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NEWS RELEASE

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PSC OKs Big Rivers to Sell Power to Nine Kentucky Cities *Contract with Kentucky Municipal Energy Agency runs from 2019 through 2029*

FRANKFORT, Ky. (Dec. 12, 2016) – The Kentucky Public Service Commission (PSC) has approved a contract under which Big Rivers Electric Corp. potentially will provide wholesale electric power to as many as nine Kentucky cities.

In an order issued today, the PSC said that the contract will help Big Rivers utilize excess generating capacity and thus help pay a portion of fixed operating costs “that would otherwise be shouldered by (its) native load customers.” (Native load customers are those in a utility’s service territory.)

Big Rivers has entered into a power sale agreement with the Kentucky Municipal Energy Agency (KyMEA), which represents nine Kentucky cities: Barbourville, Bardwell, Benham, Corbin, Falmouth, Frankfort, Madisonville, Paris and Providence.

The nine cities had an aggregate average demand in 2015 of 227 megawatts (MW), with Frankfort (121 MW) and Madisonville (49 MW) responsible for three-fourths of the total.

In 2013 and 2014, aluminum smelters in Hawesville and Sebree stopped purchasing power from Big Rivers. The two smelters at one time accounted for about two-thirds of Big Rivers’ load and revenue.

The loss of the smelter load and revenue left Big Rivers with excess generating capacity and necessitated rate increases in order to allow the utility to maintain financial stability. Big Rivers has shuttered one power plant and has sought opportunities to sell power to outside customers.

Big Rivers is owned by the three distribution cooperatives – Jackson Purchase Energy Corp., Kenergy Corp., and Meade County Rural Electric Cooperative Corp. - to which it provides power. Together, the three cooperatives serve about 112,000 customers in 26 counties in western Kentucky. The customers include about 20 large industrial facilities.

Under the agreement approved today, Big Rivers will designate a portion of its generating capacity to serve KyMEA. The utility will be paid both for the reserved capacity and for the power used by KyMEA members.

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KyMEA is required to obtain adequate participation from its members. Either Big Rivers or KyMEA may terminate the agreement if the conditions are not met by October 1, 2017.

Because municipal utilities are not under PSC jurisdiction, the commission has no role in determining the rates that the KyMEA members will charge for the electricity delivered by Big Rivers.

Selling power to KyMEA is in keeping with the PSC's 2015 management audit of Big Rivers. The independent audit examined how Big Rivers was planning to mitigate the impact on its other customers of the departure of the aluminum smelters. Among the audit recommendations was that Big Rivers make an effort to increase off-system power sales to third parties under both short-term and long-term contracts.

The KyMEA agreement is consistent with "Big Rivers' efforts to mitigate the impact of the departure of the aluminum smelter loads," the PSC said in today's order. Although the amount of power involved is "relatively minimal," the deal will nevertheless be beneficial to Big Rivers and its native load customers, the PSC said.

The only other party to the case was Kentucky Industrial Utility Customers, Inc., which represents large industrial customers in cases before the PSC.

Today's order and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2016-00306.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 75 employees.

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