THE POWER TO THRIVE

2015 ANNUAL REPORT

Big Rivers
ELECTRIC CORPORATION

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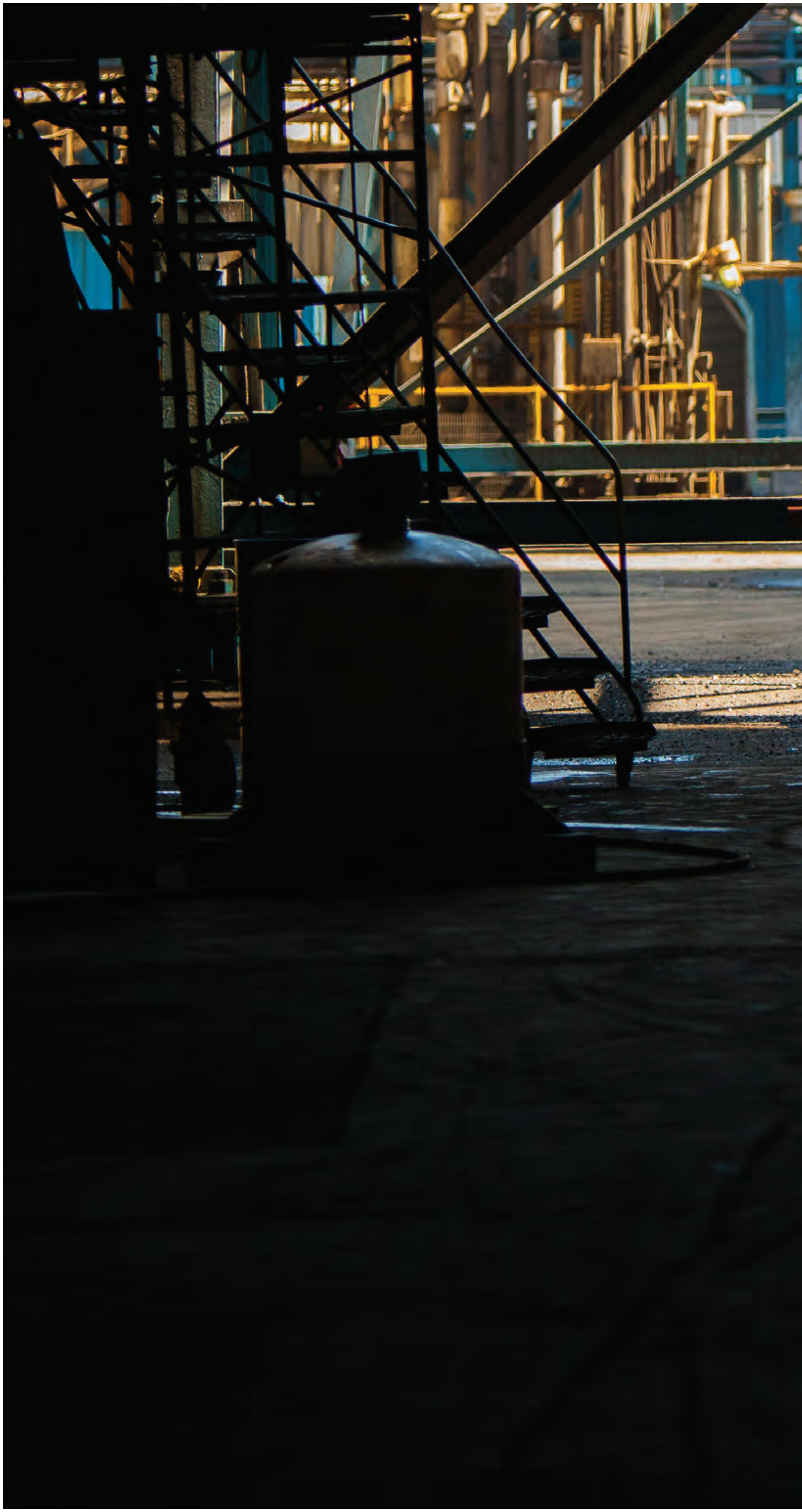


2015 FINANCIAL HIGHLIGHTS

As of December 31, 2015 and the four preceding Fiscal Years

DEBT RATIOS	2015	2014	2013	2012	2011
MARGINS FOR INTEREST RATIO (MFIR)	**1.29**	2.25	1.20	1.25	1.12
TIMES INTEREST EARNED RATIO (TIER)	**1.27**	1.79	1.20	1.25	1.12
DEBT SERVICE COVERAGE RATIO (DSCR)	**1.2**	1.58	1.47	1.58	1.47

COMPANY PROFILE

1,295
miles of transmission line systems owned, operated and maintained

22
transmission substation owned, operated and maintained

25
interconnections link our transmission system with seven neighboring utilities

BIG RIVERS ELECTRIC CORPORATION IS A MEMBER-OWNED, NOT-FOR-PROFIT, GENERATION AND TRANSMISSION COOPERATIVE (G&T).

We provide wholesale electric power and shared services to three distribution cooperative Member-Owners across 22 counties in western Kentucky. The Member-Owners are Jackson Purchase Energy Corporation, headquartered in Paducah; Kenergy Corp, headquartered in Henderson; and Meade County Rural Electric Cooperative Corporation, headquartered in Brandenburg. Together, the Member-Owners distribute retail electric power to more than 115,000 homes, farms, businesses and industries.

Incorporated in June of 1961, the mission of Big Rivers is to safely deliver competitive and reliable wholesale power and cost-effective shared services desired by the Member-Owners. Business operations revolve around seven core values: safety, excellence, teamwork, integrity, Member and community service, respect for the employee and environmental consciousness. Big Rivers owns and operates 1,444 net megawatts (MW) of generating capacity from four power stations: Robert A. Reid (130 MW), Kenneth C. Coleman (443 MW), Robert D. Green (454 MW), and D.B. Wilson (417 MW). Total power capacity is 1,819 MW, including rights to Henderson Municipal Power and Light's (HMP&L) Station Two and contracted capacity from the Southeastern Power Administration (SEPA). High-voltage electric power is delivered to the Member-Owners over a system of 1,295 miles of transmission lines and 22 substations owned by Big Rivers. Twenty-five transmission interconnections link our system with several surrounding utilities.

Big Rivers is led by an experienced management team and is governed by a six-member board of directors. The board is comprised of two representatives from each Member-Owner. Big Rivers employs more than 500 people at five locations in Kentucky, who actively contribute to the communities our Member-Owners serve. Continually focused on the needs and local priorities of our Member-Owners, Big Rivers provides shared services in areas such as information technology, mapping and planning, safety programs and training, economic development, a robust energy efficiency program and customer support services. As long-standing members of Touchstone Energy®, Big Rivers and the Member-Owners pledge to serve western Kentucky with integrity, accountability, innovation and a commitment to community. Our priority has always been to keep the cost of electricity affordable and the reliability of service high.

OUR MISSION

Safely deliver competitive and reliable wholesale power and cost-effective shared services desired by our Member-Owners.

OUR VISION

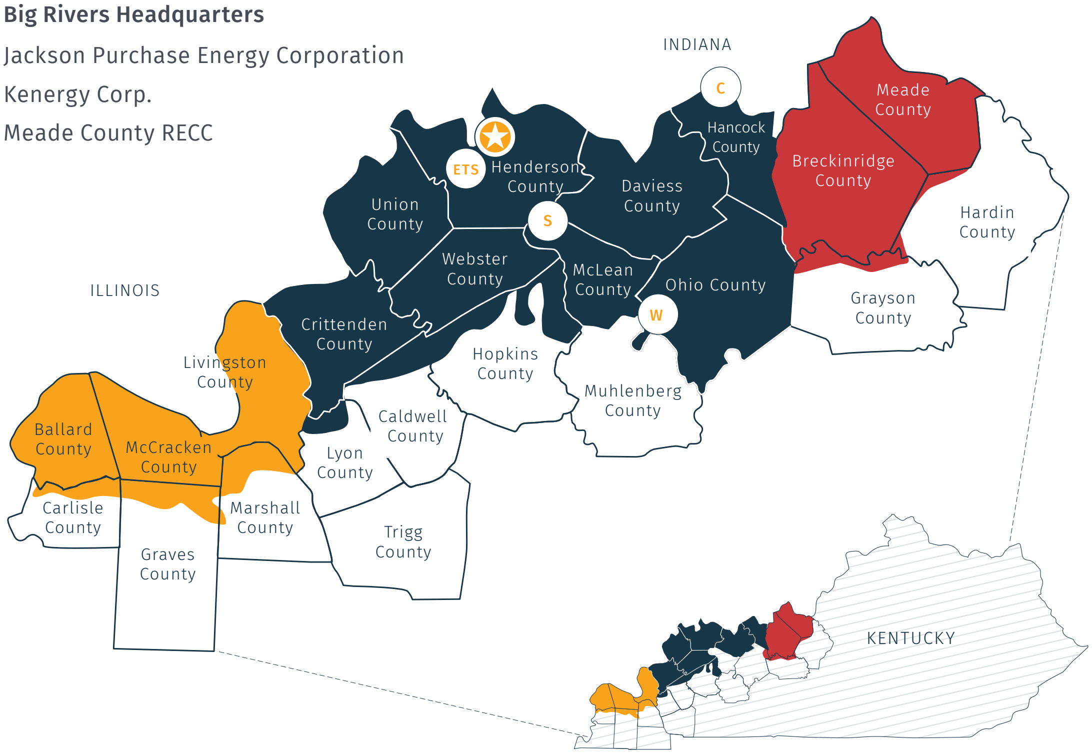
Big Rivers will be viewed as one of the top G&Ts in the country and will provide services our Member-Owners desire in meeting future challenges.

OUR VALUES

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

BIG RIVERS SYSTEM

- Big Rivers Headquarters
- Jackson Purchase Energy Corporation
- Kenergy Corp.
- Meade County RECC



SEBREE STATION

Green Units 1 & 2
Reid Unit 1 &
Reid Combustion Turbine
HMP&L Station Two—Units 1 & 2

Total net generating capacity:
896 MW

WILSON STATION

Wilson Unit 1

Total net generating capacity:
417 MW

COLEMAN STATION

Idled in May 2014
Coleman Unit 1, 2, 3

Total net generating capacity:
443 MW

PLANT & TRANSMISSION MANAGEMENT

(Left to right)

Keith Scott, Wilson Station and Coleman Station Plant Manager

Ron Gregory, Sebree Station Plant Manager

Tim Tapp, Director Transmission System

BOARD OF DIRECTORS & SENIOR LEADERSHIP TEAM

BOARD OF DIRECTORS

Paul Edd Butler
Secretary-Treasurer,
Meade County RECC

William Denton
Kenergy Corp.

Larry Elder
Vice-Chair, Kenergy Corp.

Wayne Elliott
Chair, Jackson Purchase
Energy Corporation

Gary Joiner
Jackson Purchase
Energy Corporation

Dr. James Sills
Meade County RECC

SENIOR LEADERSHIP

Back Row (left to right):

Tom Davis,
VP Administrative
Services

Mark Eacret,
VP Energy Services

Robert Berry,
President and Chief
Executive Officer

James Miller,
Corporate Counsel

Mike Chambliss,
VP System Operations

Front Row (left to right):

Lindsay Barron,
Chief Financial Officer

Paula Mitchell,
Executive Assistant

Eric Robeson,
VP Environmental
Services and
Construction

Mike Pullen,
VP Production

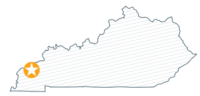
MEMBER-OWNERS

Dennis L. Cannon
President & CEO

JACKSON PURCHASE ENERGY CORPORATION

SERVES
Ballard, Carlisle, Graves, Livingston, Marshall and McCracken Counties

HEADQUARTERED
Paducah, KY



NUMBER OF ACCOUNTS	MILES OF LINE
29,480	2,945

Jeffrey Hohn
President & CEO

KENERGY CORP.

SERVES
Breckinridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McLean, Muhlenberg, Ohio, Union and Webster Counties

HEADQUARTERED
Henderson, KY

NUMBER OF ACCOUNTS	MILES OF LINE
56,663	7,130

Marty Littrel
President & CEO

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

SERVES
Breckinridge, Grayson, Hancock, Hardin, Meade and Ohio Counties

HEADQUARTERED
Brandenburg, KY

NUMBER OF ACCOUNTS	MILES OF LINE
29,424	3,217

Burns Mercer, Retired President & CEO

(Left to right)

Robert Berry
President and CEO

Wayne Elliott
Chair, Board of Directors

POSITIONED TO THRIVE TODAY AND IN THE YEARS TO COME

Big Rivers is committed to building the brightest and most financially stable future for our organization and our three Member-Owners—Jackson Purchase Energy Corporation, Kenergy Corporation and Meade County Rural Electric Cooperative Corporation. Every year brings its own opportunities and challenges, and we are proud to report that 2015 has been a time of strengthening and growth. Big Rivers feels confident we have the leadership and resources in place to continue exceeding our goals and capitalizing on success.

Our employees remain our most valuable corporate asset, providing us with the skills and dedication to excel. The top priority is to provide a safe work environment, and Big Rivers has further improved our outstanding safety record. Sebree Station was recognized this year with its 11th Governor's Safety and Health Award, bringing the company total to 39 and maintaining our position as the most decorated entity in the Commonwealth of Kentucky. While the recognition is flattering, the real reward is knowing that our employees have been able to return home to their families unharmed.

39 **Governor's Safety and Health Awards** received, making Big Rivers the most decorated entity in the Commonwealth of Kentucky.

Our employees are continuing to take care of each other, as all of our generating stations and Headquarters have now surpassed four years without a lost-time accident.

OUR **ENERGY SALES ARE EXPANDING** WITHIN OUR KENTUCKY TERRITORY AND ACROSS THE MIDWEST, ALLOWING BIG RIVERS TO FIND **PROFITABLE ARRANGEMENTS FOR OUR EXCESS POWER** AND **RETURN THOSE FINANCIAL BENEFITS TO OUR MEMBER-OWNERS**.

Big Rivers' generation facilities are also garnering positive attention on the national level, with HMP&L Station Two winning Top Performer and D.B. Wilson Station earning Runner-Up for their categories in the Navigant Generation Knowledge Service Operational Excellence Awards. This accomplishment highlights the high standard of operation and cost-efficiency of our power-producing resources, and marks our fifth Navigant GKS Operational Excellence Award company-wide in the last four years. On the transmission level, we now maintain an extensive network of 1,295 miles of transmission lines and 22 substations. Big Rivers completed upgrades in 2015 that will improve reliability for our Member-Owners, and we look to launch innovative and automated technology in 2016 to further enhance our response to outages.

Our energy sales are expanding within our Kentucky territory and across the Midwest, allowing Big Rivers to find profitable arrangements for our excess power and return those financial benefits to our Member-Owners. The Kentucky Public Service Commission approved a nine-year contract to sell capacity and energy to several Nebraska entities, with power projected to start flowing in 2018. Our short-term contracts have tripled in volume since 2014, bringing us more stability in the volatile energy market. The company is also experiencing significant internal load growth and working with the first consumer to utilize our exceptional Economic Development Incentive Rate in its business expansion.

Big Rivers is navigating an ever-changing regulatory environment by balancing optimal compliance and the best value for our Member-Owners. We are dedicated to protecting our local communities and meeting all federal and state environmental requirements.

Big Rivers is currently undergoing a multi-million dollar renovation at two generating facilities to comply with the Mercury Air Toxics Standards, one of the latest federal regulations. While many coal-fired utilities have major environmental concerns over the upcoming Clean Power Plan, our experienced team is exploring compliance options years in advance and communicating with lawmakers and stakeholders about the potential impacts. The planning and approval process is also underway to develop multiple solar arrays, giving our Member-Owners the opportunity to examine the technology and costs related to alternative power sources.

We are dedicated to **protecting our local communities** and meeting all federal and state environmental requirements.

The Kentucky Public Service Commission **approved a nine-year contract** to sell capacity and energy to several Nebraska entities, with **power projected to start flowing in 2018.**

5th **Navigant GKS Operational Excellence Award** company-wide in the last 4 years.

The findings and final action plan of a Focused Audit were issued this year, bringing closure and providing support for Big Rivers' past decisions and future plans. The Focused Audit was ordered by the Kentucky Public Service Commission, and our leadership team and employees invested a great deal of time and effort in working with the auditors to ensure they had an accurate picture of our past, present and future operations. Those auditors made 23 findings, many of which were positive or neutral toward Big Rivers' efforts, and only five recommendations.

Our organization was already undertaking four of those recommendations, including increasing our in-house expertise regarding the

Midcontinent Independent System Operator (MISO) market, pursuing new energy sales and analyzing the best use of currently-idled Coleman Station. Most importantly, the final report highlighted our mitigation successes and the value of both Wilson and Coleman Stations.

$8.2 MILLION

Short-term forward sales reduced our Member-Owners' Fuel Adjustment Clause by approximately $8.2 million in 2015.

We have the obligation and ability to provide our Member-Owners with some of the best electricity rates in the Commonwealth and the country, and Big Rivers will look to minimize the effects of electric rate increases. Reserve funds allowed the company to offset impacts from a 2014 rate increase until this past summer for industrial consumers, and those funds will continue to offset rates for residential consumers until the summer of 2016. Forward sales reduced our Member-Owners' Fuel Adjustment Charge by approximately $8.2 million in 2015, and Big Rivers is on track to flow an additional $4.6 million in margins back to our Member-Owners in 2015 and 2016. Moving forward, margins from the long-term contract with several Nebraska utilities will also be returned to our Member-Owners through a rate rider mechanism.

Our efficient assets advance our mission to safely deliver competitive and reliable wholesale power and align us with our vision to be viewed as one of the nation's top generation and transmission cooperatives. In closing, we believe our longstanding values and recent accomplishments are reinforcing an already strong framework, giving Big Rivers the **"Power to Thrive"** today and in the years ahead.

Robert W Berry

Robert Berry
President & CEO

Wayne E Elliott

Wayne Elliott
Chair, Board of Directors

WE CONTINUE TO DELIVER COMPETITIVE AND RELIABLE WHOLESALE POWER ALIGNING US WITH OUR VISION TO BE VIEWED AS ONE OF THE NATION'S TOP GENERATION AND TRANSMISSION COOPERATIVES.

Big Rivers completed upgrades in 2015 that will improve reliability for our Member-Owners, and we look to launch innovative and automated technology in 2016 to further enhance our response to outages.

Big Rivers operates under this philosophy: Safety is a way of life, so no operating condition or urgency of service can ever justify endangering the health and well-being of anyone.

PROMOTING A SAFE AND HEALTHY WORKPLACE

The Safety Leadership Team is committed to developing events and workshops that cultivate a safe and healthy environment. In January 2015, approximately 250 contractors and employees gathered in Philpot, KY for the Annual Contractors Safety Kick-off Meeting.

BIG RIVERS WAS ALSO **RECOGNIZED BY THE KENTUCKY SAFETY & HEALTH NETWORK (KSHN)** FOR ITS SPONSORSHIP OF THE GOVERNOR'S SAFETY AND HEALTH CONFERENCE AND THE INVOLVEMENT OF OUR EMPLOYEES.

Both Warren Hust, control room operator at Green, and Donna Haynes, control room operator at Coleman, serve as board members for the Kentucky Safety & Health Network (KSHN).

The Big Rivers Joint Safety Committee met three times in 2015 to further educate themselves on a variety of safety issues and concerns. Safety personnel also provided their services to our Member-Owners and the Kentucky Association of Electric Cooperatives, hosting workshops and training demonstrations throughout the year. A new High-Voltage Safety Demonstration Trailer was built to aid in teaching electrical safety to all age groups in our communities.

The safety group will continue to reinforce safety awareness not only in the workplace, but also at home. As part of this goal, all present and retired employees were issued the second edition of the Safety Vision book in 2015. A child and grandchild safety calendar contest was also organized, with winning drawings used to create a calendar for employees.

39

Governor's Safety and Health Awards received by Big Rivers making Big Rivers the **most decorated entity** in the Commonwealth of Kentucky.

SAFETY IS MORE THAN A WORD OR CONCEPT AT BIG RIVERS.

It is a key focus for each employee every single day. **This was proven once again in 2015 through several safety achievements:**

9 YEARS

Coleman Station employees completed **9 years without a lost-time injury**.

8 YEARS

Wilson Station completed **8 years without a lost-time injury, 1 year without a recordable injury**.

4 YEARS

Sebree Station employees completed **4 years without a lost-time injury** and received their **11th Governor's Safety Award**.

5 YEARS

Transmission employees completed **5 years without a lost-time injury**.

4 YEARS

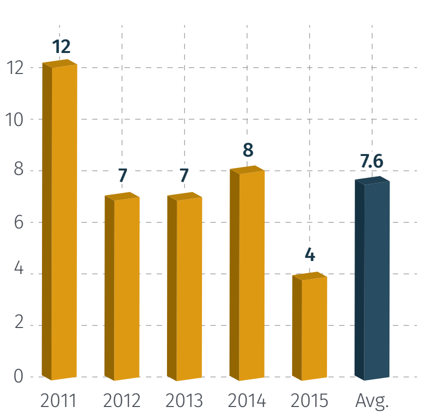
Headquarters employees completed **4 years without a lost-time injury, 3 years without a recordable injury,** and received their **2nd Governor's Safety Award**.

4 YEARS

ALL employees reached **4 years without a lost-time injury**.

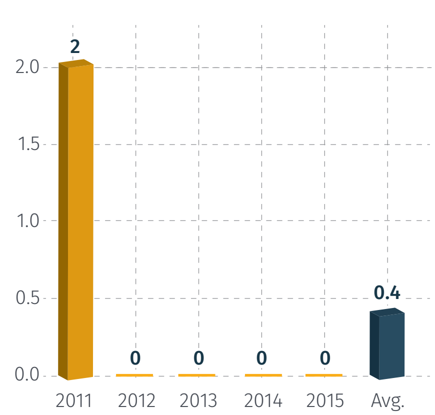
NUMBER OF RECORDABLE INCIDENTS*

Incident Rate: Number of incidents x 200,000/number of hours worked.



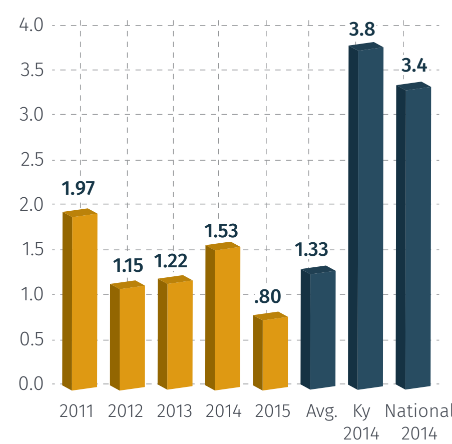
NUMBER OF LOST-TIME INCIDENTS*

Incident Rate: Number of incidents x 200,000/number of hours worked.



RECORDABLE INCIDENT RATE*

Incident Rate: Number of incidents x 200,000/number of hours worked.



* **Recordable Incident:** An injury or illness that results in medical attention beyond first aid and/or results in modified work duty and/or lost-time from work.
** **Lost-time incident:** An injury or illness that causes an employee to miss one or more scheduled full workday(s) following the incident.

Big Rivers is reinforcing safety awareness not only in the workplace but also at home.

Big Rivers' plants have been the winner of GKS Operational Excellence Awards since 2012. The national honor is based on a coal plant's performance in cost, operations, reliability and safety.

2015 KEY PERFORMANCE INDICATORS

Net Generation	7,306,256 MW
Available Generation	9,264,934 MW
EAF[1]	84.1 %
EFOR[2]	10.2 %
Net Heat Rate	10,733

[1] **Equivalent Availability Factor** Percentage of time a generating unit is available for power production at its full capacity

[2] **Equivalent Forced Outage Rate** Percentage of time a generating unit is unexpectedly offline or unable to obtain its full capacity

OPERATING AND MAINTAINING ASSETS TO THE HIGHEST STANDARDS

Big Rivers has been providing power supply to Member-Owners since 1966. Today, the Production Department oversees three generation facilities, utilizing a staff that operates and maintains those assets to the highest standards. Their efforts and improvements were once again commended in 2015:

OPERATIONAL EXCELLENCE

Two Big Rivers generation facilities garnered national recognition in 2015. The HMP&L Station Two plant, the generating station owned by Henderson Municipal Power & Light and operated by Big Rivers, earned Top Performer in the small plant category (300 MW and less) in the Navigant Generation Knowledge Service (GKS) Operational Excellence Awards. The D.B. Wilson Station was honored with the GKS Operational Excellence Runner-Up Award in the medium plant category (300-600 MW). The award is based on a coal plant's performance in cost, operations, reliability and safety.

The GKS Operational Excellence Awards were established in 2010 and are the industry's premier benchmarking service for fossil-fueled generation plants. Navigant measures and evaluates the performance and cost of more than 620 generating units, comparing them to their peers. To be eligible for the award, plants must submit five years of continuous data.

The latest HMP&L Station Two and Wilson Station achievements mark the fourth consecutive year to receive a GKS Operational Excellence Award across our three generation facilities. The Kenneth C. Coleman Station received Top Performer honors in the small plant category in 2012, 2013 and 2014.

HEAT RATE IMPROVEMENT

The Production Department installed low NOx burners on HMP&L Unit 2 in the spring of 2015 to lower NOx emissions and improve heat rate yet still maintain the unit's ability to achieve rated gross capacity. During the Green Unit 1 outage in the fall of 2015, Big Rivers replaced the #5 feedwater heater and completed a turbine-generator overhaul, resulting in a heat rate improvement of 120 btu/kWh (1.2%). Heat rate improvements at Wilson Station are attributed to boiler repairs and fuel handling improvements.

R STAMP PROGRAM

Big Rivers obtained its Kentucky R Stamp in 2015, allowing the company to make certain boiler and pressure vessel repairs and inspections; therefore, continuing to provide cost-effective and timely repairs to our generating units.

RELIABILITY METRICS for Big Rivers' generating units compared to its peer group
2011-2015

○ LOWER IS BETTER
● HIGHER IS BETTER

	METRIC	BIG RIVERS GENERATING UNITS	TOP QUARTILE	PEER GROUP MEDIAN
●	EAF[1]	89.86%	84.98%	78.81%
○	EFOR[2]	5.14%	5.46%	9.74%
●	NCF[3]	80.80%	69.81%	59.24%

[1] **Equivalent Availability Factor** Percentage of time a generating unit is available for power production at its full capacity
[2] **Equivalent Forced Outage Rate** Percentage of time a generating unit is unexpectedly offline or unable to obtain its rated capacity
[3] **Net Capacity Factor** Percentage of the maximum generation actually generated

PROVIDING THE BEST RATES TO OUR MEMBER-OWNERS

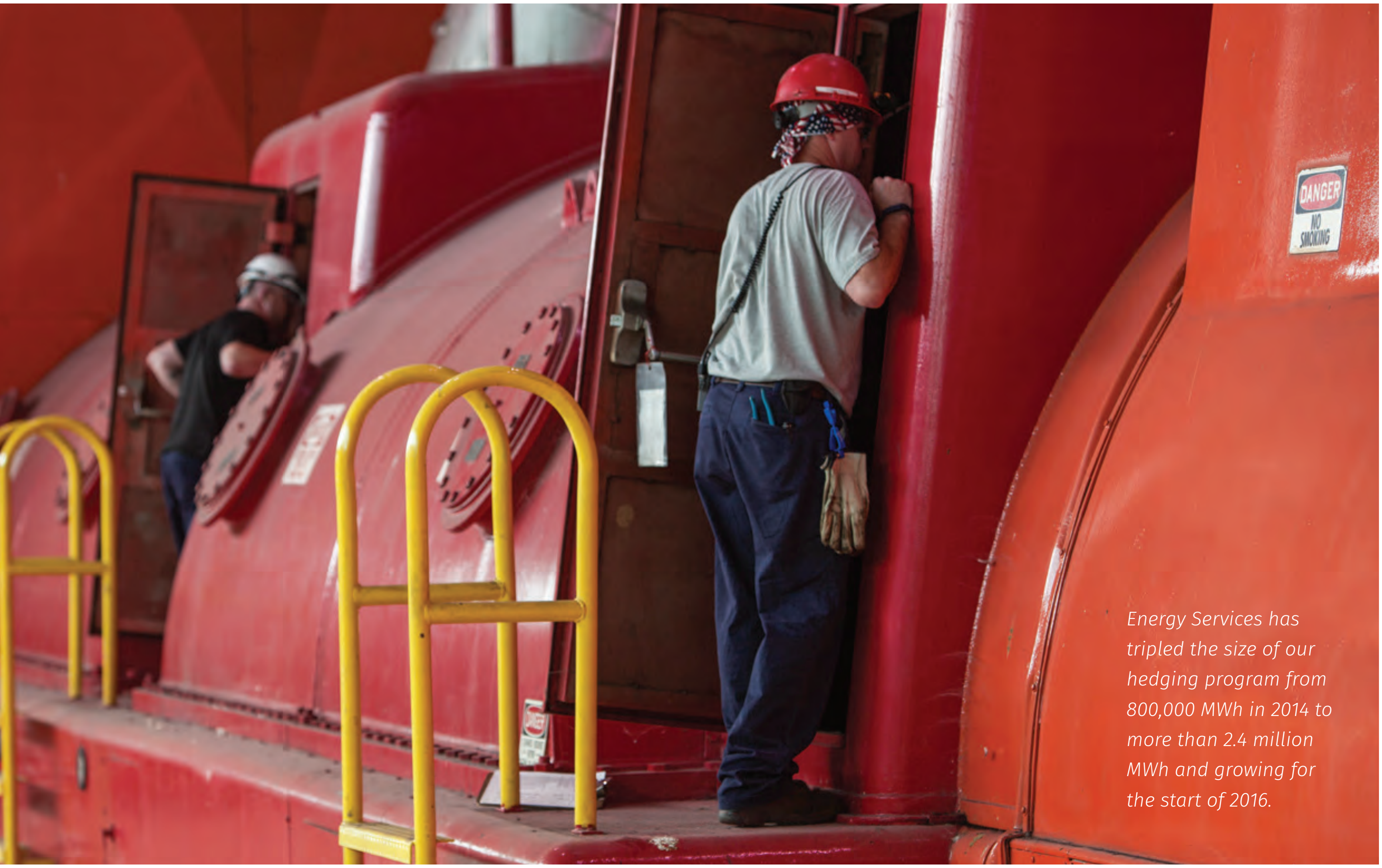
The Energy Services Department's ultimate goal remains to identify long-term contracts for capacity and energy beyond what is needed to serve our Member-Owners. Since several years can often elapse between initial customer contact and the initiation of service, short-term strategies are also critical to managing the volatility of energy and capacity prices. Big Rivers has been active on both fronts:

- Marketing efforts continue across the Midwest. Over the past several years, Energy Services has made approximately 75 marketing contacts in more than a dozen states. This process involves responding to Requests for Proposals, establishing contacts at industry conferences and seminars, building upon existing relationships and making the occasional cold call.
- In 2015, the Kentucky Public Service Commission approved an agreement permitting Big Rivers to sell wholesale power to several customers in Nebraska. Even though power won't begin flowing in this long-term contract until 2018, we have launched the transition process by identifying capacity resources and submitting transmission requests.
- In the short-term, Energy Services has tripled the size of our hedging program from 800,000 MWh in 2014 to more than 2.4 million MWh and growing for the start of 2016. This helps stabilize our revenues and cash flows until Big Rivers begins to see the benefits from our long-term contracts.

Energy Services also oversees several other functions that are crucial in controlling costs and ultimately providing the best rates to our Member-Owners:

- In partnership with our support from ACES, Energy Services coordinates most MISO market interactions, such as submitting hourly load forecasts, offering our generation for sales and examining MISO settlement statements for accuracy. In 2015, Energy Services expanded its efforts in these areas.
- Energy Services also renewed its commitment to involvement in the MISO decision-making process in 2015. Resources are now dedicated to participation in MISO committees and working groups. Decisions by MISO can have a major impact on Big Rivers, and Energy Services needs to understand the costs and implications of each.

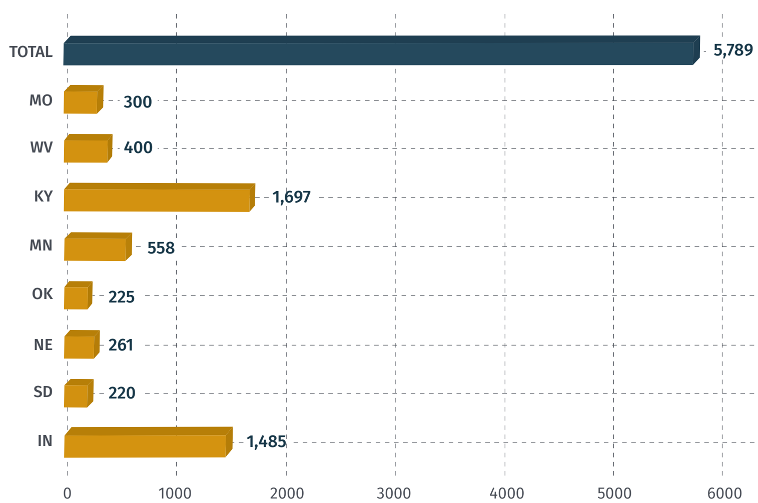
ENERGY SERVICES' RESPONSIBILITIES REQUIRE A WIDE RANGE OF SKILL SETS, RANGING FROM **ANALYSIS** TO **RELATIONSHIP BUILDING**. OUR STAFF COMBINES THESE SKILLS TO KEEP THE **POWER RATES FOR OUR MEMBER-OWNERS AS LOW AS POSSIBLE**.

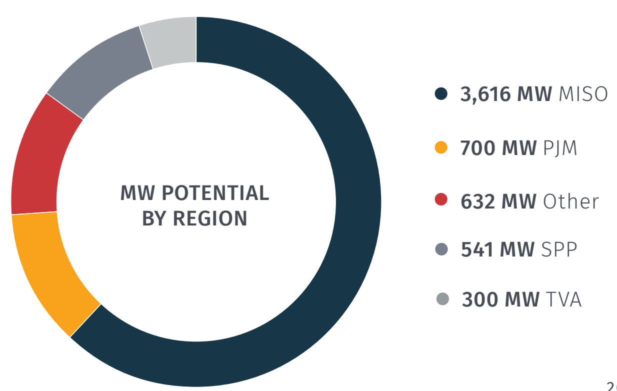


Energy Services has tripled the size of our hedging program from 800,000 MWh in 2014 to more than 2.4 million MWh and growing for the start of 2016.

ENERGY SERVICES HAS MADE APPROXIMATELY **75 MARKETING CONTACTS** IN MORE THAN A DOZEN STATES. THESE CHARTS DEMONSTRATE WHERE **POTENTIAL TRANSACTIONS** ORIGINATE AND THE AMOUNT OF POWER NEEDED IN MEGAWATTS (MW).

MARKETING CONTACT BY STATE (MW)





BIG RIVERS OWNS, OPERATES AND MAINTAINS:

1,295

miles of transmission line systems

22

transmission substations

25

interconnections linking the Big Rivers transmission system with seven neighboring utilities

Radio control will improve our ability to quickly and remotely sectionalize and restore the Member-Owner substations following service interruptions.

POWERING HOMES AND BUSINESSES ACROSS THE REGION

The electricity produced by Big Rivers powers homes and businesses across western Kentucky and beyond, with the Transmission and Engineering Departments dedicated to delivering that reliable service. The departments operate and maintain a complex system of 1,295 miles of transmission line and 22 transmission substations, connecting us to seven neighboring utilities. Big Rivers initiated several improvements and additions in 2015:

- The Aleris Lewisport Aluminum Mill, a Kenergy industrial customer, is making a major expansion to its facility. The project has required the construction of a new direct serve delivery point substation and three 161 kV transmission lines. The substation and lines will serve the new mill load and increase the reliability of the existing plant.

- The Meade County RECC load continues to grow, causing a need for additional transformation at the Meade County 161 kV to 69 kV Substation. Big Rivers began installing two 100 MVA autotransformers at this location in 2015. The installation will free up the two existing 50 MVA transformers, which will be utilized on future projects.

- Big Rivers completed renovations to the Hardinsburg substation in 2015. These modifications included installation of circuit switchers for transformers 1 and 2, replacement of electromechanical line relaying with microprocessor-based relays, replacement of direct buried cables with conduit encased cables, and adding line disconnect switches to both 161 kV transmission lines.

- Big Rivers is expanding the number of radio-controlled 69 kV line switches, replacing five existing 69 kV switch points with steel poles, and added switches, interrupters and motor operators in 2015. Radio control will improve our ability to quickly and remotely sectionalize and restore the Member-Owner substations following service interruptions.

- With the increased loading in the eastern portion of the Jackson Purchase service territory, a new transformation source was needed in Marshall County.

BIG RIVERS HAS DESIGNED AND BUILT **THE WHITE OAK 161 KV TO 69 KV SUBSTATION** WITH A **50 MVA AUTOTRANSFORMER** BETWEEN CULP, LEDBETTER AND PALMA JUNCTION TO MEET THIS NEED.

- The 345 kV power circuit breakers at Wilson EHV were a source of maintenance problems. One of these PCBs was replaced in 2014 with an ABB sulfur hexafluoride (SF6 gas) breaker. The other three 345 kV breakers were replaced in 2015. These new breakers will need much less maintenance and allow the Big Rivers system to operate more efficiently.

EXCEEDING ENERGY AND DEMAND REDUCTION GOALS

Big Rivers is actively advancing energy efficiency efforts and providing our Member-Owners with services benefiting their consumers. During 2015, demand side management and energy efficiency programs met budgetary targets and significantly exceeded the energy and demand reduction impact goals. An original incentive budget of $1,000,000 was later supplemented with $150,000, with the additional funds aiding the accelerated spending in commercial lighting.

The commercial lighting program is currently the most impactful program in Big Rivers' portfolio, bringing the highest demand and energy reduction per dollar spent. Commercial lighting kW reduction increased six fold from 260 kW in 2014 to 1,600 kW in 2015, and the program jumped from 9% of the energy efficiency budget in 2014 to 50% in 2015. The marked rise of commercial lighting participation in retail members can be credited to the promotional efforts of our Member-Owner marketing teams and a decrease in LED technology cost.

OVERALL REDUCTION IN ENERGY AND DEMAND FROM THE VARIOUS PROGRAMS RESULTED IN AN **ESTIMATED ANNUAL SAVINGS OF 10,194,000 kWh**. SUMMER DEMAND WAS CUT BY 2,300 kW AND WINTER DEMAND BY 2,950 kW, NEARLY DOUBLING THE kWh AND kW REDUCTIONS OF 2014.

Big Rivers is looking to the future with pilot programs designed to further enhance energy efficiency in 2016. We are seeking Kentucky Public Service Commission approval on a solar array project that will allow our Member-Owners and their consumers to evaluate the costs and technology. A new weatherization start-up for Kenergy will also occur in early 2016.

Energy efficiency programs exceeded reduction impact goals in 2015. Pilot programs for solar energy and a new weatherization start-up will further enhance energy efficiency in 2016.

ADDRESSING ENVIRONMENTAL REGULATIONS

33%↓

APPROXIMATE REDUCTION

in Big Rivers' carbon footprint since Coleman Station was idled in May 2014.

Big Rivers is dedicated to providing reliable and cost-effective electricity to our Member-Owners. That focus extends to our efforts to protect the environment where we live and work. The Environmental Services Department manages compliance with all existing federal and state requirements and develops plans to meet proposed regulations. The highly-experienced team faces an increasingly complex regulatory environment.

CLEAN POWER PLAN (CPP)

A primary concern for coal-fired utilities, like Big Rivers, is the Clean Power Plan (CPP). The final rule was announced in summer 2015 and requires states to reduce CO2 emissions by 32% by 2030 from 2005 levels. Big Rivers and the Environmental Services team are actively involved in discussions with the Kentucky Energy and Environment Cabinet as they determine how the Commonwealth will comply with the requirements of this recently stayed regulation. Coleman Station, idled in May 2014, has reduced Big Rivers' carbon footprint by approximately 33%. This gives Big Rivers the flexibility to either restart Coleman or utilize Coleman as one of its CPP compliance options. We will continue to analyze this situation to determine the most cost-effective solution for our Member-Owners.

MERCURY AIR TOXICS STANDARD (MATS)

Two generating facilities are in the midst of multi-million dollar renovation projects to comply with the Mercury Air Toxics Standard (MATS). The regulation became effective in April 2015, and many utilities, including Big Rivers, were granted a one-year extension. The mercury-reduction system is nearing testing phase for the Green Units, and all major equipment needed for the Wilson project is on site and being erected.

COAL COMBUSTION RESIDUAL RULE (CCR)

Environmental Services also initiated new efforts to meet the Coal Combustion Residual Rule (CCR) and Effluent Limitation Guidelines (ELG) in 2015. CCR became effective in October 2015, with Big Rivers launching a CCR website that month. The site allows the public to review documents for compliance.

ENVIRONMENTAL SERVICES CONTINUES TO STUDY ALL PENDING LEGISLATION TO **OPTIMIZE COMPLIANCE** AND FIND **THE BEST VALUE** FOR OUR MEMBER-OWNERS.

BIG RIVERS PEOPLE STRATEGY

Administrative Services officially launched its "Big Rivers People Strategy" in 2015, beginning a number of new programs to engage employees and establish the company as the employer of choice in the community and the industry. The campaign seeks to attract, develop and retain top talent, plus further integrate performance management, leadership development and our succession planning process. Future sights are set on earning recognition as one of Kentucky's "Most Healthy Companies" and "Best Places to Work."

Key developments for the year include:

HEALTH AND WELLNESS INITIATIVE

Administrative Services developed a Wellness Plan to improve the physical, emotional, and financial well-being of each of our employees. A Fitbit Initiative was launched in August 2015, with fitness trackers sold to employees at a discounted price. Employees who subsequently stepped a total of 750,000 steps from August 1, 2015 through December 31, 2015 were reimbursed the cost of the tracker. The program garnered a participation rate of approximately 70% and resulted in improvement to employee health and job engagement.

750,000

steps were needed from August 1, 2015 through December 31, 2015 to qualify for a Fitbit reimbursement.

PERFORMANCE MANAGEMENT

The performance management process was revised and improved for 2015 with a focus on feedback, the conversation that takes place between employees and managers and how to establish SMART goals. Communication, Multigenerational Training and Orientation workshops were offered to employees. The department also initiated Individual Development Plans designed to highlight employee strengths and talents, development needs and career development goals.

EMPLOYEE ENGAGEMENT

A baseline employee engagement survey administrated by CEB Leadership Council for all employees was conducted. The survey achieved an 80% survey participation rate. Results communication meetings are being followed with focus group meetings and action plan development.

80%

employee survey participation rate was achieved.

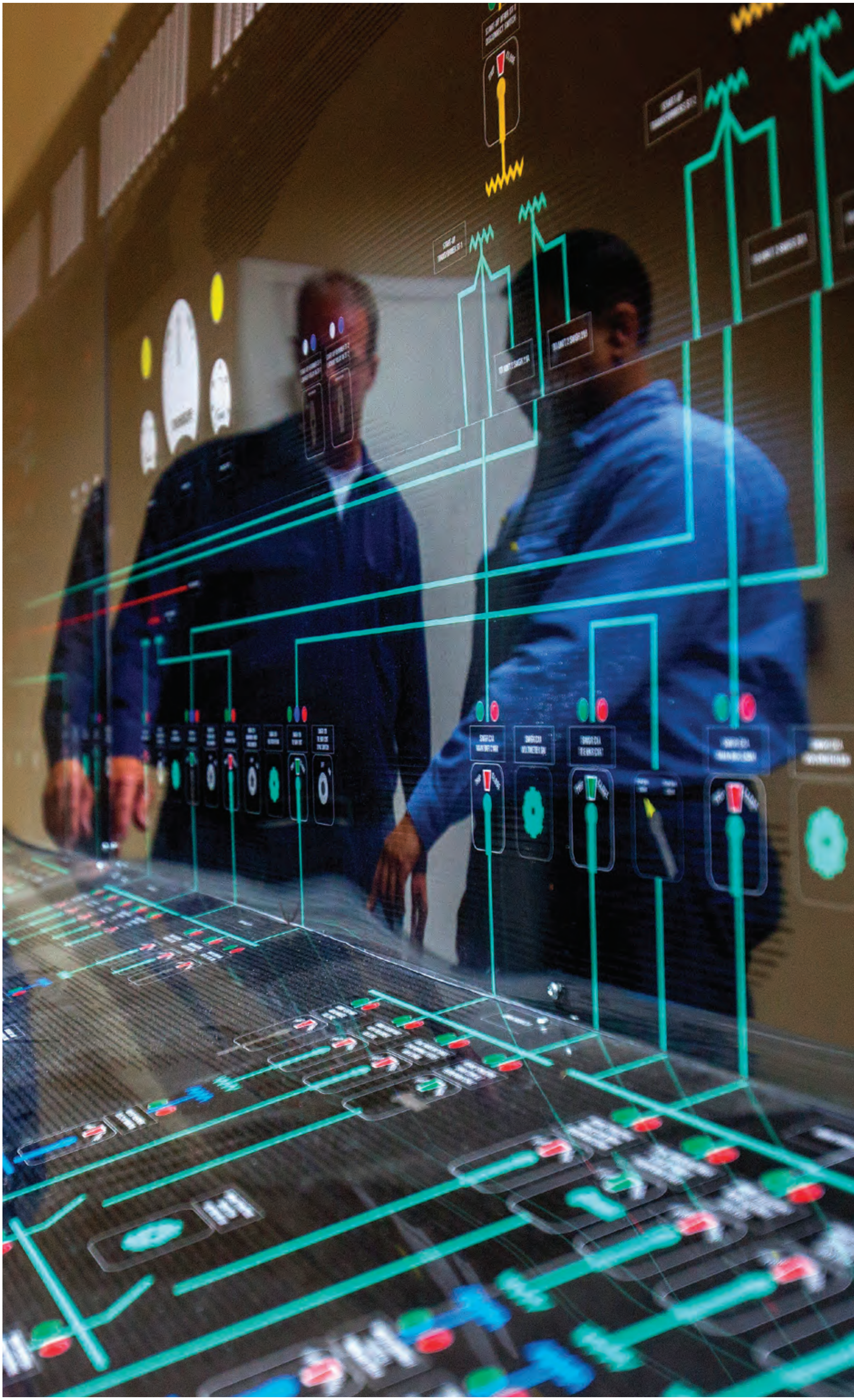
DRUG AND ALCOHOL POLICY

Big Rivers is committed to providing a work environment in which safety is a priority. Consistent with this commitment, the company updated the Drug and Alcohol Policy to include random drug and alcohol testing for all employees not already covered by a random testing program. Previously, only those employees covered by the Department of Transportation or Coast Guard regulations were subject to random testing.

SUCCESSFUL CONTRACT NEGOTIATIONS FOR GENERATION EMPLOYEES

A new three-year labor agreement was ratified in September 2015, covering the 282 generation division employees represented by IBEW Local 1701. The company and union negotiating committees worked diligently to reach a mutual agreement that continues to focus on safety, business and employee needs.

A Fitbit Initiative rewarded employees for taking steps. Roughly 70% of employees participated in the program, leading to improved health and job engagement.



New Energy Control software developed by the Information Systems and Technology Department provides accurate outage tracking and forecast data for MISO.

IMPLEMENTING RICH TECHNOLOGY SOLUTIONS

The Information Systems & Technology Department implements new user-friendly systems and provides technology support for Big Rivers and our Member-Owners, using third-party software and developing technology in-house.

Comtrac software, a fuels accounting and management system from Fusion Alliance, was purchased and implemented in 2015. The software has undergone user acceptance and parallel testing in the areas of Accounting, Logistics and Contracts. Invoices have been successfully produced, and the first closing occurred in February 2016.

All three Member-Owners were fully transitioned approximately two years ago from their legacy information systems to their new third-party vendor systems designed specifically for electric distribution cooperatives. Although the new systems are supported by the vendor rather than Big Rivers, Information Systems staff continue to support our Member-Owners through the development of useful reporting tools upon request.

INFORMATION SYSTEMS ALSO **SUCCESSFULLY IMPLEMENTED NEW TECHNOLOGICAL ASSETS** IN 2015.

At the request of the Member-Owners, a new online Cyber Security Training software package was purchased and deployed for end users at each Member-Owner Cooperative. This software will be deployed at Big Rivers during 2016 and will be a valuable tool for employee awareness. Additional technological investments and projects completed in 2015 include:

- Developed a new Energy Control software package to provide accurate outage tracking, electronic logs and automated smelter forecast data for MISO.
- Implemented an Oracle database upgrade and exercised an Oracle Disaster Recovery Drill.
- Modified Big Rivers' Critical Infrastructure Protection (CIP) program to meet NERC CIP Version 5 reliability standards in preparation for a first quarter 2016 transition as required by the regulation.
- Completed a major software upgrade for the EMS/SCADA system in September of 2015 to ensure system reliability.
- Upgraded all file and application servers to Windows Server 2012 and implemented a new server virtualization environment to make better use of hardware resources.
- Upgraded corporate desktop environment to Microsoft Office 2013.
- Upgraded the corporate e-mail server environment to Microsoft Exchange 2013 and added redundancy to our system.
- Installed informational LCD displays at each plant location and the BREC HQ building to inform employees of corporate news and events.
- Improved headquarters' meeting room capability by installing LCD displays with wireless connectivity.

PROTECTING THE INTERESTS OF THE COMMUNITIES AND CITIZENS WE SERVE

Big Rivers advocates on behalf of our Member-Owners on state and national issues in order to protect the interest of the communities and citizens we serve. One full-time employee is dedicated to legislative affairs and represents cooperative interests across Big Rivers' service area, Frankfort and Washington, DC.

Several energy-related issues were met head on during Kentucky's 2015 Legislative Session through our partnership with the Kentucky Association of Electric Cooperatives (KAEC), East Kentucky Power Cooperative and the support of several other Kentucky utilities. Bills related to expanded net metering, 911 billing charges, eminent domain, franchise fee, renewable portfolio standards and disconnect laws were all lobbied for or against without any negative consequences to our Members once laws were passed or defeated.

Federal regulations governing emissions at existing power plants were released through the finalized Clean Power Plan (CPP) in August 2015. This historic rule represents one of the most costly and significant regulations ever placed on the energy industry by the Environmental Protection Agency (EPA) and would require Kentucky to cut its carbon emissions by nearly 40% by 2030. Once the rules were finalized in October, more than 20 states, including Kentucky, filed suit to block the plan and requested a motion to stay until litigation could be resolved. The Supreme Court voted 5-4 to grant the motion to stay in early 2016, temporarily halting the enforcement of the regulations until legal challenges are resolved.

This issue has been and will remain at the forefront of Big Rivers' legislative priorities until the best option for compliance can be developed. Staff is working closely with the Kentucky Energy and Environment Cabinet, KAEC and the National Rural Electric Cooperative Association (NRECA) to voice concerns and remain engaged as litigation proceeds and deadlines to comply approach.

Big Rivers has been fortunate throughout its history to have been one of the lowest cost electric providers in the nation and state. Anything that could result in higher rates for our Member-Owners or threatens grid reliability creates major concern. While it is still too early to comprehend all the impacts of the Clean Power Plan, we will continue to work diligently with the state and other utilities to reach a solution most beneficial to our Member-Owners and electric consumers across the Commonwealth.

BIG RIVERS CONTINUES TO **WORK DILIGENTLY** WITH THE STATE AND OTHER UTILITIES **TO REACH SOLUTIONS MOST BENEFICIAL TO OUR MEMBER-OWNERS AND ELECTRIC CONSUMERS** ACROSS THE COMMONWEALTH.

PROMOTING GROWTH IN OUR REGION

Approximately
$150,000
in financial support was distributed to Member-Owners to promote economic development initiatives.

Big Rivers and its Member-Owners are focused on attracting and retaining business and jobs in western Kentucky through increased efforts in economic development. In addition to providing electric rates lower than the national average, we also offer one of the most competitive electric rate incentive discounts in the nation for qualifying expanding and new businesses. The Economic Development Incentive Rate offers a 90% reduction on demand and is eligible to companies who relocate, expand or build with a load greater than 1,000 kW.

Our economic development team, comprised of both Big Rivers and Member-Owner representatives, works closely with the Kentucky Cabinet for Economic Development and local economic development organizations to promote available sites within our service territory. In 2015, the economic development team participated in a community visit to Frankfort during the spring and hosted a luncheon for Cabinet staff in late summer.

Along with our Member-Owners, Big Rivers has participated in the Kentucky Association for Economic Development's (KAED) marketing arm, KY United, for the last several years. In 2015, representatives attended recruiting events across the nation and networking events throughout the state as a part of this elite group. As a result of these combined efforts, Big Rivers was able to negotiate or submit information for a total of 11 projects throughout the year. Four of these remain active with a potential for 475 MW of growth.

In 2015, Big Rivers also provided its distribution Member-Owners approximately $150,000 in financial support to promote economic development initiatives within their cooperative communities. Management at Big Rivers and the Member-Owners also serve on several local economic development boards and chambers in order to maintain a strong presence in the community.

Our economic development incentive rate is one of the most competitive discounts for new or expanding local businesses.

Record-breaking United Way employee donations and participation levels in 2015 were matched by a 50% corporate donation.

COMMITTED TO OUR COMMUNITIES

Big Rivers and its employees actively engage in the local community, donating thousands to the United Way each year. **The campaign for 2016 giving resulted in the highest donation and participation levels on record:**

75%

of employees **contributed to United Way**, up from 65% last year

$305.23

average donation per employee, a **$60 increase** from last year

225

employees are donating equal to or greater than **1 hours pay** per month

$77,985.46

Corporate Donation
(50% of Employee Total)

$233,956.38

Total United Way Contribution
in the campaign for 2016

MEASUREMENT	2015	2016
Employee Participation Rate	65%	75%
Employee Contribution	$ 126,193.32	$ 155,970.92
Corporate Contribution	$ 50,477.33	$ 77,985.46
Grand Total	$ 176,670.65	$ 233,956.38

Big Rivers is committed to community involvement and charitable giving, donating thousands of dollars to local causes and encouraging employees to serve with non-profit organizations. In 2015, numerous employees dedicated their time to volunteer projects and community boards. Big Rivers recognizes those efforts with an employee contribution program. Employees actively participating in a local organization are eligible to receive a $100 donation for their charity.

Corporate donations impact non-profits and area development organizations across the Commonwealth and our 22-county service territory. Schools, local fundraisers, community events and economic development groups were provided more than $140,000 in 2015.

BIG RIVERS IS CONTINUING TO **INVEST IN THE REGION** AND OUR HOME COMMUNITIES.

The company spent approximately $140,000 on exterior painting and improvements in 2015, updating the prominent Headquarters building in downtown Henderson. Additional work on the Headquarters training facility and Central Laboratory are scheduled for 2016.

STRONG FINANCIAL METRICS

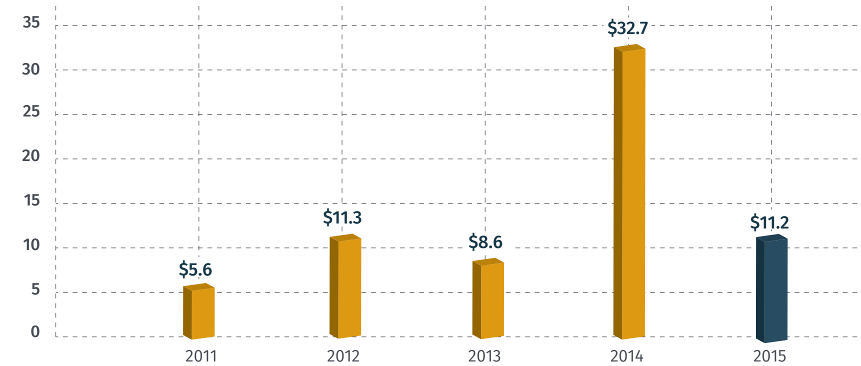
Big Rivers' net margins for the year ended December 31, 2015 were $11.2 million. This margin level achieved a 1.27 actual times interest earned ratio (TIER) and a contractual margins for interest ratio (MFIR) of 1.29. Big Rivers' 2015 debt service coverage ratio was solid at 1.2. With $464.7 million in equity, Big Rivers' equity to assets ratio was 33.1% at year-end, robust in comparison to most generation and transmission cooperatives throughout the country.

LIQUIDITY

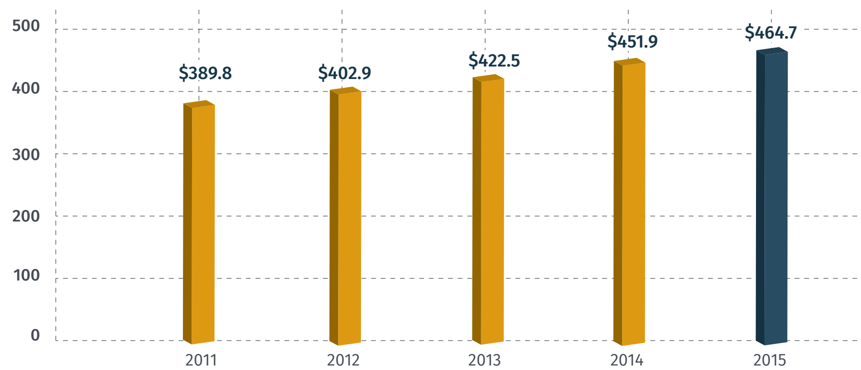
Big Rivers maintains a solid liquidity position, ending 2015 with $50.9 million in cash, cash equivalents and short-term investments. At year-end 2015, Big Rivers also had access to more than $104 million through a Syndicated Senior Secured Credit Agreement with CFC, Regions Bank, KeyBank National Association, Fifth Third Bank and CoBank.

BIG RIVERS MAINTAINS A SOLID LIQUIDITY POSITION, ENDING 2015 WITH **$50.9 MILLION IN CASH AND CASH EQUIVALENTS**, **AND SHORT-TERM INVESTMENTS.**

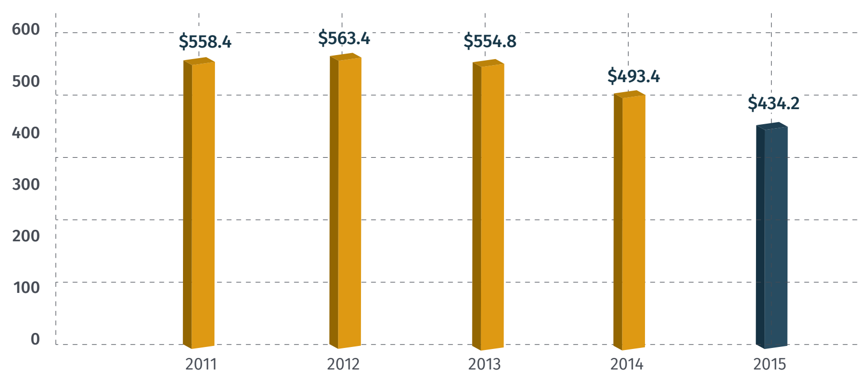
NET MARGIN
($ in millions)



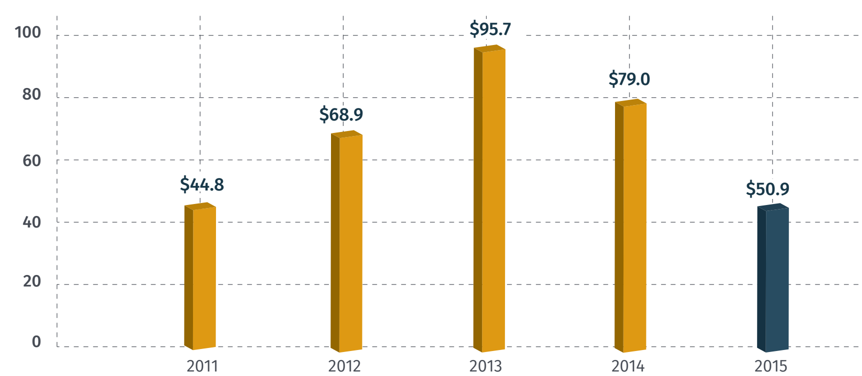
EQUITY
($ in millions)



ELECTRIC ENERGY REVENUES
($ in millions)



CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS
($ in millions)



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

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, 2015 and 2014, and the related statements of operations, comprehensive income, equities, and cash flows for each of the years in the three year period ended December 31, 2015, 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 the 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.

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, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2015, 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 April 11, 2016, 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
April 11, 2016

BALANCE SHEETS

December 31, 2015 and 2014 (Dollars in thousands)

ASSETS	2015	2014
Utility plant – net	$ 1,079,827	1,074,326
Restricted investments – Member rate mitigation	24,315	72,535
Restricted investments – NRUCFC Capital Term Certificates	38,503	40,099
Other deposits and investments – at cost	9,290	17,289
Current assets:		
Cash and cash equivalents	42,988	78,973
Short-term investments	7,883	—
Accounts receivable	31,650	33,834
Fuel inventory	78,446	44,900
Nonfuel inventory	24,680	24,190
Prepaid expenses	3,505	3,532
Total current assets	189,152	185,429
Deferred charges and other		
Regulatory assets	59,271	31,143
Other	5,638	6,679
Total deferred charges and other	64,909	37,822
Total	$ 1,405,996	1,427,500

EQUITIES AND LIABILITIES	2015	2014
Capitalization		
Equities	$ 464,661	451,916
Long-term debt	807,284	820,284
Total capitalization	1,271,945	1,272,200
Current liabilities		
Current maturities of long-term obligations	21,717	20,903
Line of credit	26,000	—
Purchased power payable	1,091	3,979
Accounts payable	22,971	27,592
Accrued expenses	8,431	11,598
Accrued interest	4,630	4,645
Total current liabilities	84,840	68,717
Deferred credits and other		
Regulatory liabilities – member rate mitigation	21,530	67,704
Asset retirement obligations	6,973	—
Deferred credits and other	20,708	18,879
Total deferred credits and other	49,211	86,583
Commitments and contingencies (note 13)		
Total	$ 1,405,996	1,427,500

See accompanying notes to financial statements.

STATEMENTS OF OPERATIONS

Years ended December 31, 2015, 2014 and 2013 (Dollars in thousands)

	2015	2014	2013
OPERATING REVENUE	$ 445,276	505,860	562,447
Total operating revenue	445,276	505,860	562,447
OPERATING EXPENSES			
Operations			
Fuel for electric generation	146,179	164,220	210,115
Power purchased and interchanged	115,863	117,177	120,770
Production, excluding fuel	39,502	41,942	47,985
Transmission and other	38,030	54,338	44,784
Severance expense	—	(6,012)	9,272
Maintenance	39,851	45,591	41,564
Depreciation and amortization	18,636	19,655	39,425
Total operating expenses	398,061	436,911	513,915
Electric operating margin	47,215	68,949	48,532
INTEREST EXPENSE AND OTHER			
Interest	40,205	40,987	42,823
Income tax expense	(77)	—	—
Other – net	464	194	1,054
Total interest expense and other	40,592	41,181	43,877
Operating margin	6,623	27,768	4,655
NONOPERATING MARGIN			
Interest income and other	4,593	4,899	3,984
Total nonoperating margin	4,593	4,899	3,984
Net margin	$ 11,216	32,667	8,639

See accompanying notes to financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2015, 2014 and 2013 (Dollars in thousands)

	2015	2014	2013
NET MARGIN	$ 11,216	32,667	8,639
Other comprehensive income			
Defined-benefit plans			
Prior service cost	—	1	11
Actuarial gain (loss)	1,056	(1,804)	6,580
Defined-benefit plans	1,056	(1,803)	6,591
Postretirement benefits other than pensions			
Prior service cost	(138)	(138)	(138)
Actuarial gain (loss)	611	(1,154)	4,523
Amortization of gain	—	(144)	(9)
Postretirement benefits other than pensions	473	(1,436)	4,376
OTHER COMPREHENSIVE INCOME (LOSS)	1,529	(3,239)	10,967
COMPREHENSIVE INCOME	$ 12,745	29,428	19,606

STATEMENTS OF EQUITIES

Years ended December 31, 2015, 2014 and 2013 (Dollars in thousands)

			OTHER EQUITIES		
	Total Equities	Retained Margin	Donated Capital and Memberships	Consumers' Contributions to Debt Service	Accumulated Other Comprehensive Income
BALANCE – DECEMBER 31, 2012	402,882	408,375	764	3,681	(9,938)
Net margin	8,639	8,639	—	—	—
Pension and postretirement benefit plans	10,967	—	—	—	10,967
BALANCE – DECEMBER 31, 2013	422,488	417,014	764	3,681	1,029
Net margin	32,667	32,667	—	—	—
Pension and postretirement benefit plans	(3,239)	—	—	—	(3,239)
BALANCE – DECEMBER 31, 2014	451,916	449,681	764	3,681	(2,210)
Net margin	11,216	11,216	—	—	—
Pension and postretirement benefit plans	1,529	—	—	—	1,529
BALANCE – DECEMBER 31, 2015	$ 464,661	460,897	764	3,681	(681)

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2015, 2014 and 2013 (Dollars in thousands)

	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net margin	$ 11,216	32,667	8,639
Adjustments to reconcile net margin to net cash provided by operating activities:			
Depreciation and amortization	23,822	22,881	43,687
Interest compounded – RUS Series A Note	50	47	44
Interest compounded – RUS Series B Note	8,667	8,182	7,724
Noncash member rate mitigation revenue	(54,062)	(65,945)	(23,727)
Changes in certain assets and liabilities:			
Accounts receivable	2,183	15,045	(503)
Inventories	(34,035)	(8,882)	(1,105)
Prepaid expenses	27	(2,367)	2,928
Deferred charges	(2,912)	(1,572)	(3,968)
Purchased power payable	(2,889)	450	2,127
Accounts payable	(4,709)	(7,184)	3,164
Accrued expenses	(3,182)	(6,792)	7,155
Other – net	11,731	7,892	3,828
Net cash (used in) provided by operating activities	(44,093)	(5,578)	49,993
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(46,436)	(49,843)	(26,222)
Proceeds from restricted investments and deposits	57,330	58,284	41,583
Purchases of restricted investments and other deposits and investments	—	510	126
Change in restricted cash	—	—	41,313
Purchases of short-term investments (maturities greater than 90 days)	(7,883)	—	—
Net cash provided by investing activities	3,011	8,951	56,800
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on long-term obligations	(20,903)	(20,127)	(79,926)
Proceeds from short-term notes payable	26,000	—	—
Net cash provided by (used in) financing activities	5,097	(20,127)	(79,926)
Net increase in cash and cash equivalents	(35,985)	(16,754)	26,867
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	78,973	95,727	68,860
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 42,988	78,973	95,727
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	$ 32,647	32,030	36,796
Cash paid for income taxes	1	—	—

See accompanying notes to financial statements.

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 (Jackson Purchase Energy Corporation, Kenergy Corp., and Meade County Rural Electric Cooperative Corporation) under all requirements contracts. Big Rivers also markets power to nonmember utilities, power marketers, and the Midcontinent ISO (MISO). 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*, and gives recognition to the ratemaking and accounting practices of the KPSC and RUS.

(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 sales are based on month-end meter readings and are recognized as earned when electricity is delivered. Capacity revenues are recognized in the period in which the Company provides capacity to a counterparty.

(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 2012, a depreciation study was completed to evaluate the remaining economic lives of the Company's assets and establish new depreciation rates. The study was approved by the RUS in 2012 and by the KPSC in 2014, with the rates becoming effective February 1, 2014. The annual composite depreciation rates used to compute depreciation expense were as follows:

Electric plant	0.35%–25.38%
Transmission plant	1.36%–2.29%
General plant	3.76%–9.88%

For 2015, 2014, and 2013, the average composite depreciation rates were 2.39%, 2.34%, and 2.23%, 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) Asset Retirement Obligations

ASC Topic 410-20, *Asset Retirement and Environmental Obligations – Asset Retirement Obligations*, requires legal obligations associated with the retirement of long-lived assets to be recognized at fair value when incurred and capitalized as part of the related long-lived asset. ASC Topic 410-20 clarifies the term conditional asset retirement obligation where an obligation exists even though the method or timing of settlement may be conditional. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. When the asset is retired, the entity settles the obligation for its recorded amount or incurs a gain or loss. The U.S. Environmental Protection Agency's Disposal of Coal Combustion Residuals from Electric Utilities rule (CCR Final Rule) was published in the Federal Register on April 17, 2015. As such, Big Rivers' has recorded liabilities in its financial statements for the asset retirement obligations (AROs) related to the requirements of the CCR Final Rule for the coal ash ponds located at its Green Station and the City of Henderson's Station Two (Station Two) generating units. See note 3 for further discussion of the Company's AROs.

(h) 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. Purchased emission allowances are recorded in inventory at actual cost by each vintage year. Allowances issued by the Environmental Protection Agency (EPA) are recorded at zero cost by each vintage year. Total purchased and EPA issued 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.

(i) Restricted Investments

Certain investments are restricted under KPSC order to establish certain reserve funds for Member rate mitigation. These investments are classified as held-to-maturity and are carried at amortized cost. Additionally, Big Rivers was required to purchase investments in National Rural Utilities Cooperative Finance Corporation's (CFC) Capital Term Certificates (CTCs) in connection with a 2012 secured term loan agreement with CFC (note 8), which are also classified as held-to-maturity.

(j) 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.

(k) Short-Term Investments

Short-term investments include certificates of deposits held for investment and investments in debt securities with maturities greater than three months and less than one year from the balance sheet date.

(l) Regulatory Assets and Liabilities

ASC Topic 980-10 applies to regulated entities for which rates are designed to recover the costs of providing service. In accordance with this topic, certain items that would normally be reflected in the statement of operations are deferred on the balance sheets. Regulatory assets represent probable future revenues associated with certain incurred costs, which will be recovered from customers through the rate making process. Regulatory assets are charged to earnings as collection of the cost in rates is recognized or when future recovery is no longer probable. Conversely, regulatory liabilities represent future reductions in revenues associated with amounts that are to be credited to customers through the rate making process.

(m) 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.

(n) Patronage Capital

As provided in the Company's 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.

(o) 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.

(p) 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.

2. UTILITY PLANT

At December 31, 2015 and 2014, utility plant is summarized as follows:

	2015	2014
Classified plant in service:		
Production plant	$ 1,754,575	1,738,206
Transmission plant	262,776	258,307
General plant	47,008	45,483
Other	292	543
	2,064,651	2,042,539
Less accumulated depreciation	1,053,992	1,018,800
	1,010,659	1,023,739
Construction in progress	69,168	50,587
Utility plant – net	$ 1,079,827	1,074,326

Interest capitalized for the years ended December 31, 2015, and 2014 was $1,143 and $594, respectively.

The Company has identified certain legal obligations, as defined in FASB ASC 410, *Asset Retirement and Environmental Obligations*, associated with the retirement of long-lived assets that require the recognition of a liability. See note 3 for further discussion of the Company's AROs.

As of December 31, 2015 and 2014, the Company had an estimated $51,347 and $48,676, respectively, related to nonlegal removal costs included in accumulated depreciation as required by RUS.

3. ASSET RETIREMENT OBLIGATIONS

The Company has asset retirement obligations (AROs) arising from legal obligations associated with the retirements of certain long-lived assets. The liabilities were initially measured at fair value and subsequently adjusted for accretion expense, subject to future adjustments for changes in the amount or timing of estimated cash flows. The corresponding asset retirement costs are capitalized as a part of the carrying amount of the related long-lived assets and depreciated over their remaining useful lives. The following table presents the activity for the AROs for the years ended December 31, 2015 and 2014:

		2015	2014
Balance at beginning of year	$	—	—
Additional obligations incurred		6,776	—
Obligations settled in current period		—	—
Changes in estimates, including timing		—	—
Accretion expense		197 (a)	—
Balance at end of year	$	6,973	—

(a) The 2015 ARO accretion expense of $197, shown in the table above, was deferred during 2015 and included in the Regulatory Assets amount reported on the Company's Balance Sheet as of December 31, 2015. These amounts will be amortized and recognized as expense during the respective period(s) in which they are recovered through rates.

4. DEBT AND OTHER LONG-TERM OBLIGATIONS

A detail of long-term debt at December 31, 2015 and 2014 is as follows:

		2015	2014
CFC Refinance Promissory Note, Series 2012B, serial note pricing, effective interest rate of 4.30%, final maturity date of May 2032	$	263,733	275,068
CFC Equity Note, Series 2012B, stated interest rate of 5.35%, final maturity date of May 2032		38,773	40,203
CoBank Promissory Note, Series 2012A, stated interest rate of 4.30%, final maturity date of June 2032		208,122	216,260
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		80,160	80,110
RUS Series B Promissory Note, stated amount of $245,530, no stated interest rate, with interest imputed at 5.80%, maturing December 2023		154,913	146,246
County of Ohio, Kentucky, promissory note, fixed interest rate of 6.00%, maturing in July 2031		83,300	83,300
Total long-term debt		829,001	841,187
Current maturities		21,717	20,903
Total long-term debt – net of current maturities	$	807,284	820,284

The following are scheduled maturities of long-term debt at December 31:

		AMOUNT
Year		
2016	$	21,717
2017		22,576
2018		23,488
2019		26,851
2020		69,096
Thereafter		665,273
Total	$	829,001

(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 is secured under Big Rivers' Indenture, dated July 1, 2009 between the Company and U.S. Bank National Association, and consists of 20 individual notes with different fixed interest rates ranging from 3.05% to 5.35%. The Refinance Note has an effective interest rate of 4.30% and a final maturity date of May 2032.

The Equity Note has a fixed interest rate of 5.35% and a final maturity date of May 2032. 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, which is secured under Big Rivers' Indenture. The loan has a fixed interest rate of 4.30% per annum and a final maturity date of June 2032.

(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 has a stated interest rate of 5.75% and is recorded at an imputed interest rate of 5.84%. The RUS Series B Note has no stated interest rate and is recorded at an imputed interest rate of 5.80%. The RUS Notes are secured under Big Rivers' Indenture.

(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 as the bonds and is secured under the Big Rivers' Indenture. These bonds bear interest at a fixed rate of 6.00% and mature in July 2031.

(e) Line of Credit

In August 2013, Big Rivers amended and restated its $50,000 revolving line of credit agreement with CFC, dated as of July 16, 2009, (the 2009 Agreement) with the 2013 Amended & Restated Revolving Line of Credit Agreement (the 2013 Agreement). Under the 2009 Agreement, which had an expiration date of July 16, 2014, Big Rivers would have lost access to the line of credit on August 20, 2013, the date which the Century contract termination became effective. The 2013 Agreement amended the 2009 Agreement by, among other things, extending the term of the line of credit to July 16, 2017, and amending sections that would have otherwise caused the 2009 Agreement to become unavailable to Big Rivers on August 20, 2013. Based on the terms of the 2013 Agreement, Big Rivers would have been able to draw on the line of credit if its unrestricted cash balance at the time of an advance was less than $35,000. Additionally, the amount of any advance was limited to the difference between the $35,000 and Big Rivers' unrestricted cash at the time of the advance.

In connection with the 2013 Agreement, Big Rivers issued a secured promissory note (the Series 2013A Note) with a stated principal amount equal to the CFC commitment. The Series 2013A Note is payable to the order of CFC and secured under Big Rivers' Indenture.

Advances on the 2013 Agreement bore interest at a variable rate and outstanding balances were payable in full by the maturity date of July 16, 2017. The CFC variable rate was equal to the CFC Line of Credit Rate, which was 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.”

As of December 31, 2014, Big Rivers had no outstanding borrowings on the 2013 Agreement. Letters of credit issued under an associated Letter of Credit Facility with CFC reduced the borrowing capacity under the 2013 Agreement by $8,594 as of December 31, 2014.

On March 5, 2015, Big Rivers entered into a new $130,000 Syndicated Senior Secured Credit Agreement (the 2015 Agreement) with CFC, CoBank, Fifth Third Bank, KeyBank National Association and Regions Bank. In conjunction with the closing of the 2015 Agreement, the 2013 Agreement was terminated and Big Rivers issued secured promissory notes (the Series 2015A Notes), equal to each lender’s commitment, which are secured under Big Rivers’ Indenture. A portion ($30,000) of the 2015 Agreement is reserved for interim financing of capital expenditures associated with Big Rivers’ 2012 Environmental Compliance Plan (ECP). Once long-term financing of the 2012 ECP has been secured, Big Rivers will be required to repay any outstanding draws on the 2015 Agreement which were used to fund 2012 ECP expenditures and the total amount available under the 2015 Agreement will be reduced to $100,000.

As of December 31, 2015, Big Rivers had $26,000 in outstanding borrowings under the 2015 Agreement and $6,094 in issued letters of credit outstanding, which together reduced its borrowing capacity under the 2015 Agreement by $32,094.

(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 2015 Agreement requires that Big Rivers, throughout the duration of the agreement, maintain a minimum Members’ Equities balance at each fiscal quarter-end and year-end of $375,000 plus 50% of the Company’s cumulative positive net margins for each of the preceding fiscal years, beginning with the fiscal year ended December 31, 2014. Big Rivers’ MFIR for the fiscal year ended December 31, 2015 was 1.29, as adjusted to exclude a $906 nonrecurring charge to income (note 13), and its Members’ Equities balance was $464,661.

A MFIR of less than 1.10, per the Indenture and other debt agreements, may result 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; 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; an event of default may occur; interest rates may increase; and its line of credit may be terminated with an acceleration of any outstanding amounts under the line of credit.

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. In order to remain compliant under the Amended and Consolidated Loan Contract, in March 2013, the Company, prepared and presented to the RUS, its Corrective Action Plan setting forth the actions being taken by management that are reasonably expected to achieve two Credit Ratings of Investment Grade. The Company regularly updates the RUS on actions taken to date related to its Corrective Action Plan.

5. 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.

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. As a result of Century's notification of termination, the Company filed an application with KPSC, on January 15, 2013, requesting authority to adjust its rates for wholesale electric service (Case No. 2012-00535). The KPSC entered an order on October 29, 2013, granting Big Rivers an annual revenue increase of $54,227, effective August 20, 2013. In its order, the KPSC excluded the Coleman plant depreciation from rate recovery at this time. The KPSC directed the Company to defer this depreciation expense and record the deferred amounts in a regulatory asset account. The KPSC's order indicated this action was being taken due to the planned temporary idling of Coleman, the length of time the plant will be idled, and the impact of the rate increase on customers. As of December 31, 2015, cumulative depreciation expense of $13,692 was deferred for the Coleman plant, which management believes is probable of recovery in future rates.

The wholesale rate increase granted by the KPSC in Case No. 2012-00535 resulted in a base wholesale rate increase of approximately: 21.9% for rural customers; 11.8% for large industrial customers; and 11.2% for the remaining aluminum smelter (Century Aluminum Sebree LLC, formerly Alcan Primary Products Corporation).

On January 30, 2013, Alcan Primary Products Corporation (Alcan) provided a Notice of Termination of its Kenergy Retail Service Agreement to Big Rivers and Kenergy. As a result of Alcan's notification of termination, the Company filed an application with KPSC, on June 28, 2013, requesting authority to adjust its rates for wholesale electric service in the amount of $70,397 (Case No. 2013-00199). This requested amount was later revised to $71,223 in the Company's rebuttal testimony filed December 17, 2013. The Company proposed to temporarily offset this rate increase by utilization of the MRSM. The Company also proposed to use transmission revenues from both smelters to replenish the Economic Reserve Fund. An evidentiary hearing was held by the KPSC in January 2014. The KPSC entered an order on April 25, 2014, granting Big Rivers an annual revenue increase of $36,160, effective February 1, 2014. In its order, the KPSC approved Big Rivers' 2012 Depreciation Study, but excluded Wilson plant depreciation from rate recovery at this time. The KPSC directed the Company to defer the Wilson depreciation expense record the deferred amounts in a regulatory asset account, similar to the Coleman depreciation expense being deferred per the KPSC's order in Case No. 2012-00535. As of December 31, 2015, cumulative depreciation expense of $38,613 was deferred for the Wilson plant, which management believes is probable of recovery in future rates. The KPSC also approved Big Rivers' proposal to temporarily offset the rate increase by utilization of the MRSM. The KPSC further granted Big Rivers' proposed accounting treatment for transmission revenues related to the Hawesville smelter, but included the test year transmission revenues related to the Sebree smelter in the determination of Big Rivers' revenue requirement. The net effect of this accounting treatment is the recognition of revenue on a monthly basis with an offset to the applicable regulatory liability accounts as the reserve funds are used to offset the impact of the base rate increase on the members' monthly bills. The wholesale rate increase granted by the KPSC in Case No. 2013-00199 resulted in a base wholesale rate increase of approximately 16.3% for rural customers and 13.7% for large industrial customers.

On February 5, 2015, the KPSC ordered a review of Big Rivers' fuel adjustment clause (FAC) for the two-year period ending October 31, 2014 (Case No. 2014-00455). On February 19, 2015, the KPSC entered an order consolidating the instant case with the open six month FAC review case (Case No. 2014-00230), making all parties to that case parties of the instant case. On May 26, 2015, Big Rivers entered into a Stipulation and Recommendation Agreement with the intervenors in the case whereby Big Rivers would credit $311 each month through its FAC to its Members for a period of up to fifteen months. Big Rivers filed the Stipulation and Recommendation Agreement with the KPSC on May 29, 2015. On July 27, 2015, the KPSC approved the Stipulation and Agreement. On October 23, 2015, the RUS accepted Big Rivers' proposed monthly credit of $311 to the Members for a period of up to fifteen months. Big Rivers began including the credit in the FAC filing for the October 2015 expense month, which was applied to members' bills for service delivered during November 2015.

In connection with the rate matters discussed above, the following tables provide a summary of Regulatory Assets and Liabilities reflected in the Balance Sheet as of December 31, 2015 and 2014:

	REGULATORY ASSETS		
		2015	2014
Coleman plant deferred depreciation	$	13,692	7,760
Wilson plant deferred depreciation		38,613	18,395
Rate case expense & other		1,482	2,188
Non-FAC PPA		4,590	2,800
Asset retirement obligations		718	—
Environmental costs (CCR)		176	—
Total regulatory assets	$	59,271	31,143

	REGULATORY LIABILITIES		
		2015	2014
Economic reserve-member rate mitigation	$	297	2,218
Rural economic reserve-member rate mitigation		21,233	65,486
Total regulatory liabilities	$	21,530	67,704

Effective July 17, 2009, the KPSC approved the implementation of the Non-Fuel Adjustment Clause-Purchased Power Adjustment (Non FAC PPA) which is a rate mechanism allowing Big Rivers to recover certain costs of purchased power that are not recoverable through its FAC. An accrual is recorded monthly to a regulatory asset or liability account based on the difference between the actual purchased power costs recoverable through the Non-FAC PPA and the purchased power base cost included in base rates. The balance in the regulatory asset or liability account as of June 30 each year is billed or refunded to members during the following twelve month period beginning September 1 through August 31 of the following year.

The CCR Final Rule requires Big Rivers to address the eventual permanent closures of its coal ash ponds. Big Rivers believes it will face significant liabilities with respect to the treatment of the ash ponds at its Green Station and the City of Henderson's Station Two generating stations upon those stations' retirements from service or closures of the ash ponds. In accordance with ASC Topic 410-20, *Asset Retirement and Environmental Obligations – Asset Retirement Obligations* and under the RUS Uniform System of Accounts, Big Rivers recognized AROs as of December 31, 2015 for the fair value of its expected obligations under the CCR Final Rule for the eventual closures of the Green and Station Two ash ponds.

On October 6, 2015, Big Rivers filed an application with the KPSC (Case No. 2015-00333), requesting authority to establish regulatory assets for the deferral of certain expenses it would incur for compliance with the CCR Final Rule, including accretion and depreciation expense related to the AROs and other incremental expenses. Big Rivers management believes it is probable that the regulatory assets will be recoverable through appropriate rate mechanisms in the future. The KPSC issued an order in Case No. 2015-00333 on January 5, 2016, approving the accounting treatment requested by Big Rivers to establish regulatory assets for 2015 and subsequent years. As of December 31, 2015, the total amount of CCR-related expenses deferred and included in Regulatory assets on the Company's balance sheet was $894.

6. INCOME TAXES

At December 31, 2015, Big Rivers had a Non Patron Net Operating Loss Carryforward of approximately $14,780 expiring at various times between 2029 and 2035, and an Alternative Minimum Tax Credit Carryforward of approximately $7,241, which carries forward indefinitely.

The Company has not recorded any regular income tax expense for the years ended December 31, 2015, 2014, and 2013, as the Company has reported a loss for federal income tax purposes for each of those years.

The components of the net deferred tax assets as of December 31, 2015 and 2014 were as follows:

		2015	2014
Deferred tax assets:			
Net operating loss carryforward	$	5,749	5,229
Alternative minimum tax credit carryforwards		7,241	7,241
Fixed asset basis difference		1,946	1,085
Total deferred tax assets		14,936	13,555
Deferred tax liabilities:			
RUS Series B note		(5,212)	(5,293)
Bond refunding costs		(130)	(140)
Total deferred tax liabilities		(5,342)	(5,433)
Net deferred tax asset (prevaluation allowance)		9,594	8,122
Valuation allowance		(9,594)	(8,122)
Net deferred tax asset	$	—	—

A reconciliation of the Company's effective tax rate for 2015, 2014, and 2013 is as follows:

	2015	2014	2013
Federal rate	35.0%	35.0%	35.0%
State rate – net of federal benefit	3.9	4.5	4.5
Permanent differences	0.5	—	0.2
Patronage allocation to members	(39.5)	(39.6)	(39.8)
Tax benefit of operating loss carryforwards and other	0.1	0.1	0.1
Alternative minimum tax	—	—	—
Effective tax rate	—%	—%	—%

The Company files a federal income tax return, as well as certain state income tax returns. The years currently open for federal income tax examination are 2012 through 2014. The major state tax jurisdiction currently open for income tax examination is Kentucky for years 2011 through 2014, 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 statement of operations and accrued expenses on the balance sheet. No material interest or penalties have been recorded during 2015, 2014, or 2013.

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.

In order to meet minimum participation requirements, Big Rivers' salaried employees defined-benefit plan was merged into the bargaining employees defined-benefit plan. The merger was effective January 1, 2014 for purposes of Internal Revenue Code and effective December 31, 2014 for all other purposes.

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 11 – 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, 2015 and 2014.

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, 2015 and 2014 is as follows:

		2015	2014
Benefit obligation – beginning of period	$	21,276	18,773
Service cost – benefits earned during the period		918	900
Interest cost on projected benefit obligation		756	856
Benefits paid		(2,098)	(1,378)
Actuarial loss (gain)		(1,755)	2,125
Benefit obligation – end of period	$	19,097	21,276

Big Rivers' defined-benefit pension plans provide retirees and terminated employees with a lump-sum payment option. Benefits paid in 2015 include lump-sum payments in the amounts of $2,073 – the result of eight retirees or terminated employees electing the lump-sum payment option. Benefits paid in 2014 include lump-sum payments in the amounts of $1,349 – the result of six retirees or terminated employees electing the lump-sum payment option.

The accumulated benefit obligation for all defined-benefit pension plans was $14,611 and $15,961 at December 31, 2015 and 2014, respectively.

A reconciliation of the Company's pension plan assets at December 31, 2015 and 2014 is as follows:

		2015	2014
Fair value of plan assets – beginning of period	$	20,212	20,264
Actual return on plan assets		(37)	1,326
Benefits paid		(2,098)	(1,378)
Fair value of plan assets – end of period	$	18,077	20,212

The funded status of the Company's pension plans at December 31, 2015 and 2014 is as follows:

		2015	2014
Benefit obligation – end of period	$	(19,097)	(21,276)
Fair value of plan assets – end of period		18,077	20,212
Funded status	$	(1,020)	(1,064)

Components of net periodic pension costs for the years ended December 31, 2015, 2014, and 2013 were as follows:

		2015	2014	2013
Service cost	$	918	900	1,282
Interest cost		756	855	986
Expected return on plan assets		(1,414)	(1,423)	(1,926)
Amortization of prior service cost		1	1	11
Amortization of actuarial loss		285	177	604
Settlement loss		465	242	2,566
Net periodic benefit cost	$	1,011	752	3,523

As a result of the 2015 lump-sum payments there was a settlement required to the defined-benefit pension plans as provided in FASB ASC 715. The 2015 settlement loss of $465 reflects an accelerated amortization of unrecognized losses existing at the settlement date of December 31, 2015. 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, 2015 and 2014 is as follows:

		2015	2014
Prior service cost	$	—	(1)
Unamortized actuarial loss		(4,285)	(5,339)
Accumulated other comprehensive income	$	(4,285)	(5,340)

In 2016, $0 of prior service cost and $252 of actuarial loss is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive income at December 31, 2015 and 2014 are as follows:

		2015	2014
Prior service cost	$	—	11
Unamortized actuarial gain		(1,056)	6,580
Other comprehensive income	$	(1,056)	6,591

At December 31, 2015 and 2014, amounts recognized in the balance sheets were as follows:

		2015	2014
Deferred credits and other	$	(1,020)	(1,064)

Assumptions used to develop the projected benefit obligation and determine the net periodic benefit cost were as follows:

	2015	2014	2013
Discount rate - projected benefit obligation	4.19%	3.76%	4.61%
Discount rate - net periodic benefit cost	3.76	4.61	3.57
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, 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 range of 10%–20%), and 35% fixed income (an acceptable range of 30%–40%). As of December 31, 2015 and 2014, the investment allocation was 53% and 56%, respectively, in U.S. equities, 6% and 6%, respectively, in international equities, and 41% and 38%, 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, 2015 and 2014, the fair value of Big Rivers' defined-benefit pension plan assets by asset category are as follows:

		LEVEL 1	LEVEL 2	DEC. 31, 2015
Cash and money market	$	312	—	312
Equity securities:				
Common stock		7,380	—	7,380
Preferred stock		379	—	379
Mutual funds		3,588	190	3,778
Fixed:				
U.S. Government agency bonds		—	591	591
Tax exempt bonds and notes		—	2,746	2,746
Corporate bonds and notes		—	2,891	2,891
	$	11,659	6,418	18,077

		LEVEL 1	LEVEL 2	DEC. 31, 2014
Cash and money market	$	718	—	718
Equity securities:				
Common stock		8,933	—	8,933
Preferred stock		184	—	184
Mutual funds		4,261	254	4,515
Fixed:				
U.S. Government agency bonds		—	593	593
Tax Exempt bonds and notes		—	2,519	2,519
Corporate bonds and notes		—	2,570	2,570
	$	14,096	6,116	20,212

Expected retiree pension benefit payments projected to be required during the years following 2015 are as follows:

		AMOUNT
Year ending December 31:		
2016	$	877
2017		1,035
2018		1,518
2019		1,224
2020		1,966
Thereafter		12,299
Total	$	18,919

(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.

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 $4,550, $4,511 and $4,417 for the years ended December 31, 2015, 2014 and 2013 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 2015 employer contribution was $78 and deferred compensation expense was $78. As of December 31, 2015, the trust asset was $218 and the deferred liability was $218.

8. RESTRICTED INVESTMENTS

The amortized costs and fair values (Level 1 measurement) of Big Rivers' restricted investments held for Member rate mitigation at December 31, 2015 and 2014 were as follows:

		2015		2014	
		Amortized costs	Fair values	Amortized costs	Fair values
Cash and money market	$	3,637	3,637	7,283	7,283
Debt securities:					
U.S. Treasuries		20,678	20,667	65,252	65,501
U.S. Government agency		—	—	—	—
Total	$	24,315	24,304	72,535	72,784

Gross unrealized gains and losses on restricted investments at December 31, 2015 and 2014 were as follows:

		2015		2014	
		Gains	Losses	Gains	Losses
Debt securities:					
U.S. Treasuries	$	—	11	1	23
Total	$	—	11	1	23

Debt securities at December 31, 2015 and 2014 mature, according to their contractual terms, as follows (actual maturities may differ due to call or prepayment rights):

		2015		2014	
		Amortized costs	Fair values	Amortized costs	Fair values
In one year or less	$	24,315	24,304	66,910	66,894
After one year through five years		—	—	5,896	5,890
Total	$	24,315	24,304	72,806	72,784

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, 2015 and 2014 were as follows:

		2015		2014	
		Less than 12 months		Less than 12 months	
		Losses	Fair values	Losses	Fair values
Debt securities:					
U.S. Treasuries	$	11	20,667	23	59,611
Total	$	11	20,667	23	59,611

The unrealized loss positions were primarily caused by interest rate fluctuations. The number of investments in an unrealized loss position as of December 31, 2015 and 2014 was 9 and 6, respectively. Since the Company does not intend to sell any of the investments prior to their stated maturity dates, the Company 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.

In conjunction with the CFC $302,000 secured term loan (note 4), 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. The Company's investment in these CTC's at December 31, 2015 and 2014 was $38,503 and $40,099, respectively.

9. SHORT-TERM INVESTMENTS

During 2015, the Company purchased certificates of deposits (CDs) and investments in various debt securities using a portion of its excess cash previously held in an institutional prime money market portfolio. At December 31, 2015, the Company's short-term investments included $3,300 of investments in debt securities and $4,583 of investments in CDs, which are both included in the Company's balance sheet at amortized cost. The investments in debt securities are classified as held-to-maturity, based on management's intent and ability to hold them to maturity. Both CDs and investments in debt securities are included in "Cash and cash equivalents" (if maturity date is less than or equal to three months from the balance sheet date) or "Short term investments" (if maturity date is greater than 3 months but less than one year from the balance sheet date).

The amortized costs and fair values (Level 1 measurement) of Big Rivers' short-term investments in debt securities at December 31, 2015 and 2014, were as follows:

		2015		2014	
		Amortized costs	Fair values	Amortized costs	Fair values
Debt securities:					
Corporate notes	$	1,567	1,565	—	—
U.S. Treasuries		625	625	—	—
U.S. Government agency		1,108	1,105	—	—
Total	$	3,300	3,295	—	—

Gross unrealized gains and losses on short-term investments at December 31, 2015 and 2014, were as follows:

		2015		2014	
		Gains	Losses	Gains	Losses
Debt securities:					
Corporate notes	$	—	(2)	—	—
U.S. Treasuries		—	—	—	—
U.S. Government agency		—	(3)	—	—
Total	$	—	(5)	—	—

10. 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, 2015 and 2014, the Company's cash and cash equivalents included short-term investments in an institutional prime money market 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:

		2015	2014
Institutional money market portfolio	$	40,881	78,967

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, 2015 consists of CFC loans totaling $302,506, a CoBank loan in the amount of $208,122, RUS notes totaling $235,073, and fixed-rate pollution control bonds in the amount of $83,300 (note 4). 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. At December 31, 2015, 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 $82,884.

11. 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. 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 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:

	2015	2014	2013
Discount rate - projected benefit obligation	4.35%	3.77%	4.48%
Discount rate - net periodic benefit cost	3.77	4.48	3.72

The healthcare cost trend rate assumptions as of December 31, 2015 and 2014 were as follows:

	2015	2014
Initial trend rate	7.00%	7.20%
Ultimate trend rate	4.50	4.50
Year ultimate trend is reached	2038	2028

An one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

		2015	2014
One-percentage-point decrease:			
Effect on total service and interest cost components	$	(138)	(91)
Effect on year-end benefit obligation		(1,384)	(1,148)
One-percentage-point increase:			
Effect on total service and interest cost components	$	178	109
Effect on year-end benefit obligation		1,694	1,363

A reconciliation of the Company's benefit obligations of its postretirement plan at December 31, 2015 and 2014 is as follows:

		2014	2014
Benefit obligation - beginning of period	$	15,899	14,581
Service cost - benefits earned during the period		563	516
Interest cost on projected benefit obligation		603	616
Participant contributions		251	282
Benefits paid		(1,336)	(1,250)
Actuarial loss (gain)		(611)	1,154
Benefit obligation - end of period	$	15,369	15,899

Big Rivers revised the eligibility requirements for postretirement medical with regard to age and service. Beginning January 1, 2013, 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. A reconciliation of the Company's postretirement plan assets at December 31, 2015 and 2014 is as follows:

		2015	2014
Fair value of plan assets - beginning of period	$	—	—
Employer contributions		1,085	968
Participant contributions		251	282
Benefits paid		(1,336)	(1,250)
Fair value of plan assets - end of period	$	—	—

The funded status of the Company's postretirement plan at December 31, 2015 and 2014 is as follows:

		2015	2014
Benefit obligation - end of period	$	(15,369)	(15,899)
Fair value of plan assets - end of period		—	—
Funded status	$	(15,369)	(15,899)

The components of net periodic postretirement benefit costs for the years ended December 31, 2015, 2014, and 2013 were as follows:

		2015	2014	2013
Service cost	$	563	516	616
Interest cost		603	616	555
Amortization of prior service cost		(138)	(138)	(138)
Amortization of gain		—	(144)	(9)
Net periodic benefit cost	$	1,028	850	1,024

A reconciliation of the postretirement plan amounts in accumulated other comprehensive income at December 31, 2015 and 2014 is as follows:

	2015	2014
Prior service cost	$ 1,432	1,569
Unamortized actuarial loss	2,172	1,560
Accumulated other comprehensive income	$ 3,604	3,129

In 2016, $138 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, 2015 and 2014 are as follows:

	2015	2014
Prior service cost	$ (138)	(138)
Unamortized actuarial gain (loss)	611	(1,154)
Amortization of net gain	—	(144)
Other comprehensive income	$ 473	(1,436)

At December 31, 2015 and 2014, amounts recognized in the balance sheets were as follows:

	2015	2014
Accounts payable	$ (1,213)	(1,224)
Deferred credits and other	(14,156)	(14,675)
Net amount recognized	$ (15,369)	(15,899)

Expected retiree benefit payments projected to be required during the years following 2015 are as follows:

	AMOUNT
Year	
2016	$ 1,213
2017	1,208
2018	1,215
2019	1,328
2020	1,315
Thereafter	5,969
Total	$ 12,248

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 $471 and $419 at December 31, 2015 and 2014, respectively. The postretirement expense recorded was $59, $51, and $46, for 2015, 2014, and 2013, respectively, and the benefits paid were $7, $12, and $256 for 2015, 2014, and 2013, respectively.

12. RELATED PARTIES

For the years ended December 31, 2015, 2014, and 2013, Big Rivers had tariff sales to its members' of $251,325, $258,967, and $183,957, respectively. In addition, for the years ended December 31, 2015, 2014, and 2013, Big Rivers had certain sales to Kenergy for the Aluminum Smelters and Domtar Paper loads of $2,678, $20,165, and $295,878, respectively.

At December 31, 2015 and 2014, Big Rivers had accounts receivable from its members of $17,763 and $16,945, respectively.

13. COMMITMENTS AND CONTINGENCIES

Big Rivers is involved in other 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.

The Company is periodically a defendant in asbestos-related claims. On October 14, 2014, the Company was served with an asbestos lawsuit against it and several other entities. An expedited trial date was set for February 1, 2016. However, based on mediation between the plaintiff and Big Rivers, the case was settled during 2015, and Big Rivers was dismissed from the lawsuit.

Big Rivers is involved in ongoing litigation with the City of Henderson Utility Commission doing business as Henderson Municipal Power and Light (HMP&L) related to the rights of excess energy produced at HMP&L's Station Two generating station. The Company believes there will be no material adverse effect to its financial statements when this litigation is resolved.

14. SUBSEQUENT EVENTS

Management evaluated subsequent events up to and including April 11, 2016, the date the financial statements were available to be issued.

FIVE-YEAR REVIEW

As of December 31, 2015 and the Four Preceding Fiscal Years (Dollars in thousands)

	2015	2014	2013	2012	2011
SUMMARY OF OPERATIONS					
Operating Revenue:					
Electric Energy Revenue	$ 434,185	$ 493,406	$ 554,835	$ 563,385	$ 558,372
Other Operating Revenue and Income	11,091	12,454	7,612	4,957	3,617
Total Operating Revenue	$ 445,276	$ 505,860	$ 562,447	$ 568,342	$ 561,989
Operating Expenses:					
Fuel for Electric Generation	$ 146,179	$ 164,220	$ 210,115	$ 226,369	$ 226,229
Power Purchased	115,863	117,177	120,770	111,465	112,262
Operations (Excluding Fuel), Maintenance and Other	117,383	135,859	143,605	134,206	137,213
Depreciation	18,636	19,655	39,425	41,090	35,407
Total Operating Expenses	$ 398,061	$ 436,911	$ 513,915	$ 513,130	$ 511,111
Interest Expense and Other:					
Interest	$ 40,205	$ 40,987	$ 42,823	$ 44,414	$ 45,226
Income tax expense	$ (77)				
Other-net	464	194	1,054	546	320
Total Interest Expense and Other	$ 40,592	$ 41,181	$ 43,877	$ 44,960	$ 45,546
Operating Margin	$ 6,623	$ 27,768	$ 4,655	$ 10,252	$ 5,332
Non-Operating Margin	$ 4,593	$ 4,899	$ 3,984	$ 1,025	$ 268
Net Margin	$ 11,216	$ 32,667	$ 8,639	$ 11,277	$ 5,600
SUMMARY OF BALANCE SHEET					
Total Utility Plant	$ 2,133,820	$ 2,093,126	$ 2,060,516	$ 2,050,221	$ 2,028,418
Accumulated Depreciation	1,053,993	1,018,800	989,604	962,994	936,355
Net Utility Plant	$ 1,079,827	$ 1,074,326	$ 1,070,912	$ 1,087,227	$ 1,092,063
Cash, Cash Equivalents and Short-Term Investments	$ 50,871	$ 78,973	$ 95,727	$ 68,860	$ 44,849
Restricted Cash	0	0	11,829	41,313	0
Reserve Account Investments[1]	24,335	72,603	125,120	182,994	164,399
Other Assets	250,963	201,598	173,057	166,284	116,611
Total Assets	$ 1,405,996	$ 1,427,500	$ 1,476,645	$ $1,546,678	$ 1,417,922
Equities (deficit)	$ 464,661	$ 451,916	$ 422,488	$ 402,882	$ 389,820
Long-term Debt[2]	829,001	841,187	856,086	925,243	786,399
Line of credit	26,000				
Regulatory Liabilities - Member Rate Mitigation	21,530	67,704	124,923	147,732	169,001
Asset retirement obligations	6,973				
Other Liabilities and Deferred Credits	57,831	66,693	73,148	70,821	72,702
Total Liabilities and Equity	$ 1,405,996	$ 1,427,500	$ 1,476,645	$ 1,546,678	$ 1,417,922
ENERGY SALES (MWH)					
Member Rural	2,325,653	2,415,564	2,374,920	2,321,477	2,371,106
Member Large Industrial	946,150	966,010	996,267	961,298	973,093
Smelter Contracts	0	305,151	5,869,334	7,424,473	6,854,820
Other	5,551,832	5,923,301	2,618,866	1,536,834	3,056,106
Total Energy Sales	8,823,635	9,610,026	11,859,387	12,244,082	13,255,125
SOURCES OF ENERGY (MWH)					
Generated	5,809,344	6,669,469	8,700,662	9,143,111	10,284,350
Purchased	3,067,380	2,994,287	3,221,793	3,162,489	2,998,361
Losses and Net Interchange	(53,089)	(53,730)	(63,068)	(61,518)	(27,586)
Total Energy Available	8,823,635	9,610,026	11,859,387	12,244,082	13,255,125
NET CAPACITY (MW)					
Net Generating Capacity Owned	1,444	1,444	1,444	1,444	1,444
Rights to HMP&L Station Two	197	197	197	197	202
Other Net Capacity Available	178	178	178	178	178
DEBT RATIOS					
Margins for Interest Ratio (MFIR)	1.29[3]	2.25[3]	1.20	1.25	1.12
Times Interest Earned Ratio (TIER)	1.27	1.79	1.20	1.25	1.12
Debt Service Coverage Ratio (DSCR)	1.20	1.58	1.47	1.58	1.47

[1]Includes investment income receivable.
[2]Includes current maturities of long-term obligations.
[3]Excludes impact of $906 non-recurring charge to income based on the definition and calculation of MFIR per Big Rivers' Indenture.

Big Rivers
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