.20	2,175.37	2,176.98	2,179.74	2,182.64	2,185.96	2,186.14	2,186.25	2,186.25
132	Accum. Provision for Depreciation and Amort.	1,004.91	1,008.64	1,011.58	1,011.96	1,013.58	1,017.16	1,020.78	1,023.92	1,027.15	1,030.26	1,034.37	1,038.49	1,038.49
133	NET UTILITY PLANT	1,122.39	1,124.53	1,130.06	1,146.34	1,157.62	1,158.21	1,156.20	1,155.82	1,155.48	1,155.70	1,151.77	1,147.76	1,147.76
134														
135	Non-Utility Property (Net)													
136	Invest. In Assoc. Org - Patronage Capital	4.15	4.15	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32
137	Invest. In Assoc. - Other - General Funds	42.55	42.22	42.22	42.22	41.89	41.89	41.89	41.54	41.54	41.54	41.20	41.20	41.20
138	Other Investments	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
139	Special Funds	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
140	Special Funds (Transition Reserve)	35.13	35.14	35.15	35.16	35.17	35.18	35.19	35.20	35.20	35.21	35.22	35.23	35.23
141	Special Funds (Economic Reserve)	50.96	48.04	45.35	43.08	40.56	37.35	34.44	31.38	28.79	26.64	24.29	21.29	21.29
142	Special Funds (Rural Economic Reserve)	85.70	65.79	85.89	65.99	66.10	66.20	66.30	66.40	66.50	66.61	66.71	66.81	66.81
143	TOTAL OTHER PROPERTY AND INVESTMENTS	199.56	196.41	194.00	191.83	189.09	185.99	183.19	179.90	177.42	175.38	172.79	169.91	169.91
144														
145	Cash - General Funds	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
146	Cash - Construction Funds - Trustee													
147	Special Deposits	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
148	Temporary Investments	94.81	96.74	106.45	92.45	72.43	68.87	73.24	72.99	80.87	84.31	84.60	80.95	80.95
149	Accounts Receivable - Sales of Energy (Net)	44.81	40.23	38.60	34.84	38.62	40.65	42.76	43.48	39.45	39.89	39.55	43.40	43.40
150	Accounts Receivable - Other (Net)	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22
151	Fuel Stock	33.56	33.78	34.02	34.08	34.03	34.09	34.14	34.16	34.19	34.22	34.24	34.24	34.24
152	Materials and Supplies - Other	26.96	27.02	27.09	27.15	27.22	27.28	27.35	27.41	27.48	27.55	27.81	27.68	27.68
153	Prepayments	3.86	3.53	3.21	2.88	2.56	2.23	1.91	1.58	1.26	0.93	0.61	4.38	4.38
154	Other Current and Accrued Assets	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71
155	TOTAL CURRENT AND ACCRUED ASSETS	206.53	203.84	211.90	193.94	175.39	175.67	181.93	182.16	185.78	189.23	189.14	193.18	193.16
156														
157	Unamortized Debt Discount & Extraor. Prop. Losses	4.80	4.77	4.73	4.70	4.67	4.63	4.60	4.57	4.54	4.50	4.47	4.44	4.44
158	Regulatory Assets	6.01	5.87	5.73	5.56	5.44	5.30	5.16	5.02	4.87	4.73	4.59	4.45	4.45
159	Other Deferred Debits	2.37	2.36	2.29	2.24	2.23	2.17	2.25	2.23	2.16	2.12	2.08	2.03	2.03
160	Accumulated Deferred Income Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
161														
162	TOTAL ASSETS AND OTHER DEBITS	1,541.66	1,537.78	1,548.71	1,544.64	1,534.44	1,531.97	1,533.33	1,529.70	1,530.26	1,531.67	1,524.84	1,521.76	1,521.78
163														
164														
165	TOTAL MARGINS & EQUITY	407.38	410.92	411.57	404.92	400.70	402.61	406.33	409.94	410.52	408.75	409.64	413.65	413.65
166														
167	Long-Term Debt - RUS	218.14	218.14	220.11	220.12	220.12	222.15	222.16	222.16	224.24	224.25	224.25	226.38	228.36
168	Long-Term Debt - Other	734.10	731.05	738.14	736.14	735.06	737.25	737.25	734.15	735.83	735.83	732.71	730.73	730.73
169	TOTAL LONG-TERM DEBT	952.24	949.19	958.26	958.27	955.19	959.40	959.41	956.31	960.07	960.08	956.96	957.09	957.09
170														
171	Notes Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
172	Accounts Payable	23.37	21.56	25.68	27.36	26.29	23.22	23.01	23.53	22.83	24.80	22.23	20.93	20.93
173	Accounts Payable (TIER Rebate)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
174	Taxes Accrued	0.58	0.93	1.28	1.63	1.98	2.33	2.68	0.75	1.10	1.48	1.17	0.96	0.96
175	Interest Accrued	5.11	5.08	4.46	7.21	7.48	4.79	5.13	5.42	4.40	7.23	7.48	4.76	4.76
176	Other Current and Accrued Liabilities	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29
177	Other Current and Accrued Liabilities (Purchased Power)													
178	TOTAL CURRENT AND ACCRUED LIABILITIES	37.35	35.86	39.71	44.50	44.05	38.63	39.12	37.99	36.62	41.77	39.17	34.95	34.95
179														
180	Deferred Credits	1.80	1.68	1.56	1.45	1.34	1.22	1.10	0.98	0.98	0.98	0.99	1.01	1.01
181	Deferred Credits (Economic Reserve)	50.96	48.04	45.35	43.08	40.56	37.35	34.44	31.38	28.79	26.84	24.29	21.29	21.29
182	Deferred Credits (Rural Economic Reserve)	85.70	65.79	65.89	65.99	66.10	66.20	66.30	66.40	66.50	66.61	66.71	66.81	66.81
183	Accumulated Operating Provisions	28.24	26.30	26.37	28.44	26.50	26.57	26.63	26.70	26.77	26.83	26.90	26.97	26.97
184	Obligation under Capital Leases - Noncurrent													
185														
186	TOTAL LIABILITIES AND OTHER CREDITS	1,541.66	1,537.78	1,548.71	1,544.64	1,534.44	1,531.97	1,533.33	1,529.70	1,530.26	1,531.67	1,524.84	1,521.76	1,521.76
187														
188	Balance Check	(0.000000)	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000

	Big Rivers Financial Model 2013-2016	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014
189	V. Cash Flow Statement													
190	Operating Receipts													
191	Rural	15.88	13.80	12.17	9.56	10.81	13.85	15.41	15.84	12.33	10.24	11.68	15.61	157.17
192	Large Industrial	3.80	3.67	3.82	3.74	3.77	3.72	4.10	4.06	3.88	3.96	3.91	3.97	46.42
193	Smelters	15.99	14.52	16.07	15.66	16.18	15.71	16.21	16.35	16.00	16.41	15.83	16.27	191.19
194	Offsystem	[redacted]												
195	Lease Income													
196	Other Operating Revenues	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.70
197	Gain on Sale of Allowances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
198	Other	0.00	0.00	2.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.71
199	Interest Earnings	0.17	0.17	0.17	0.16	0.16	0.18	0.16	0.16	0.16	0.18	0.16	0.16	1.95
200	Total Receipts	[redacted]												
201														
202	Operating Disbursements													
203	PPA	[redacted]												
204	Fuel Costs													
205	Fuel Costs (Labor & Exp)													
206	Domtar													
207	Power Supply (Purch. Power, APM, Cogen, & TVA Tran)													
208	Production O&M													
209	Transmission O&M													
210	A&G	2.29	2.18	3.01	2.34	2.67	3.14	2.24	2.37	2.37	2.42	2.06	2.61	29.68
211	Working Capital	(0.73)	(3.78)	(6.27)	(6.12)	1.64	6.43	1.64	1.47	(4.01)	(2.40)	2.04	9.13	(0.76)
212	Other	(0.13)	(0.14)	(0.14)	(0.14)	(0.14)	(0.12)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(1.62)
213	Total Disbursements	[redacted]												
214														
215	Operating Receipts less Disbursements	[redacted]												
216														
217	Capital Expenditures													
218	Generation	[redacted]												
219	Transmission													
220	A&G	0.00	0.21	0.10	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.55
221	Other / IT	0.00	0.05	0.10	0.31	0.11	0.26	0.22	0.32	0.23	0.04	0.01	0.00	1.64
222	Total Capital Expenditures	[redacted]												
223														
224	Income Taxes from Operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
225														
226	Net Pre-Finance Cash Flow	3.28	5.75	2.53	(15.16)	(15.74)	(4.41)	5.22	3.49	8.44	2.44	4.71	(0.05)	(1.50)
227														
228	Financing													
229	Principal	(9.00)	3.05	(7.09)	0.00	3.08	(2.19)	0.00	3.10	(1.69)	0.00	3.13	1.98	(5.63)
230	Interest	3.68	3.70	2.63	1.13	3.74	4.55	3.65	3.71	2.84	1.17	3.65	4.61	39.06
231	Debt Issuance Cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.02
232	Line of Credit (Upfront Fee)	0.00	0.00	0.00	0.00	0.00	0.00	0.13	0.00	0.00	0.00	0.00	0.00	0.13
233	Aggregate Debt Service (incl. Line of Credit)	(5.32)	6.75	(4.46)	1.13	6.82	2.36	3.78	6.82	1.15	1.17	6.78	6.61	33.58
234														
235	Post-Finance Cash Flow	8.60	(1.01)	7.00	(16.29)	(22.56)	(6.78)	1.44	(3.32)	5.28	1.28	(2.07)	(6.66)	(35.08)
236														
237	Unwind Transaction													
238	Cash Proceeds													
239	Debt Reduction													
240	Misc. Transaction													
241	Net Before Member Reserves													
242	Station Two O&M Fund													
243	Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
244	Economic Reserve	3.38	2.95	2.72	2.30	2.54	3.23	2.93	3.09	2.61	2.17	2.37	3.01	33.29
245	Net Before Transition Reserve	3.38	2.95	2.72	2.30	2.54	3.23	2.93	3.09	2.61	2.17	2.37	3.01	33.29
246														
247	Ending Cash Balances (Incl. Transition Reserve)	129.95	131.89	141.61	127.61	107.60	104.06	108.43	108.19	116.08	119.53	119.83	116.18	116.18
248	Ending Cash Balances excl. Transition Reserve)	94.82	96.75	108.46	92.45	72.43	68.88	73.24	73.00	80.88	84.32	84.61	80.95	80.95

	Big Rivers Financial Model 2013-2016	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014
249	Change in Working Capital													
250	Other Property	0.00	(0.33)	0.16	0.00	(0.34)	0.00	0.00	(0.34)	0.00	0.00	(0.35)	0.00	(1.19)
251	Accounts Receivable	2.55	(4.58)	(1.63)	(3.78)	1.78	4.03	2.11	0.72	(4.04)	0.25	(0.15)	3.86	1.15
252	Materials, Supplies & Other	0.06	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.79
253	Prepayments	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	3.77	0.20
254	Other Current Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
255	Accounts Payable	(3.18)	1.81	(4.12)	(1.68)	1.07	3.07	0.21	(0.51)	0.70	(1.97)	2.57	1.30	(0.75)
256	Taxes Accrued	0.23	(0.35)	(0.35)	(0.35)	(0.35)	(0.35)	(0.35)	1.93	(0.35)	(0.35)	0.29	0.21	(0.15)
257	Other Accruals	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.80)
258	Total	(0.73)	(3.78)	(6.27)	(6.12)	1.84	6.43	1.64	1.47	(4.01)	(2.40)	2.04	9.13	(0.78)
259														
260														
261	VI. Cash Flow Statement (Indirect Method)													
262														
263	Cash Flows From Operating Activities:													
264	Net Margin	[redacted]												
265	Adjustments to reconcile net margin to net cash													
266	provided by operating activities:													
267	Depreciation and amortization	3.94	3.94	3.95	3.95	3.98	4.00	4.00	4.01	4.14	4.15	4.16	4.18	48.37
268	Interest compounded - RUS Series A Note	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.05
269	Interest compounded - RUS Series B Note	0.00	0.00	1.97	0.00	0.00	2.02	0.00	0.00	2.08	0.00	0.00	2.11	8.18
270	Noncash member rate mitigation revenue	(3.36)	(2.93)	(2.69)	(2.27)	(2.51)	(3.21)	(2.91)	(3.06)	(2.46)	(2.03)	(2.22)	(2.84)	(32.50)
271	Changes in certain assets and liabilities:													
272	Other property	0.00	0.33	(0.16)	0.00	0.34	0.00	0.00	0.34	0.00	0.00	0.35	0.00	1.19
273	Accounts receivable	(2.55)	4.58	1.63	3.78	(1.78)	(4.03)	(2.11)	(0.72)	4.04	(0.25)	0.15	(3.86)	(1.15)
274	Inventories	(0.44)	(0.29)	(0.30)	(0.12)	(0.02)	(0.13)	(0.11)	(0.09)	(0.09)	(0.10)	(0.08)	(0.07)	(1.84)
275	Prepayments	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	(3.77)	(0.20)
276	Other current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
277	Accounts payable	3.18	(1.81)	4.12	1.68	(1.07)	(3.07)	(0.21)	0.51	(0.70)	1.97	(2.57)	(1.30)	0.75
278	Taxes accrued	(0.23)	0.35	0.35	0.35	0.35	0.35	0.35	(1.93)	0.35	0.35	(0.29)	(0.21)	0.15
279	Other accruals	0.20	(0.11)	(0.68)	2.62	0.04	(2.93)	0.10	0.40	(0.89)	2.94	0.37	(2.56)	(0.50)
280	Net cash provided by operating activities	[redacted]												
281														
282	Cash Flows From Investing Activities:													
283	Capital expenditures	[redacted]												
284	Net proceeds from restricted investments	3.37	2.94	2.71	2.29	2.53	3.22	2.93	3.08	2.60	2.16	2.36	3.00	33.19
285	Net cash provided by (used in) investing activities	[redacted]												
286														
287	Cash Flows From Financing Activities:													
288	Net principal payments on debt obligations	9.00	(3.05)	7.09	0.00	(3.08)	2.19	0.00	(3.10)	1.69	0.00	(3.13)	(1.98)	5.63
289	Debt issuance cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.02)	(0.02)
290	Line of Credit (Upfront Fee)	0.00	0.00	0.00	0.00	0.00	0.00	(0.13)	0.00	0.00	0.00	0.00	0.00	(0.13)
291	Net cash provided by (used in) financing activities	9.00	(3.05)	7.09	0.00	(3.08)	2.19	(0.13)	(3.10)	1.69	0.00	(3.13)	(2.00)	5.48
292														
293	Net increase (decrease) in cash and cash equivalents	11.97	1.93	9.71	(14.00)	(20.02)	(3.55)	4.36	(0.25)	7.88	3.44	0.29	(3.66)	(1.90)
294														
295	Cash and Cash Equivalents - Beginning of Period													82.85
296	Cash and Cash Equivalents - End of Period													80.95
297														
298	Check	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000

	Big Rivers Financial Model 2013-2016	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014
299	**VII. Credit Measures**													
301	Contract TIER													
302	Earnings	[redacted]												
303	Plus: Interest Expense	3.91	3.66	3.98	3.90	4.01	3.88	4.01	4.01	3.89	4.01	3.90	4.00	47.16
304	Plus: Imputed Rate Increase in 2010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
305	Less: Offset to Imputed Rate Increase in 2010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
306	Less: Interest on Sequestered Funds	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.11)
307	Total	9.05	7.20	4.62	(2.76)	(0.22)	5.76	7.72	7.61	4.47	2.22	4.98	7.61	58.48
308	Plus Sale-Leaseback Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
309	Total	9.05	7.20	4.62	(2.76)	(0.22)	5.76	7.72	7.61	4.47	2.22	4.98	7.81	58.48
310	Divided by													
311	Interest Expense	3.91	3.66	3.98	3.90	4.01	3.88	4.01	4.01	3.89	4.01	3.90	4.00	47.16
312	Plus Sale-Leaseback Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
313	Total	3.91	3.66	3.98	3.90	4.01	3.88	4.01	4.01	3.89	4.01	3.90	4.00	47.16
315	*Contract TIER*	[redacted]												
317	Conventional TIER													
318	Earnings	[redacted]												
319	Plus: Interest Expense	3.91	3.66	3.98	3.90	4.01	3.88	4.01	4.01	3.89	4.01	3.90	4.00	47.16
320	Plus Income Tax													
321	Total	9.06	7.21	4.62	(2.75)	(0.21)	5.79	7.73	7.61	4.48	2.23	4.99	7.82	58.59
322	Plus Sale-Leaseback Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
323	Total	9.06	7.21	4.62	(2.75)	(0.21)	5.79	7.73	7.81	4.48	2.23	4.99	7.82	58.59
324	Divided by													
325	Interest Expense	3.91	3.66	3.98	3.90	4.01	3.88	4.01	4.01	3.89	4.01	3.90	4.00	47.16
326	Plus Sale-Leaseback Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
327	Total	3.91	3.66	3.98	3.90	4.01	3.88	4.01	4.01	3.89	4.01	3.90	4.00	47.16
329	*Conventional TIER*	[redacted]												
333	North Star													
334	Total Cost of Electric Service (millions of $)	[redacted]												
335	Non-Member Revenues (millions of $)													
338	Smelter and Non-Smelter Member Sales (TWh)	[redacted]												
339	$/MWh													
340	$/kWh													

Big Rivers Financial Model 2013-2016	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014
VIII. Debt Service - Cash Flow (M$)													
ECP													
Beginning Principal	31.81	40.81	40.81	49.81	49.81	49.81	55.81	55.81	55.81	59.45	59.45	59.45	31.81
Principal	(9.00)	0.00	(9.00)	0.00	0.00	(6.00)	0.00	0.00	(3.64)	0.00	0.00	0.00	(27.64)
Interest	0.00	0.00	0.22	0.00	0.00	0.37	0.00	0.00	0.42	0.00	0.00	0.45	1.48
Debt Service	(9.00)	0.00	(8.78)	0.00	0.00	(5.63)	0.00	0.00	(3.22)	0.00	0.00	0.45	(26.18)
CoBank													
Beginning Principal	224.02	224.02	224.02	222.12	222.12	222.12	220.19	220.19	220.19	218.24	218.24	218.24	224.02
Principal	0.00	0.00	1.91	0.00	0.00	1.93	0.00	0.00	1.95	0.00	0.00	1.98	7.78
Interest	0.00	0.00	2.41	0.00	0.00	2.41	0.00	0.00	2.42	0.00	0.00	2.40	9.64
Debt Service	0.00	0.00	4.31	0.00	0.00	4.34	0.00	0.00	4.37	0.00	0.00	4.37	17.40
NRUCFC													
Beginning Principal	286.08	286.08	283.35	283.35	283.35	280.61	280.61	280.61	277.85	277.85	277.85	275.07	286.08
Principal	0.00	2.72	0.00	0.00	2.74	0.00	0.00	2.76	0.00	0.00	2.78	0.00	11.01
Interest	0.00	3.14	0.00	0.00	3.19	0.00	0.00	3.17	0.00	0.00	3.11	0.00	12.61
Debt Service	0.00	5.86	0.00	0.00	5.93	0.00	0.00	5.93	0.00	0.00	5.89	0.00	23.62
Lines of Credit													
Beginning Principal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Principal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RUS Series A Note (GAAP)													
Beginning Principal	80.06	80.07	80.07	80.07	80.09	80.09	80.09	80.10	80.10	80.10	80.11	80.11	80.06
Principal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest	1.18	0.00	0.00	1.13	0.00	0.00	1.15	0.00	0.00	1.17	0.00	0.00	4.63
Debt Service	1.18	0.00	0.00	1.13	0.00	0.00	1.15	0.00	0.00	1.17	0.00	0.00	4.63
Interest Compounded to Principal	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.05
RUS Series B Note (GAAP)													
Beginning Principal	138.06	138.06	138.06	140.04	140.04	140.04	142.06	142.06	142.06	144.14	144.14	144.14	138.06
Principal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Compounded to Principal	0.00	0.00	1.97	0.00	0.00	2.02	0.00	0.00	2.08	0.00	0.00	2.11	8.18
PCB													
Beginning Principal	141.64	141.64	141.64	141.64	141.64	141.64	139.75	139.75	139.75	139.75	139.75	139.75	141.64
Principal	0.00	0.00	0.00	0.00	0.00	1.89	0.00	0.00	0.00	0.00	0.00	0.00	1.89
Interest	2.50	0.00	0.00	0.00	0.00	1.76	2.50	0.00	0.00	0.00	0.00	1.76	8.53
Debt Service	2.50	0.00	0.00	0.00	0.00	3.65	2.50	0.00	0.00	0.00	0.00	1.76	10.41
CFC CTC Loan													
Beginning Principal	41.56	41.56	41.23	41.23	41.23	40.89	40.89	40.89	40.55	40.55	40.55	40.20	41.56
Principal	0.00	0.33	0.00	0.00	0.34	0.00	0.00	0.34	0.00	0.00	0.35	0.00	1.36
Interest	0.00	0.56	0.00	0.00	0.55	0.00	0.00	0.55	0.00	0.00	0.54	0.00	2.20
Debt Service	0.00	0.89	0.00	0.00	0.89	0.00	0.00	0.89	0.00	0.00	0.89	0.00	3.55
Total													
Beginning Principal	943.23	952.24	949.19	958.26	958.27	955.19	959.40	959.41	956.31	960.07	960.08	956.96	943.23
Principal	(9.00)	3.05	(7.09)	0.00	3.08	(2.19)	0.00	3.10	(1.69)	0.00	3.13	1.98	(5.63)
Interest	3.68	3.70	2.63	1.13	3.74	4.55	3.65	3.71	2.64	1.17	3.65	4.61	39.06
Line of Credit Fee	0.00	0.00	0.00	0.00	0.00	0.00	0.13	0.00	0.00	0.00	0.00	0.00	0.13
Debt Service	(5.32)	6.75	(4.46)	1.13	6.82	2.36	3.78	6.82	1.15	1.17	6.78	6.59	33.56
Interest Compounded to Principal	0.01	0.00	1.97	0.01	0.00	2.02	0.01	0.00	2.08	0.01	0.00	2.11	8.23

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-73

Big Rivers Financial Model
2013-2016

		2015	2016
1			
2	**I. Sales**		
3			
4	**Energy (TWH)**		
5	Rural	2.48	2.52
6	Large Industrial	0.94	0.94
7	Century	0.00	0.00
8	Alcan	3.16	3.17
9	Market	[redacted]	
10	Total Energy Sales		
11			
12	**Demand (MW)**		
13	Rural	5,410.43	5,491.86
14	Large Industrial	1,674.59	1,674.59
15			
16	**II. Rates, Accrual Based ($/ MWH Sold, unless otherwise noted)**		
17	General Rate Adjustment - Rural	0.00%	0.00%
18	General Rate Adjustment - Large Industrial	0.00%	0.00%
19			
20	**Rural**		
21	Load Factor (%)	62.78%	62.67%
22	Demand ($/ KW-mo.)	16.95	16.95
23	Energy ($/ MWH)	30.00	30.00
24	Base Rate ($/ MWH)	66.98	66.95
25			
26			
27	Non-Smelter Non-FAC PPA	(0.33)	1.05
28	FAC	6.46	6.94
29	Environmental Surcharge	5.20	5.49
30	Surcredit	(1.73)	(1.71)
31	Total	9.93	10.72
32	Economic Reserve	(6.26)	0.00
33	Rural Economic Reserve	(4.66)	(11.93)
34	TIER Related Rebate	0.00	0.00
35	Effective Rate ($/ MWH)	65.44	66.78
36			
37	**Large Industrial**		
38	Load Factor (%)	77.20%	77.02%
39	Demand ($/ KW-mo.)	12.41	12.41
40	Energy ($/ MWH)	30.00	30.00
41	Power Factor Penalty/ Demand Cr. (Lrg. Ind.)	0.00	0.00
42	Base Rate ($/ MWH)	52.02	52.01
43			
44			
45	Non-Smelter Non-FAC PPA	(0.33)	1.05
46	FAC	6.46	6.94
47	Environmental Surcharge	4.14	4.40
48	Surcredit	(1.73)	(1.71)
49	Total	8.87	9.63
50	Economic Reserve	(6.26)	0.00
51	TIER Related Rebate	0.00	0.00
52	Effective Rate ($/ MWH)	54.30	62.68
53			
54	**Non-Smelter Member Blend**		
55	Base Rate ($/ MWH)	62.86	62.88
56			
57			
58	Non-Smelter Non-FAC PPA	(0.33)	1.05
59	FAC	6.46	6.94
60	Environmental Surcharge	4.91	5.19
61	Surcredit	(1.73)	(1.71)
62	Total	9.64	10.42
63	Economic Reserve	(6.26)	0.00
64	Rural Economic Reserve	(3.53)	(8.68)
65	TIER Related Rebate	0.00	0.00
66	Effective Rate ($/ MWH)	62.37	65.86
67			

Big Rivers Electric Corporation - Case No. 2013-00199
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Big Rivers Financial Model
2013-2016

		2015	2016
68	**Smelters**		
69	Base Rate	47.60	47.55
70	TIER Adjustment	2.37	3.55
71	Total	49.97	51.10
72	Non-FAC PPA	1.01	1.00
73	FAC	6.48	6.94
74	Environmental Surcharge	3.90	4.05
75	Surcharge	1.87	1.87
76	TIER Related Rebate	0.00	0.00
77	Effective Rate ($/ MWH)	63.21	64.96
78			
79	Market	[redacted]	[redacted]
80			
81	III. Statement of Operations		
82			
83	Electric Energy Revenues	[redacted]	[redacted]
84	Income From Leased Property Net		
85	Other Operating Revenue and Income	3.70	3.70
86	TOTAL OPER. REVENUES & PATRONAGE CAPITAL	[redacted]	[redacted]
87			
88	Operating Expense-Production-Excluding Fuel	[redacted]	[redacted]
89	Operating Expense-Production-Fuel	[redacted]	[redacted]
90	Operating Expense-Other Power Supply	[redacted]	[redacted]
91	Operating Expense-Transmission	[redacted]	[redacted]
92	Operating Expense-RTO/ISO	[redacted]	[redacted]
93	Operating Expense-Distribution		
94	Operating Expense-Customer Accounts	[redacted]	[redacted]
95	Operating Expense-Customer Service and Information	[redacted]	[redacted]
96	Operating Expense-Sales	[redacted]	[redacted]
97	Operating Expense-Administrative and General	[redacted]	[redacted]
98	TOTAL OPERATION EXPENSE	[redacted]	[redacted]
99			
100	Maintenance Expense-Production	[redacted]	[redacted]
101	Maintenance Expense-Transmission	[redacted]	[redacted]
102	Maintenance Expense-Distribution	[redacted]	[redacted]
103	Maintenance Expense-General Plant	[redacted]	[redacted]
104	TOTAL MAINTENANCE EXPENSE	[redacted]	[redacted]
105			
106	Depreciation and Amortization Expense	46.85	47.80
107	Taxes	0.00	0.00
108	Interest on Long-Term Debt	47.09	46.73
109	Interest Charged to Construction - Credit	(0.50)	(0.37)
110	Other Interest Expense	0.00	0.00
111	Asset Retirement Obligation		
112	Other Deductions	0.59	0.45
113			
114	TOTAL COST OF ELECTRIC SERVICE	[redacted]	[redacted]
115			
116	OPERATING MARGINS	[redacted]	[redacted]
117			
118	Interest Income	1.86	1.82
119	Allowance For Funds Used During Construction		
120	Income (Loss) From Equity Investments		
121	Other Non-Operating Income (Net)		
122	Generation and Transmission Capital Credits		
123	Other Capital Credits and Patronage Dividends	2.62	2.54
124	Extraordinary Items		
125	NET PATRONAGE CAPITAL OR MARGIN	[redacted]	[redacted]
126			

	Big Rivers Financial Model 2013-2016	2015	2016
127			
128	**IV. Balance Sheet**		
129	Total Utility Plant in Service	2,182.94	2,212.19
130	Construction Work in Progress	40.00	40.00
131	Total Utility Plant	2,222.94	2,252.19
132	Accum. Provision for Depreciation and Amort.	1,077.52	1,119.90
133	NET UTILITY PLANT	1,145.42	1,132.29
134			
135	Non-Utility Property (Net)		
136	Invest. In Assoc. Org - Patronage Capital	3.72	3.55
137	Invest. In Assoc. - Other - General Funds	39.77	38.26
138	Other Investments	0.02	0.02
139	Special Funds	1.05	1.05
140	Special Funds (Transition Reserve)	35.34	35.44
141	Special Funds (Economic Reserve)	0.00	0.00
142	Special Funds (Rural Economic Reserve)	55.94	26.91
143	TOTAL OTHER PROPERTY AND INVESTMENTS	135.83	105.23
144			
145	Cash - General Funds	0.01	0.01
146	Cash - Construction Funds - Trustee		
147	Special Deposits	0.60	0.60
148	Temporary Investments	82.66	91.52
149	Accounts Receivable - Sales of Energy (Net)	42.12	43.42
150	Accounts Receivable - Other (Net)	1.22	1.22
151	Fuel Stock	36.19	36.84
152	Materials and Supplies - Other	28.48	29.32
153	Prepayments	4.58	4.71
154	Other Current and Accrued Assets	0.71	0.71
155	TOTAL CURRENT AND ACCRUED ASSETS	196.78	208.36
156			
157	Unamortized Debt Discount & Extraor. Prop. Losses	4.04	3.79
158	Regulatory Assets	6.39	4.95
159	Other Deferred Debits	1.50	0.98
160	Accumulated Deferred Income Taxes	0.00	0.00
161			
162	TOTAL ASSETS AND OTHER DEBITS	1,489.96	1,455.60
163			
164			
165	TOTAL MARGINS & EQUITY	425.06	433.55
166			
167	Long-Term Debt - RUS	235.07	244.31
168	Long-Term Debt - Other	707.63	682.61
169	TOTAL LONG-TERM DEBT	942.90	926.91
170			
171	Notes Payable	0.00	0.00
172	Accounts Payable	24.35	25.71
173	Accounts Payable (TIER Rebate)	0.00	0.00
174	Taxes Accrued	0.92	0.96
175	Interest Accrued	4.72	4.66
176	Other Current and Accrued Liabilities	8.29	8.29
177	Other Current and Accrued Liabilities (Purchased Power)		
178	TOTAL CURRENT AND ACCRUED LIABILITIES	38.29	39.62
179			
180	Deferred Credits	0.00	0.00
181	Deferred Credits (Economic Reserve)	0.00	0.00
182	Deferred Credits (Rural Economic Reserve)	55.94	26.91
183	Accumulated Operating Provisions	27.78	28.61
184	Obligation under Capital Leases - Noncurrent		
185			
186	TOTAL LIABILITIES AND OTHER CREDITS	1,489.96	1,455.60
187			
188	Balance Check	0.000000	0.000000

	Big Rivers Financial Model 2013-2016	2015	2016
189	V. Cash Flow Statement		
190	Operating Receipts		
191	Rural	162.26	168.25
192	Large Industrial	51.24	59.18
193	Smelters	199.69	205.77
194	Offsystem	[redacted]	[redacted]
195	Lease Income		
196	Other Operating Revenues	3.70	3.70
197	Gain on Sale of Allowances	0.00	0.00
198	Other	2.62	2.54
199	Interest Earnings	[redacted]	[redacted]
200	Total Receipts		
201			
202	Operating Disbursements		
203	PPA	[redacted]	[redacted]
204	Fuel Costs		
205	Fuel Costs (Labor & Exp)		
206	Domtar		
207	Power Supply (Purch. Power, APM, Cogen, & TVA Tran)		
208	Production O&M		
209	Transmission O&M		
210	A&G	30.32	31.14
211	Working Capital	(6.49)	(1.64)
212	Other	(1.55)	(1.18)
213	Total Disbursements	[redacted]	[redacted]
214			
215	Operating Receipts less Disbursements	[redacted]	[redacted]
216			
217	Capital Expenditures		
218	Generation	[redacted]	[redacted]
219	Transmission		
220	A&G	0.24	0.23
221	Other / IT	2.04	1.03
222	Total Capital Expenditures	[redacted]	[redacted]
223			
224	Income Taxes from Operations	0.00	0.00
225			
226	Net Pre-Finance Cash Flow	29.81	41.48
227			
228	Financing		
229	Principal	22.90	25.22
230	Interest	38.41	37.56
231	Debt Issuance Cost	0.02	0.00
232	Line of Credit (Upfront Fee)	0.00	0.00
233	Aggregate Debt Service (incl. Line of Credit)	61.33	62.78
234			
235	Post-Finance Cash Flow	(31.52)	(21.30)
236			
237	Unwind Transaction		
238	Cash Proceeds		
239	Debt Reduction		
240	Misc. Transaction		
241	Net Before Member Reserves		
242	Station Two O&M Fund		
243	Rural Economic Reserve	12.10	30.06
244	Economic Reserve	21.44	0.00
245	Net Before Transition Reserve	33.54	30.06
246			
247	Ending Cash Balances (Incl. Transition Reserve)	118.21	126.97
248	Ending Cash Balances excl. Transition Reserve)	82.87	91.53

Big Rivers Financial Model
2013-2016

		2015	2016
249	Change in Working Capital		
250	Other Property	(2.03)	(1.67)
251	Accounts Receivable	(1.28)	1.30
252	Materials, Supplies & Other	0.80	0.84
253	Prepayments	0.20	0.13
254	Other Current Assets	0.00	0.00
255	Accounts Payable	(3.42)	(1.36)
256	Taxes Accrued	0.04	(0.04)
257	Other Accruals	(0.81)	(0.83)
258	Total	(6.49)	(1.64)
259			
260			
261	VI. Cash Flow Statement (Indirect Method)		
262			
263	Cash Flows From Operating Activities:		
264	Net Margin	[redacted]	
265	Adjustments to reconcile net margin to net cash		
266	provided by operating activities:		
267	Depreciation and amortization	50.46	51.50
268	Interest compounded - RUS Series A Note	0.05	0.05
269	Interest compounded - RUS Series B Note	8.67	9.18
270	Noncash member rate mitigation revenue	(36.49)	(28.63)
271	Changes in certain assets and liabilities:		
272	Other property	2.03	1.67
273	Accounts receivable	1.28	(1.30)
274	Inventories	(2.76)	(1.49)
275	Prepayments	(0.20)	(0.13)
276	Other current assets	0.00	0.00
277	Accounts payable	3.42	1.36
278	Taxes accrued	(0.04)	0.04
279	Other accruals	1.21	1.18
280	Net cash provided by operating activities	[redacted]	
281			
282	Cash Flows From Investing Activities:		
283	Capital expenditures	[redacted]	
284	Net proceeds from restricted investments	33.43	29.96
285	Net cash provided by (used in) investing activities	[redacted]	
286			
287	Cash Flows From Financing Activities:		
288	Net principal payments on debt obligations	(22.90)	(25.22)
289	Debt issuance cost	(0.02)	0.00
290	Line of Credit (Upfront Fee)	0.00	0.00
291	Net cash provided by (used in) financing activities	(22.92)	(25.22)
292			
293	Net increase (decrease) in cash and cash equivalents	1.92	8.66
294			
295	Cash and Cash Equivalents - Beginning of Period	80.95	82.87
296	Cash and Cash Equivalents - End of Period	82.87	91.53
297			
298	Check	0.000000	0.000000

Big Rivers Financial Model
2013-2016

	2015	2016
VII. Credit Measures		
Contract TIER		
Earnings	[redacted]	[redacted]
Plus: Interest Expense	47.09	46.73
Plus: Imputed Rate Increase in 2010	0.00	0.00
Less: Offset to Imputed Rate Increase in 2010	0.00	0.00
Less: Interest on Sequestered Funds	(0.11)	(0.11)
Total	58.39	55.11
Plus Sale-Leaseback Interest	0.00	0.00
Total	58.39	55.11
Divided by		
Interest Expense	47.09	46.73
Plus Sale-Leaseback Interest	0.00	0.00
Total	47.09	46.73
Contract TIER	[redacted]	[redacted]
Conventional TIER		
Earnings	[redacted]	[redacted]
Plus: Interest Expense	47.09	46.73
Plus Income Tax		
Total	58.49	55.22
Plus Sale-Leaseback Interest	0.00	0.00
Total	58.49	55.22
Divided by		
Interest Expense	47.09	46.73
Plus Sale-Leaseback Interest	0.00	0.00
Total	47.09	46.73
Conventional TIER	[redacted]	[redacted]
North Star	[redacted]	[redacted]
Total Cost of Electric Service (millions of $)	[redacted]	[redacted]
Non-Member Revenues (millions of $)	[redacted]	[redacted]
Smelter and Non-Smelter Member Sales (TWh)	[redacted]	[redacted]
$/MWh	[redacted]	[redacted]
$/kWh	[redacted]	[redacted]

Big Rivers Financial Model
2013-2016

	2015	2016
VIII. Debt Service - Cash Flow (M$)		
ECP		
Beginning Principal	59.45	59.45
Principal	0.00	1.38
Interest	1.78	1.78
Debt Service	1.78	3.17
CoBank		
Beginning Principal	216.26	208.12
Principal	8.14	8.53
Interest	9.30	8.96
Debt Service	17.43	17.49
NRUCFC		
Beginning Principal	275.07	263.73
Principal	11.34	11.68
Interest	12.26	11.93
Debt Service	23.60	23.61
Lines of Credit		
Beginning Principal	0.00	0.00
Principal	0.00	0.00
Interest	0.00	0.00
Debt Service	0.00	0.00
RUS Series A Note (GAAP)		
Beginning Principal	80.11	80.16
Principal	0.00	0.00
Interest	4.68	4.68
Debt Service	4.63	4.65
Interest Compounded to Principal	0.05	0.05
RUS Series B Note (GAAP)		
Beginning Principal	146.25	154.91
Principal	0.00	0.00
Interest	0.00	0.00
Debt Service	0.00	0.00
Interest Compounded to Principal	8.67	9.18
PCB		
Beginning Principal	139.75	137.75
Principal	2.00	2.12
Interest	8.32	8.19
Debt Service	10.32	10.31
CFC CTC Loan		
Beginning Principal	40.20	38.77
Principal	1.43	1.51
Interest	2.12	2.04
Debt Service	3.55	3.55
Total		
Beginning Principal	957.09	942.90
Principal	22.90	25.22
Interest	38.41	37.56
Line of Credit Fee	0.00	0.00
Debt Service	61.31	62.78
Interest Compounded to Principal	8.72	9.23

Nicholas R. Castlen

From:	Billie Richert
Sent:	Monday, February 25, 2013 3:51 PM
To:	david_bodek@standardandpoors.com
Cc:	Nicholas R. Castlen; Ralph Ashworth
Subject:	2012 Fourth Quarter Financial Report
Attachments:	Fourth Quarter 2012 Financial Report.pptx

David,

Attached is our condensed 2012 Fourth Quarter Financial Report. Please let me know if there are questions.

Thanks.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Nicholas R. Castlen

From:	Billie Richert
Sent:	Monday, February 25, 2013 3:49 PM
To:	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Cc:	Nicholas R. Castlen; Ralph Ashworth
Subject:	2012 Fourth Quarter Financial Report
Attachments:	Fourth Quarter 2012 Financial Report.pptx

Kevin,

Attached is our condensed 2012 Fourth Quarter Financial Report. Please let me know if there are questions.

Thanks.

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Nicholas R. Castlen

From:	Billie Richert
Sent:	Monday, February 25, 2013 3:48 PM
To:	Nicholas R. Castlen; Ralph Ashworth
Subject:	FW: 2012 Fourth Quarter Financial Report
Attachments:	Fourth Quarter 2012 Financial Report.pptx

Forgot to copy you on this one.

From: Billie Richert
Sent: Monday, February 25, 2013 3:48 PM
To: Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)
Subject: 2012 Fourth Quarter Financial Report

Dennis,

Attached is our condensed 2012 Fourth Quarter Financial Report. Please let me know if there are questions.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
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Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

2012 Fourth Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: February 25, 2013

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	December 31, 2012	December 31, 2011
TOTAL UTILITY PLANT IN SERVICE	1,999,408	1,979,268
CONSTRUCTION WORK IN PROGRESS	50,813	49,150
TOTAL UTILITY PLANT	2,050,221	2,028,418
ACCUM PROVISION FOR DEPR & AMORT	(962,994)	(936,355)
NET UTILITY PLANT	1,087,227	1,092,063
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,683	3,648
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	43,841	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	180,633	164,152
TOTAL OTHER PROPERTY AND INVESTMENTS	228,172	168,500
CASH - GENERAL FUNDS	7	6
SPECIAL DEPOSITS	598	573
TEMPORARY INVESTMENTS	110,165	44,844
ACCOUNTS RECEIVABLE - SALES OF ENERGY	44,758	43,114
ACCOUNTS RECEIVABLE - OTHER NET	2,346	232
FUEL STOCK	34,146	33,894
MATERIALS & SUPPLIES - OTHER	24,957	25,295
PREPAYMENTS	4,176	4,508
OTHER CURRENT & ACCRUED ASSETS	1,276	943
TOTAL CURRENT & ACCRUED ASSETS	222,429	153,409
UNMORT DEBT DISC & EXTRAORD PROP LOSS	4,165	2,079
REGULATORY ASSETS	704	-
OTHER DEFERRED DEBITS	3,981	1,871
TOTAL ASSETS AND OTHER DEBITS	1,546,678	1,417,922
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(241,898)	(247,339)
OPERATING MARGINS - CURRENT YEAR	10,314	5,441
NONOPERATING MARGINS - PRIOR YEAR	638,998	638,838
NONOPERATING MARGINS - CURRENT YEAR	963	160
OTHER MARGINS & EQUITIES	(5,495)	(7,279)
TOTAL MARGINS & EQUITIES	402,882	389,821
LONG-TERM DEBT - RUS	210,359	644,298
LONG-TERM DEBT - OTHER	714,885	142,100
TOTAL LONG-TERM DEBT	925,244	786,398
ACCOUNTS PAYABLE	33,013	30,325
TAXES ACCRUED	967	957
INTEREST ACCRUED	4,925	9,899
OTHER CURRENT & ACCRUED LIABILITIES	9,988	9,423
TOTAL CURRENT & ACCRUED LIABILITIES	48,893	50,604
DEFERRED CREDITS	148,088	169,001
OPERATING RESERVES	21,571	22,098
TOTAL LIABILITIES AND OTHER CREDITS	1,546,678	1,417,922

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $20.1 million to $2.0 billion as of December 31, 2012. This increase resulted from construction projects to maintain generation, transmission and communication capabilities.

TEMPORARY INVESTMENTS increased $65.3m primarily due to the borrowing that took place this year to fund construction projects

SPECIAL FUNDS increased $16.5m as of December 31, 2012. This increased resulted from replenishing the transition reserve, partially offset by the use of the reserve funds set up for non-smelter member rate mitigation.

LONG-TERM DEBT increased $138.8 million as of December 31, 2012, primarily due to borrowing for capital projects and replenish the $35.0 million transition reserve formerly used to pre-pay RUS debt.

DEFERRED CREDITS decreased $20.9 million as of December 31, 2012, primarily due to the use of the reserve funds set up for non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2011
ELECTRIC ENERGY REVENUES	144,202	136,051	563,385	558,372
OTHER OPERATING REVENUE AND INCOME	1,098	1,449	4,957	3,617
TOTAL OPER REVENUES & PATRONAGE CAPITAL	145,300	137,500	568,342	561,989
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	11,663	13,409	48,055	50,410
OPERATION EXPENSE-PRODUCTION-FUEL	60,536	53,122	226,369	226,229
OPERATION EXPENSE-OTHER POWER SUPPLY	27,184	29,083	111,465	112,262
OPERATION EXPENSE-TRANSMISSION	2,756	2,263	10,119	9,183
OPERATION EXPENSE-RTO/ISO	599	698	2,262	2,530
OPERATION EXPENSE-CUSTOMER ACCOUNTS	297	0	297	0
CONSUMER SERVICE & INFORMATIONAL EXPENSE	495	287	886	632
OPERATION EXPENSE-SALES	89	56	191	185
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,051	6,577	26,429	26,557
TOTAL OPERATION EXPENSE	109,670	105,495	426,073	427,988
MAINTENANCE EXPENSE-PRODUCTION	10,298	13,714	41,170	42,896
MAINTENANCE EXPENSE-TRANSMISSION	872	1,333	4,608	4,681
MAINTENANCE EXPENSE-GENERAL PLANT	56	48	184	141
TOTAL MAINTENANCE EXPENSE	11,226	15,095	45,962	47,718
DEPRECIATION & AMORTIZATION EXPENSE	10,238	9,033	41,090	35,407
TAXES	0	(30)	4	98
INTEREST ON LONG-TERM DEBT	11,314	11,265	45,033	45,715
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(188)	(98)	(766)	(548)
OTHER INTEREST EXPENSE	93	(1)	148	59
OTHER DEDUCTIONS	359	62	546	220
TOTAL COST OF ELECTRIC SERVICE	142,712	140,821	558,090	556,657
OPERATING MARGINS	2,588	(3,321)	10,252	5,332
INTEREST INCOME	560	18	963	150
OTHER NON-OPERATING INCOME - NET	0	1	0	9
OTHER CAPITAL CREDITS & PAT DIVIDENDS	3	4	62	109
NET PATRONAGE CAPITAL OR MARGINS	3,151	(3,298)	11,277	5,600

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 508,231 MWh to 10,707,249 MWh for the twelve-month period ended December 31, 2012. Member sales revenue increased $62.8 million, or 13.8%, to $519.1 million for the twelve-month period ended December 31, 2012, compared to $456.4 million in 2011, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS decreased 1,519,273 MWh to 1,536,835 MWh for the twelve-month period ended December 31, 2012. This decrease, along with a 13.7% decline in price, caused non-member electric sales revenue to decrease 56.6%, to $44.3 million, for the twelve-month period ended December 31, 2012 compared to $102.0 million for 2011.

PURCHASED POWER expense increased $4.8 million, or 11.7% to $45.3 million for the twelve-month period ended December 31, 2012, compared to 2011. This was due to a 21.8% increase in MWh purchased, partially offset by a 8.3% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense decreased $2.3 million, or 1.0%, to $253.4 million for the twelve-month period ended December 31, 2012 compared to 2011. The decreased fuel expense was driven by lower generation as the softer power market drove economic purchases.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended December 31, 2012
In Thousands $

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net margin	3,151	(3,298)	11,277	5,600
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation and amortization	11,140	9,664	44,524	37,808
Interest compounded - RUS Series B Note	1,873	1,773	7,292	6,884
Interest compounded - RUS Series A Note	8	0	7,604	8,398
Noncash Member Rate Mitigation Revenue	(5,389)	(5,154)	(22,873)	(18,947)
Changes in certain assets and liabilities:				
Accounts receivable	(2,980)	7	(3,757)	1,618
Inventories	(733)	(7,393)	86	1,357
Prepaid expenses	(3,190)	(3,515)	0	(1,715)
Deferred charges	(1,346)	28	(1,278)	121
Accounts payable	6,013	1,345	2,688	(974)
Accrued expenses	2,951	1,769	(4,399)	(1,481)
Other -- Net	(1,608)	(1,354)	276	(70)
Net cash provided by operating activities	9,890	(6,128)	41,440	38,599
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures -- net	(11,899)	(16,130)	(39,854)	(38,746)
Proceeds from Restricted Investments and Other Deposits and Investments	4,714	4,513	(58,094)	56,095
Purchase of Restricted Investments and Other Deposits and Investments	65	0	147	0
Net cash used in investing activities	(7,120)	(11,617)	(97,801)	17,349
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on long-term obligations	(5,595)	(15,094)	(456,206)	(45,879)
Proceeds from long-term obligations	0	0	580,156	0
Principal payments on short-term notes payable	0	0	0	(10,000)
Debt Issuance Cost	(252)	0	(2,265)	0
Payments on obligations under long-term lease	0	0	0	0
Net cash used in financing activities	(5,847)	(15,094)	121,685	(55,879)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,077)	(32,839)	65,324	69
CASH AND CASH EQUIVALENTS -- Beginning	113,250	77,688	44,849	44,780
CASH AND CASH EQUIVALENTS -- Ending	110,173	44,849	110,173	44,849
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	8,268	9,060	34,893	31,441
Cash paid in taxes	0	0	0	130