

Hard copy of
electronic attachment to
Big Rivers' response to
AG 1-75

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

Paula Mitchell

From: Mark Bailey
Sent: Friday, August 23, 2013 9:14 AM
To: Paula Mitchell
Subject: FW: Alcan Rate Case - (Fact Sheet June 2013).docx
Attachments: Alcan Rate Case - (Fact Sheet June 2013).docx

Paula, Please print. Thanks, Mark

From: Marty Littrel
Sent: Monday, July 01, 2013 10:42 AM
To: Mark Bailey; Bob Berry; Jim Miller; Tyson Kamuf; John Wolfram; Billie Richert; DeAnna McCormick Speed
Cc: Sharla Austin-Darnell; Jim Sills; Paul E. Butler; Larry Elder; Wayne Elliott; Bill Denton; Lee Bearden; GStarheim@kenegycorp.com; Burns Mercer (bmerc@mccecc.com); knuckols@jpenegy.com
Subject: Alcan Rate Case - (Fact Sheet June 2013).docx

FYI – attached is a revised version of the Alcan Rate Case Fact Sheet. A slight error was found pp. 2 under 5.b. which incorrectly listed “residential member bills would increase by ~\$30.90/month starting July 2014 instead of April 2015.

Please use the attached version for your files.

Thank you,
Marty

MARTY LITTREL
Managing Director Communications & Community Relations
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Direct (270)844-6153
Marty.Littrel@bigrivers.com

Rate Case Fact Sheet - (RIO TINTO ALCAN)
Case No. 2013-00199
June 2013

1. Big Rivers filed a Notice of Intent with the Kentucky Public Service Commission on May 20, 2013 to file an application for a general adjustment of rates that will be filed on June 28, 2013.
2. The 2013 Rate Case (Alcan) has been assigned Case No. 2013-00199.
3. Rio Tinto Alcan gave notice that it is terminating its retail electric service agreement with Kenergy effective January 31, 2014.
 - a. Big Rivers and its Members have made a decision to ask the PSC to approve increasing the utilization of its Reserve Funds established for rate mitigation in July 2009 to entirely offset the rate increase created by Rio Tinto Alcan terminating its retail electric service agreement until the funds are depleted.
 - b. By using the established reserve funds - the estimated rate increase will not affect Member billings until the following time frames:
 - i. **Rural Members rates will not be affected until April 2015**.
 - ii. **Industrial rates will not be affected until July 2014**.
4. These reserve funds will be used to offset the Rio Tinto Alcan rate/revenue increase until the reserve funds are entirely depleted, unless replacement load can be found through **Mitigation Strategy Options (*multi-prong approach*)**:
 - a. Selling energy on the open market if wholesale power market prices remain profitable,
 - b. By selling power to other utilities,
 - c. Landing new/existing economic development activities, and/or
 - d. The leasing or selling of a generation plant.

**The Mitigation Plan is a diversified, multipronged approach that is being pursued simultaneously to increase revenues by marketing the power (both short-term and long-term bases) that became available due to the Smelters departure while reducing generation-related costs.*

**This diversified strategy is not required for Big Rivers to meet its financial obligations but rather is intended to lessen the rate increase over time.*

5. Based on the current situation, **retail** electric rates are expected to increase by the following amounts if no replacement load is found:

a. **Residential member** – estimated **21.4%** increase

b. **Large Industrial** – estimated **25%** increase

→ **Average Residential bill would increase by approximately \$30.90 per month starting April 2015.**

6. Total Annual Revenue Request → **\$70.4 million**

Breakdown in Annual Revenue Request

- **\$54.9 million (Residential)** Wholesale Increase → **30.5%**
- **\$15.5 million (Industrial)** Wholesale Increase → **25.8%**

7. The rate increase proposed by Big Rivers is driven **solely** by **Rio Tinto Alcan** terminating its retail service agreement and leaving the system on January 31, 2014.

a. As a result of Rio Tinto Alcan's departure, Big Rivers will lose **\$155 million in annual revenues.**

b. This rate increase is **necessary** for Big Rivers to have sufficient revenues to meet its service obligations to its Members and its payment obligations to its creditors.

c. The rate increase requested will provide Big Rivers and its Members with the cash flow required to safely provide reliable, affordable electricity to western Kentucky.

8. The **\$70.4 million** annual revenue increase sought is intended to address Big Rivers' immediate, critical financial needs that must be met to allow Big Rivers and its Members the opportunity to pursue the Mitigation Plan.

Revenue Allocation

Alcan's share of the annual rate increase Big Rivers is seeking in the Century Rate Case (Case No. 2012-00535) is **\$23.7 million**, the majority of which is required to cover the loss of Century leaving the Big Rivers system.

Once Alcan leaves the Big Rivers system on January 31, 2014 – the remaining customer classes will pick up Alcan's share of the Century rate increase which is included in the revenue deficiency of **\$70.4 million** as a result of Alcan departing the system.

Two remaining customer classes will make up this difference:

Rural	\$54.9
<u>Large Industrial</u>	<u>\$15.5</u>

Total Revenue Increase \$70.4 million
(includes Alcan's \$23.7 million share of the Century Rate Case)

The Two Cases Combined (Century & Alcan):

\$68.6 million → Revised Increase from Century Rate Case
- \$23.7 million → Alcan Portion of Century Rate Increase
\$44.9 million → Revenues Realized after Alcan Leaves

+ \$70.4 million → Alcan Rate Case (includes \$23.7 million Alcan share from first rate case.)

\$115.3 million → Total of the Two Cases Combined

RETAIL ELECTRIC RATES (RESIDENTIAL)

RETAIL RATES - RESIDENTIAL (based on 1,300 kWh/month)								
Current (present)								
Before	After		Before	After	Monthly	Before	After	
MRSM	MRSM		MRSM	MRSM	\$ difference	MRSM	MRSM	
kwh	kwh/mo	kwh/mo	ave. mo. bill	ave. mo. Bill		% change	% change	
0.09552	0.08541	1300	\$124.18	\$111.03	n/a	n/a	n/a	
No Century								
0.1108	0.10069	1300	\$144.04	\$130.90	\$19.86	15.997%	17.90%	
No Alcan								
0.1345	0.12445	1300	\$174.85	\$161.79	\$30.81	21.390%	23.60%	
Combined (Alcan & Century)								
0.1345	0.12445	1300	\$174.85	\$161.79	\$50.67	40.808%	45.70%	

**Rural Members will not see any rate increase due to Alcan departing the system until April 2015.*

**The above graph does not include any mitigation efforts.*

9. Cost Cutting Measures:

- Lost Smelter Revenue (Century & Alcan) = \$360 million/annually
- Combined Rate Request = \$115.3 million/annually

Cost Reductions \$244.7 million

Note: For every \$1 dollar in rate relief requested Big Rivers and its Members have implemented over \$2 dollars in cost cutting measures.

Cost Cutting Measures Include:

- a) Idling generation facilities/reductions in staffing
- b) Savings from refinancing activities
- c) Re-negotiations for fuel and reagent contracts
- d) Plant efficiency improvements
- e) Employee benefit changes
- f) Deferred filling job vacancies
- g) Decreased company vehicle inventory and associated expenses

UPDATE:

Century Rate Case Adjustment:

Big Rivers has proposed to decrease the Century rate increase from **\$74.5 million** to approximately **\$68.6 million**.

It will create the following system-wide electric rate changes:

- Requested Rural class (**retail**) rate increase will decline from **19%** to **17.5%**,
- Requested Large Industrials (**retail**) rate increase will decline from **17%** to **15.7%**,
- Rio Tinto Alcan (**retail**) rate increase will decline from **15.6%** to **14.4%**,

The total overall system-wide (**retail**) rates will decline from **16.4%** to **15.1%**.

The total system-wide (**retail**) bill will increase by **\$19.86 per month**.

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Sent: Friday, August 23, 2013 9:14 AM
To: Paula Mitchell
Subject: FW: Alcan Rate Case - (Fact Sheet June 2013).docx
Attachments: Alcan Rate Case - (Fact Sheet June 2013).docx

From: Marty Littrel
Sent: Saturday, June 29, 2013 6:56 PM
To: Mark Bailey
Subject: FW: Alcan Rate Case - (Fact Sheet June 2013).docx

FYI - Marty

From: Marty Littrel
Sent: Saturday, June 29, 2013 6:55 PM
To: 'Tim Gossett'; 'dpace@mcrecc.com' (dpace@mcrecc.com); 'Kyle Heavrin'; David Hamilton (DHamilton@kenenergycorp.com); Todd Blackburn (TBlackburn@kenenergycorp.com); Renee Jones (RJones@kenenergycorp.com); izell.white@jpenenergy.com
Cc: Burns Mercer (bmercer@mcrecc.com); GStarheim@kenenergycorp.com; knuckols@jpenenergy.com
Subject: Alcan Rate Case - (Fact Sheet June 2013).docx

Attached is the Alcan Rate Case (**Case No. 2013-00199**) **Fact Sheet** should you receive any media calls due to the filing that was made last Friday (June 28th). The attached internal draft is developed for your "talking points" as you receive media or related calls. The document is not designed (as prepared) to be released publically but rather as an informative internal document.

Should you develop marketing material based on the attached information please allow me an opportunity to review before releasing publically. Also, if you have any questions concerning the material within the draft please feel free to contact me to discuss.

Thank you,
Marty

MARTY LITTREL
Managing Director Communications & Community Relations
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Direct (270)844-6153
Marty.Littrel@bigrivers.com

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Case No. 2013-00199
June 2013**

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Before	After			MRSM	MRSM	Monthly	MRSM	MRSM
MRSM	MRSM	kwh/mo		ave. mo. bill	ave. mo. Bill	\$ difference	% change	% change
kwh	kwh/mo							
0.09552	0.08541	1300		\$124.18	\$111.03	n/a	n/a	n/a
No Century								
0.1108	0.10069	1300		\$144.04	\$130.90	\$19.86	15.997%	17.90%
No Alcan								
0.1345	0.12445	1300		\$174.85	\$161.79	\$30.81	21.390%	23.60%
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Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

Paula Mitchell

From: Mark Bailey
Sent: Friday, August 23, 2013 9:19 AM
To: Paula Mitchell
Subject: FW: Alcan Rate Increase

From: Greg Starheim [mailto:GStarheim@kenegycorp.com]
Sent: Thursday, June 27, 2013 5:39 PM
To: Mark Bailey
Cc: Burns Mercer; Kelly Nuckols; Marty Littrel
Subject: Re: Alcan Rate Increase

Thanks, Mark - pls have Marty work with Renee.

Greg

Sent from my iPhone

On Jun 27, 2013, at 5:55 PM, "Mark Bailey" <Mark.Bailey@bigrivers.com> wrote:

As a reminder, the Alcan rate case will be filed tomorrow afternoon. Marty is working up a fact sheet and is (will be) working with your communications designees to help them (and you, if that is your desire) to be ready for media queries.

**Regards,
Mark**

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

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Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

Paula Mitchell

From: Mark Bailey
Sent: Friday, August 23, 2013 9:37 AM
To: Paula Mitchell
Subject: FW: Kenergy 2013 Annual Meeting.doc
Attachments: Kenergy 2013 Annual Meeting.doc; ATT00001.htm

From: Mark Bailey
Sent: Saturday, June 08, 2013 9:18 AM
To: Mark Bailey
Subject: Fwd: Kenergy 2013 Annual Meeting.doc

Sent from my iPhone

Begin forwarded message:

From: Mark Bailey <Mark.Bailey@bigrivers.com>
Date: June 5, 2013 10:04:09 AM EDT
To: Marty Littrel <Marty.Littrel@bigrivers.com>
Subject: Fwd: Kenergy 2013 Annual Meeting.doc

FYI. Mark

Sent from my iPhone

Begin forwarded message:

From: Mark Bailey <Mark.Bailey@bigrivers.com>
Date: June 5, 2013 10:03:44 AM EDT
To: Greg Starheim <gstarheim@kenergycorp.com>
Subject: Fwd: Kenergy 2013 Annual Meeting.doc

Greg, FYI. This is a first cut at my remarks for your Annual Meeting. I wanted you to be aware of the main themes. I have not yet begun to hone this so it flows well and fits my personality and style. As I do that, it would be helpful if I had a sense of what you plan to say about the smelters and the rate case so we don't duplicate each other. Any other input is also welcome. Thanks, Mark

Sent from my iPhone

Begin forwarded message:

From: Marty Littrel <Marty.Littrel@bigrivers.com>
Date: June 4, 2013 6:38:35 PM EDT
To: Mark Bailey <Mark.Bailey@bigrivers.com>
Subject: Kenergy 2013 Annual Meeting.doc

Mark:

Big Rivers Electric Corporation - Case No. 2013-00199

Attachment for Response to AG 1-75

Attached is my first draft of the Kenergy 5-minute speech. I based my deletions upon Greg's speech yesterday at the IRC golf outing. I didn't want to duplicate his remarks but I've made sure we've added the detail that he didn't cover within his speech. Also, I made reference to his comments in a few sections of the rough draft which I highlighted in "RED".

Thanks, Marty

KENERGY 2013 ANNUAL MEETING

- Thank you, Greg for inviting me to present at Kenergy's 2013 Annual Meeting.
- It's always a pleasure to discuss important business matters to Kenergy's Member-Owners.
- As you can see by Greg's statements, it's been a very busy year for us at Big Rivers and Kenergy thus far...

[PAUSE]

Let me provide you with some additional detail on this situation,

- From the beginning, this has been a complex situation and **NO** easy solution has ever existed.
- We've dedicated countless hours to seek reasonable and equitable solutions to this problem,
- Unfortunately, last August, Century gave notice they planned to cease operations on August 20, 2013.
- As Greg mentioned, Century Aluminum and Rio Tinto Alcan represent nearly 850 megawatts (**61% of peak demand**) of combined electricity demand and approximately 64 percent of Big Rivers' annual revenue (**~360 million/year**) in 2012.
- Century accounts for approximately **\$205 million** in annual revenue.
- We requested an annual revenue increase of **\$74.5 million**,
- Therefore, we'll be implementing approximately **\$125 million** in cost cutting to reduce the financial void created by Century leaving the system.

**This amounts to a “System Wide Retail Electric Rate Increase”
of:**

- Approximately **17%** for **large industrials**,
- Approximately **19%** for **residential and commercial accounts**,
- In case you are not aware, **NO** electric cooperative wants to increase rates unless absolutely necessary because we are **NOT** trying to make huge profits.
- We are not taking this rate increase lightly... but even with this increase our industrial electric rates will **continue** to be some of the lowest rates in the Commonwealth and in the U.S.

If the Century rate increase is granted:

- Residential rates will increase to **9.6 cents per kWh**, which is less than middle of the pack in Kentucky...
- Industrial rates will rise to approximately **5 cents per kWh**.
 - That’s still nearly **30%** below the 2013 YTD national average industrial rate of **6.52 cents per kWh**.

[PAUSE]

In the meantime, we are exploring every “Cost Cutting” option that exists within our control such as:

- Idling one or more generation facilities.
- Savings from refinancing activities.
- Re-negotiations of fuel and reagent contracts.
- Plant efficiency improvements.
- Employee benefits changes.
- Avoid filling vacancies – we are currently down 39 employees.
- However, cost cutting **alone** cannot address the financial deficiency from these two industries leaving the Big Rivers system.

- Even if we idle plants we still have to service the debt owed on those plants, pay property taxes on them and maintain insurance coverage.
- In the meantime, Big Rivers and its Member-Owners are working aggressively to replace the **850 MW** smelter load (**61% of peak demand**) as Greg mentioned earlier.

To give you some detail regarding our Load Replacement efforts:

- We've had multiple discussions with various Municipals and Distribution Cooperatives to serve loads ranging from **10MW-300MW**,
- Additionally, Big Rivers and its Members have engaged in discussions with "**new**" Economic Development prospects that have electric load stretching from **2MW-200MW** or **more...**
- Furthermore, we've had discussions with other electric utilities and a business regarding the **lease and/or sale** of some of our generating units.
- **I feel confident...**In time; we'll be successful in selling this power and in mitigating this rate increase.

[PAUSE]

- To this point, I've devoted most of the discussion to Century departing our system, because it's the first of our two large customers that will soon be leaving.
- Alcan accounts for approximately **\$155 million in annual revenue** to our financials.

In an effort to minimize the impact of the Alcan (2nd) rate increase...

- Big Rivers and its Members will propose to accelerate the usage of approximately **\$120 million** in **Reserve Funds** established at the Unwind Closing in July 2009 to eliminate the need for the second rate increase (Alcan) until June 2015 for the residential members and about a year for the industrial members (**April 2014**).
 - Since the closure of the Unwind, these funds have been applied to member bills as a credit.
 - By exhausting all of the reserve funds in an effort to defer the Alcan rate increase for the next two years - it will allow Big Rivers and its Members an opportunity to implement our load replacement strategy.

[PAUSE]

- Keep in mind, there are still a lot of approvals required to implement this short-term strategy..., but I wanted to give you a glimpse of our plans to lessen the impact of losing our two largest industrial consumers.

Out of respect for your time, I'll bring my remarks to a close...

I would be happy to entertain any questions you may have or you can visit our **Big Rivers booth to discuss this topic or others items with our staff.**

- As always, I'm grateful to be here with you this evening and I appreciate the opportunity to discuss this important matter with our **Member-Owners**.

Big Rivers Electric Corporation - Case No. 2013-00199
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Paula Mitchell

From: Mark Bailey
Sent: Friday, August 23, 2013 9:40 AM
To: Paula Mitchell
Subject: FW: Kenergy 2013 Annual Meeting.doc
Attachments: 2013 Annual Meeting Agenda.doc; KENERGY ANNUAL MTG_GS COMMENTS_JUN13.docx

From: Greg Starheim [mailto:GStarheim@kenergycorp.com]
Sent: Friday, June 07, 2013 8:19 AM
To: Mark Bailey
Subject: FW: Kenergy 2013 Annual Meeting.doc

Mark,

Pls ignore my prior email. Meant to send you both the meeting agenda and my comments – both attached now.

Greg

From: Greg Starheim
Sent: Friday, June 07, 2013 8:17 AM
To: Mark Bailey
Subject: RE: Kenergy 2013 Annual Meeting.doc

Mark,

The comments look great – only thing I would ask to change is at the end. Instead of opening the floor for questions, I'd prefer if you would indicate that you (and I) would be available after the meeting to answer any questions. The general feeling is that the vast majority of folks will not want to extend the business meeting and it reduces the chances of the meeting getting hijacked by a disgruntled minority.

Attached are my comments – still very much WIP – but it give you an idea of what I intend to discuss and how I plan to transition.

Thanks again for being available to do this.

Greg

From: Greg Starheim
Sent: Wednesday, June 05, 2013 9:10 AM
To: Mark Bailey
Subject: Re: Kenergy 2013 Annual Meeting.doc

Will get back to you later today, Mark.

Sent from my iPhone

On Jun 5, 2013, at 10:05 AM, "Mark Bailey" <Mark.Bailey@bigrivers.com> wrote:

Big Rivers Electric Corporation - Case No. 2013-00199

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Thanks, Marty

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<Kenergy 2013 Annual Meeting.doc>

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AGENDA
KENERGY 14th ANNUAL MEETING
HENDERSON COUNTY HIGH SCHOOL
JUNE 11, 2013 – 6:30 P.M.

Call to Order John Warren

InvocationChris Mitchell

Presentation of Flag by Henderson County High School Junior ROTC Color Guard, Pledge of Allegiance and National Anthem (John Warren will lead the Pledge of Allegiance)

Opening Remarks John Warren

- 1) **Introduce Greg Starheim who will preside**

WELCOME AND INTRODUCTION OF GUESTS..... Greg Starheim

- 1) **Recognize Kenergy Board Members, Member Resource Committee Members, Chris Hopgood, KAEC and BREC Representatives**

Each year, Kenergy selects six juniors in high school to attend the Washington Youth Tour. This 7-day, all-expense-paid educational opportunity to Washington, DC, teaches students about our nation's government and about the importance of electric cooperatives. Kenergy selects the winners from an essay contest. This year's winners are Laura Hunter of Owensboro, Emily Holland of Utica, Marie Norris of Owensboro, Angela Payne of Philpot, Sarah Steely of Sebree and Cole Hamilton of Owensboro. (Winners will stand when introduced. Cole Hamilton will not be in attendance.)

BUSINESS MEETING AGENDA

- 1) **Announcement that Secretary has certified quorum..... Billy Reid**
- 2) **Reading of Official Notice of Meeting and Billy Reid
Proof of Due Publication of Meeting**
- 3) **Approval of Minutes of 2012 Annual Meeting Billy Reid**
- 4) **Announce Director Election Results..... Chair of C&E Committee**

PROGRAM

- 1) **President & CEO's Comments Greg Starheim**
- 2) **Remarks from Big Rivers Electric Corp CEO Mark Bailey**

Unfinished Business

New Business

- 1) **Bill Corum, KAEC President - Comments**
- 2) **Presentation of Scholarship Awards – John Warren and Greg Starheim**

ADJOURNMENT

DOOR PRIZES – Dennis Cannon



***** DRAFT *****

2013 ANNUAL MEETING

GS COMMENTS

GOOD EVENING, EVERYONE – AND THANK YOU SO MUCH FOR JOINING US TONIGHT FOR OUR ANNUAL MEETING. WHEN CONSIDERING THE LEGACY OF KENERGY'S FOUNDING ORGANIZATIONS, THE HUEC AND THE GREC, THIS REPRESENTS THE ___ ANNUAL MEETING OVERALL.

MY NAME IS GREG STARHEIM AND I HAVE BEEN PRIVILEGED TO SERVE AS YOUR PRESIDENT & CEO FOR THE LAST YEAR. TIME FLIES – IT SEEMS THAT IT WAS JUST YESTERDAY THAT I SAT IN THE AUDIENCE AT KENERGY'S 2012 ANNUAL MEETING WHEN IT WAS ANNOUNCED THAT I WOULD BE REPLACING LONG-STANDING AND RETIRING CEO SANDY NOVAK – WHO IS NOW I UNDERSTANDING ENJOYING A WELL-DESERVED RETIREMENT. THE TRANSITION FROM SANDY HAS BEEN VERY SMOOTH THANKS LARGELY TO CONDITION AT WHICH KENERGY WAS IN WHEN I ASSUMED MY CURRENT ROLE – AN ORGANIZATION WITH A STRONG COMMITMENT TO PLANT INVESTMENT, GREAT WORK PRACTICES, COMMITTED AND COMPETENT EMPLOYEES AND UTMOST FOCUS ON SERVING YOU, OUR MEMBERS. THAT'S WHAT A COOPERATIVE IS ALL ABOUT.

OVER THE NEXT FEW MINUTES, I'D LIKE PROVIDE YOU A BRIEF UPDATE ON THE "STATE OF YOUR COOPERATIVE". FOR THAT, I'LL REVIEW THE HIGHLIGHTS OF HOW WE FINISHED 2012, EXPLAIN HOW WE'RE DOING MID-YEAR THROUGH 2013 AGAINST OUR GOALS & OBJECTIVES AND, LASTLY, DISCUSS WITH YOU THE SIGNIFICANT CHALLENGES THAT WE FACE IN FUTURE YEARS.

FIRST, 2012. FOLLOWING THE MAIN VALUES THAT SANDY ESTABLISH – THAT IS PEOPLE, PERFORMANCE, SERVICE AND SAFETY – I'M PLEASED TO REPORT THAT KENERGY HAD A GREAT YEAR.

- OPERATIONALLY, WE COMPLETED ___ PROJECTS ON-TIME , POLE CHANGEOUTS, ROW LEARNING AND CONNECTED ___ NEW SERVICES –
- FINANCIALLY WE FINISHED THE YEAR WITH JUST UNDER \$500M IN REVENUE – WHICH MAKES KENERGY THE LARGEST DISTRIBUTION COOPERATIVE IN THE U.S. – AND BOTTOM LINE MARGINS OF JUST UNDER \$5M – THAT'S VERY STRONG PERFORMANCE. AND RECEIVED A CLEAN AUDIT

SPEAKING OF OUR 2013 MARGINS, I'M PLEASED TO REPORT THAT 100% OF THESE MARGINS HAVE BEEN ALLOCATED TO ALL OF YOU ON KENERGY'S BOOKS AT YOUR EQUITY OR OWNERSHIP INTEREST IN THE CO-OP – THAT'S WHAT NON-PROFIT ELECTRIC COOPERATIVES DO. AND, CONSISTENT WITH BOARD POLICY, ANNUALLY THIS EQUITY (OR PATRONAGE) GETS REVIEWED TO DETERMINE WHETHER KENERGY'S FINANCIAL CONDITION IS STRONG ENOUGH TO RETIRE OUR RETURN A PORTION OF THIS EQUITY YOU HAVE IN THE ORGANIZATION TO YOU IN CASH.

**Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75**

AND THAT'S ACTLY WHAT THIS BOARD ONCE AGAIN EARLIER THIS WHEN THEY DECIDED TO MAKE A GENERATION RETIREMENT AMOUNTING TO \$3M TO THOSE MEMBERS OF KENERGY THAT WE SERVED BACK IN 1980, 1981 AND 1982. FOR THOSE OF YOU WHO WERE MEMBERS DURING THOSE YEARS, YOU SHOULD SEE A BILL CREDIT ON THIS MONTHS BILLS.

- MEMBER SERVICE – (LATER)
- SAFETY – (LATER)

NOW LET'S TALK ABOUT 2013. ALREADY, WE FIND OURSELVES HALF WAY THROUG THEY –AS WE LOOK AT (MORE LATER)

LASTLY, AS IMPORTANT IT IS TO LOOK BACK ON ACCOMPLISHMENTS, IT'S EQUALLY IMPORTANT TO LOOK AHEAD. AND, WE DO FACE CHALLENGES. OVER THE PAST YEAR, YOU MAY HAVE SEEN PRESS COVERAGE OR KENERGY NEWSLETTERS (OR FACEBOOK AND TWITTER BLOGS) THAT HAVE REPORTED THAT THE KENERGY'S 2 LARGEST MEMBERS, THE CENTURY ALUMINUM HAWESVILLE SMELTER AND THE RIO TINTO ALCAN SEBREE SMELTER, GAVE NOTICE OF THEIR DESIRE TO TERMINATE POWER CONTRACTS WITH KENERGY AND BIG RIVERS, KENERGY'S WHOLESALE POWER PROVIDER. THE ELECTRICAL LOADS OF THESE SMELTERS ARE ENOUMOUS AND THE LOSS OF THIS LOAD PRESENTS UNIQUE CHALLENGES TO THE BIG RIVERS' SYSTEM. WE ARE FORTUNATE TO HAVE MR. MARK BAILEY, CEO OF BIG RIVERS, WHO SOME OF YOU MAY ALSO RECOGNIZE AS THE PREVIOUS CEO OF KENERGY, HERE TONIGHT TO PROVIDE YOU SOME ADDITIONAL DETAILS ON WHAT THIS MEANS TO BIG RIVERS AND ALL OF US WHO PURCHASE WHOLESALE POWER FROM THEM.

BUT, BEFORE I ASK MARK TO COME UP, I'D LIKE TO COVER ONE LAST POINT REGARDING THE SMELTERS LAST WEEK, THE 2 COMPANIES ANNOUNCED THAT CENTURY HAS ACQUIRED THE SEBREE SMELTER AND WE STAND READY TO WORK WITH THEM TO HELP THEM KEEP BOTH PLANTS IN OPERATION TO THE EXTENT THAT THEY DO NOT ASK OUR OTHER MEMBERS, ALL OF YOU, TO SUBSIDIZE THEIR RATES.

SINCE PROVIDING THE TERMINATION NOTICE, CENTURY HAS REQUESTED THAT KENERGY PROVIDE THEM "MARKET ACCESS" IN LIEU OF POWER SUPPLY FROM BIG RIVERS. WORKING CLOSELY WITH BIG RIVERS, WE HAVE BEEN WORKING DILENGENTLY FOR ALMOST A YEAR TO ESTABLISH A MECHANISM FOR US TO ACCOMMADATE THEM. WE BELIEVE IT IS POSSIBLE AND WANT TO SEE BOTH PLANTS REMAIN IN SERVICE FOR BETTERMENT OF OUR LOCAL ECONOMY. WE WILL CONTINUE TO WORK WITH CENTURY IN HOPES THAT "MARKET POWER" WILL ALLOW THEM TO REMAIN PROFITABLE AND VIABLE IN OUR AREA. THE NEXT FEW MONTHS WILL BE CRITICAL. AND, AS ALWAYS, KENERGY WILL BE FORTHCOMING AND TRANSPARENT WITH INFORMATION TO OUR MEMBERS AND LOCAL COMMUNITIES ON THIS TOPIC AND OTHER IMPORTANT MATTERS.

**Big Rivers Electric Corporation - Case No. 2013-00199
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NOW, I'D LIKE TO TURN IT OVER TO MARK WHO WILL PROVIDE AN UPDATE ON HOW THE TERMINATION NOTICE BY THE SMELTERS WILL IMPACT ON OUR ELECTRIC RATES. MARK?

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

Paula Mitchell

From: Mark Bailey
Sent: Friday, August 23, 2013 10:05 AM
To: Paula Mitchell
Subject: FW: Board Presentation and Rate Case Summary
Attachments: Member CEOs - Combined Cases Presentation.xlsx; Board of Directors - May 17 2013 - Rate Case - Wolfram.pptx

From: Billie Richert
Sent: Tuesday, May 21, 2013 11:56 AM
To: 'Kelly.Nuckols@jpenenergy.com' (Kelly.Nuckols@jpenenergy.com) (Kelly.Nuckols@jpenenergy.com) (Kelly.Nuckols@jpenenergy.com); Greg Starheim (gstarheim@kenegy.com); bmercer@mcrecc.com
Cc: Mark Bailey; Jim Miller
Subject: Board Presentation and Rate Case Summary

Please find the following attached documents:

- 1) Big Rivers 2013 Alcan Rate Case presentation made to the Board on May 17, 2013
- 2) Member CEOs – Combined Cases Presentation – This is a summary I prepared with reflects the combined 'ask' for the two rate cases. The summary reflects the \$23.7 million reallocation of Alcan's share of the Century rate case to the other two classes in the Alcan rate case.

Please remember that this information is confidential, perhaps privileged, and is covered by the confidentiality agreements signed in the rate case. Also recall that some of the information is preliminary, and could change before the rate case exhibits are finalized and filed.

After your review of the documents please call me with any questions or clarifications you may have.

Have a nice day.

Billie

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

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

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**Big Rivers Electric Corporation - Case No. 2013-00199
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	<u>Century Rate Case</u>	<u>Alcan Rate Case</u>	<u>Combined Rate Cases</u>
Century and Alcan Rate Cases - Revenue Deficiency			
15-Jan-2013 Century Rate Case Filed	74,500,000		74,500,000
29-Jan-2013 KPSC Rehearing Order in 2011 Rate Case	-1,000,000		-1,000,000
26-Mar-2013 KPSC Refinancing Order - Interest and issuance costs reduction	-4,400,000		-4,400,000
16-May-2013 Other Adjustments	-500,000		-500,000
Century Rate Case After KPSC Orders and Other Adjustments	<u>68,600,000</u>		<u>68,600,000</u>
16-May-2013 Century Increase Allocated to Alcan - now must be reflected in Alcan rate case	-23,700,000	23,700,000	0
17-May-2013 Alcan Rate Case - Additional Revenue Deficiency		<u>46,700,000</u>	<u>46,700,000</u>
17-May-2013 Century and Alcan Cases - Combined Revenue Deficiency	<u><u>44,900,000</u></u>	<u><u>70,400,000</u></u>	<u><u>115,300,000 (A)</u></u>
 Revenue Deficiency Allocated to Customer Classes			
Rural Class	37,400,000	54,900,000	92,300,000
Large Industrial Class	7,500,000	15,500,000	23,000,000
Alcan	<u>23,700,000</u>	<u>-23,700,000</u>	0
Century Rate Case After KPSC Orders and Other Adjustments	68,600,000	46,700,000	115,300,000
After Alcan's Share of Century Increase Reallocated	-23,700,000	23,700,000	0
Century and Alcan Cases - Revenue Deficiency	<u><u>44,900,000</u></u>	<u><u>70,400,000</u></u>	<u><u>115,300,000</u></u>
 Accelerated Utilization of ER and RER		<u>-70,400,000</u>	<u>-70,400,000 (B)</u>
Combined Century and Alcan Cases - After ER and RER	<u><u>44,900,000</u></u>	<u><u>0</u></u>	<u><u>44,900,000</u></u>

Footnotes:

(A) Includes approximately \$10,000,000 for other margin/TIER shortfall


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

**Case No. 2013-00199, Attachment for Response to AG 1-75
Witness: Robert W. Berry P-**



Big Rivers 2013 Alcan Rate Case

May 16, 2013

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1



Background: Century Rate Case

- Jan. 15, 2013 – Big Rivers filed Century rate case seeking revenue increase of \$74,500,000
- Jan. 29, 2013 – KPSC issued Rehearing Order in 2011 Rate Case, increasing annual base revenues by \$1,000,000
- Mar. 26, 2013 – KPSC approved Big Rivers refinancing application, resulting in test year savings of \$4,400,000
- May 16, 2013 – Revenue deficiency = \$68,600,000
- Jul. 1, 2013 – KPSC Hearing scheduled to begin



2013 Alcan Rate Case

Drivers

- Alcan Contract Termination
 - Need to recover Alcan contribution to Big Rivers' costs
 - Need to recover the portion of Century revenues allocated to Alcan in the Century rate case (\$23.7 million)

Fully Forecasted Test Period

- Based on latest forecasts for 02/01/2014 – 01/31/2015 period
 - Timing driven by effective date of Alcan termination notice and 7 month KPSC time period



Key Assumptions

- Century and Alcan smelting operations cease as of 08/20/2013 and 01/31/2014 respectively
- Any Market Energy Agreement will not impact rates
- Terms of Smelter Agreements (including TIER Adjustment Charge) no longer apply
- KPSC approves rates in Century rate case that allow Big Rivers to recover its full revenue requirement



Key Issues

- Magnitude of billing impact on Members
- Use of Reserve Funds to offset billing impact
- Mitigation efforts following Smelter Contract terminations
- Continued avoidance of interclass subsidies
- Outcome of Century rate case must be taken into account



Revenue Deficiency

- Calculated as the annual incremental revenue needed to allow Big Rivers to achieve a 1.24 TIER for the adjusted 12-month test period.
- Adjustments are made to remove non-recurring expenses, donations, promotional advertising, lobbying, etc., consistent with standard KPSC practice.

Century & Alcan Net Deficiency	\$ 105,000,000
Approx. Other Margin/TIER Shortfall	\$ 10,000,000
Alcan Share of Century Deficiency	<u>\$ 24,000,000</u>
Combined C&A Rate Case Deficiency	\$ 139,000,000
Less Updated Century Rate Case Deficiency	<u>(\$ 68,600,000)</u>
Alcan Rate Case Deficiency	\$ 70,400,000

6



Reserve Funds

- Reserve Funds established at Unwind to offset fuel and environmental costs, applied to member bills via MRSM and RER tariff riders

#	Reserve Fund	Rate Class	Balance on 2/1/14
1	Economic Reserve	Rurals & Large Industrials	\$54.4 million
2	Rural Economic Reserve	Rurals	\$65.7 million

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Your Touchstone Energy® Cooperative

Rate Increase Without Reserve Offsets

	Rurals	LI	Total
ALCAN Increase			
Dollars	\$ 54,900,000	\$ 15,500,000	\$ 70,400,000
Wholesale Percentage	31%	26%	29%
Retail Percentage	21%	25%	
Demand Rate (\$/kW)	24.74	17.98	
Energy Rate (¢/kWh)	3.5	3.5	
Wholesale Charge (¢/kWh)	10.2	7.7	9.4
Est. Retail Charge(¢/kWh)	13.5	7.9	
Rate of Return	3.74%	3.74%	3.74%
CENTURY & ALCAN Increase			
Dollars	\$ 91,100,000	\$ 23,500,000	\$114,600,000
Wholesale Percentage	62%	45%	59%
Retail Percentage	37%	43%	

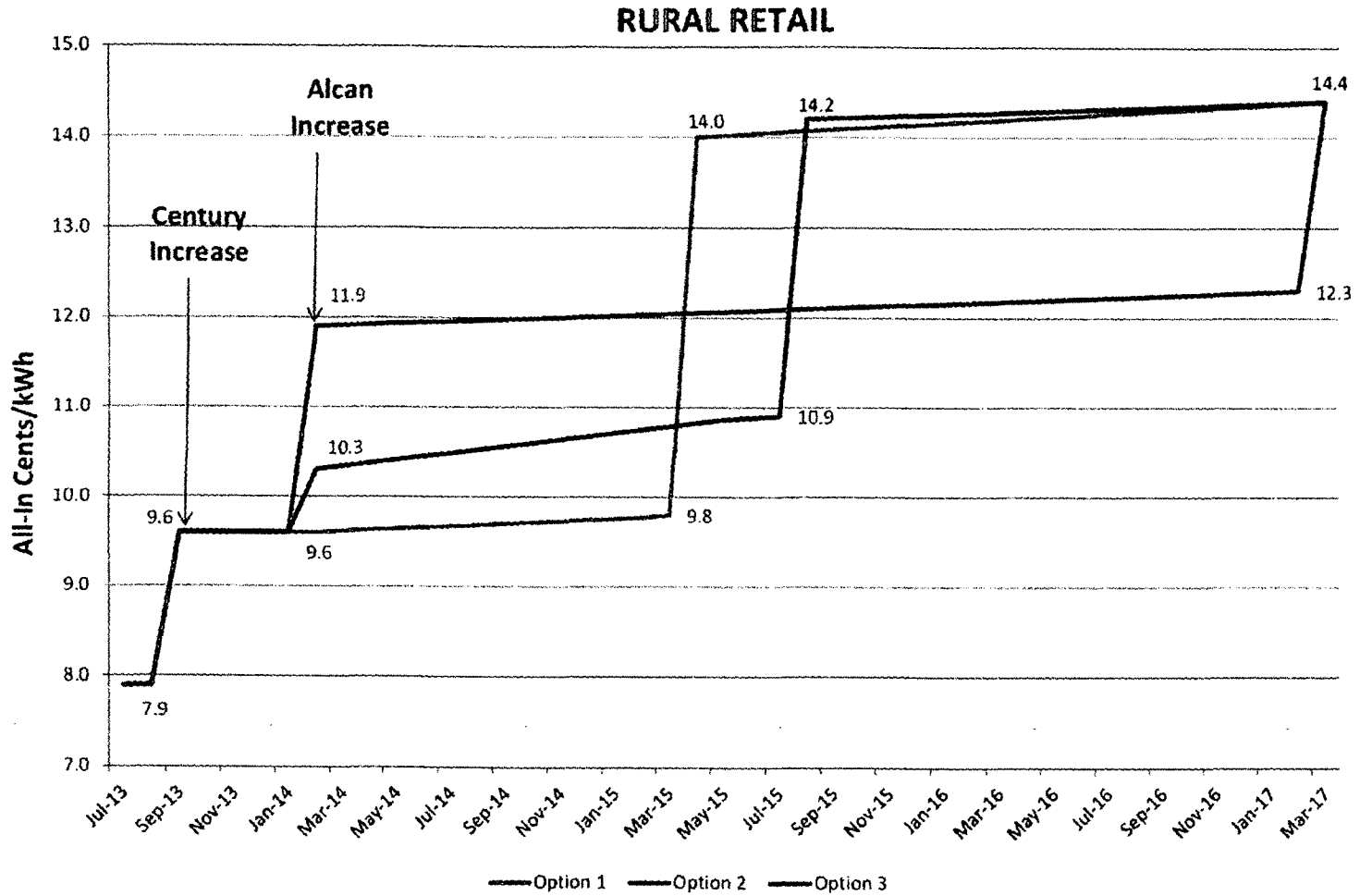


Your Touchstone Energy® Cooperative

Reserve Fund Offset Options

<i>New Rates Effective 2/1/14</i>	Option 1		Option 2		Option 3	
	<u>Offset \$70.4M</u>		<u>Offset \$46.7M</u>		<u>No Change</u>	
1. Economic Reserve Depleted	Jun 2014		Sep 2014		Apr 2015	
2. Rural Economic Reserve Depleted	Apr 2015		Aug 2015		Mar 2017	
<u>Rural Rates</u>	<u>Wholesale</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Retail</u>
Rate as of 2/1/14 (¢/kWh)	6.3	9.6	7.0	10.3	8.6	11.9
Increase at 2/1/14	0%	0%	12%	8%	37%	24%
Rate Before Depletion (¢/kWh)	6.5	9.8	7.6	10.9	9.0	12.3
Rate After Depletion (¢/kWh)	10.7	14.0	10.9	14.2	11.1	14.4
Increase at Depletion	63%	42%	43%	30%	23%	17%
<u>Large Industrial Rates</u>						
Rate Before Depletion (¢/kWh)	4.7	4.9	5.3	5.5	6.7	6.9
Rate After Depletion (¢/kWh)	7.8	8.0	7.9	8.1	7.9	8.1
Increase at Depletion	66%	64%	47%	46%	18%	17%

**Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75**





Expected Timeline

- May 17, 2013 – File Notice of Intent with KPSC
- June 28, 2013 – File Application with KPSC
- July 26, 2013 – KPSC likely to suspend rates through Jan 2014
- July – November 2013 – Discovery & Rebuttal Testimony
- November/December 2013 – Hearing at KPSC
- January 28, 2014 – Rate suspension ends



Management Recommendation

- Request rate increase of up to \$70,400,000
- Propose rates that achieve target increase with no subsidization between Rural and Large Industrial rate classes
- Propose accelerated use of Reserve Funds to offset virtually all of the Alcan rate case increase until Funds are depleted
- All subject to KPSC review and approval
- May need to revisit when KPSC issues Order in Century rate case or other cases, or if other fundamental premise changes

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

Paula Mitchell

From: Mark Bailey
Sent: Friday, August 23, 2013 10:29 AM
To: Paula Mitchell
Subject: FW: Supplemental Information - Alcan Rate Case Update Meeting
Attachments: MRSM Acceleration (5-9-2013).pptx

From: DeAnna McCormick Speed
Sent: Thursday, May 09, 2013 8:53 AM
To: gstarheim@kenenergycorp.com; Steve Thompson; bmercer@mcrecc.com; kelly.nuckols@jpenenergy.com; Chuck Williamson; Karen Brown
Cc: Billie Richert; Mark Bailey
Subject: Supplemental Information - Alcan Rate Case Update Meeting

Please find attached supplemental information for today's meeting. Please forward as appropriate. Thanks!

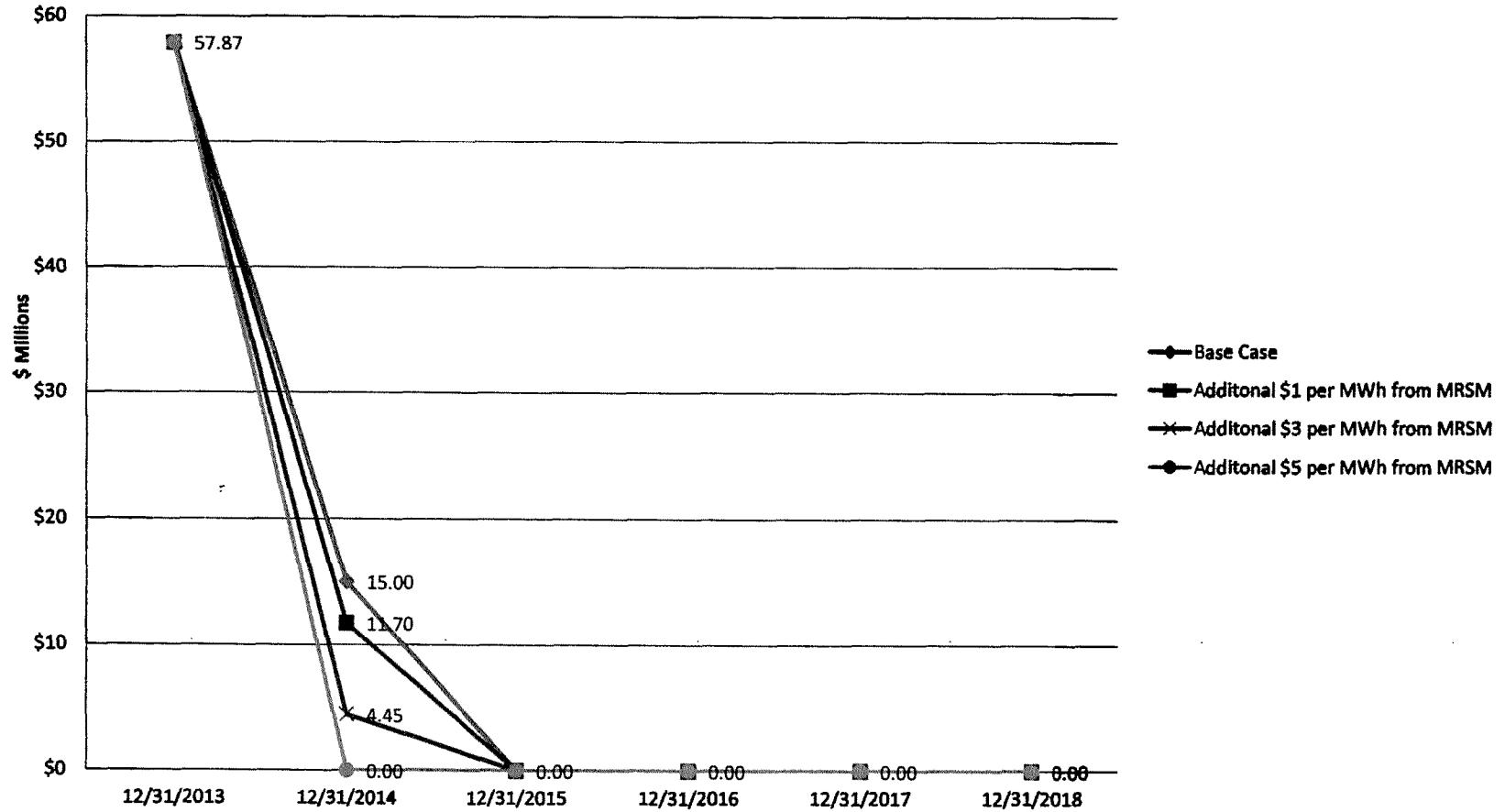
DeAnna

DeAnna Speed, CPA
Director Rates and Budgets
Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6042 | deanna.speed@bigrivers.com

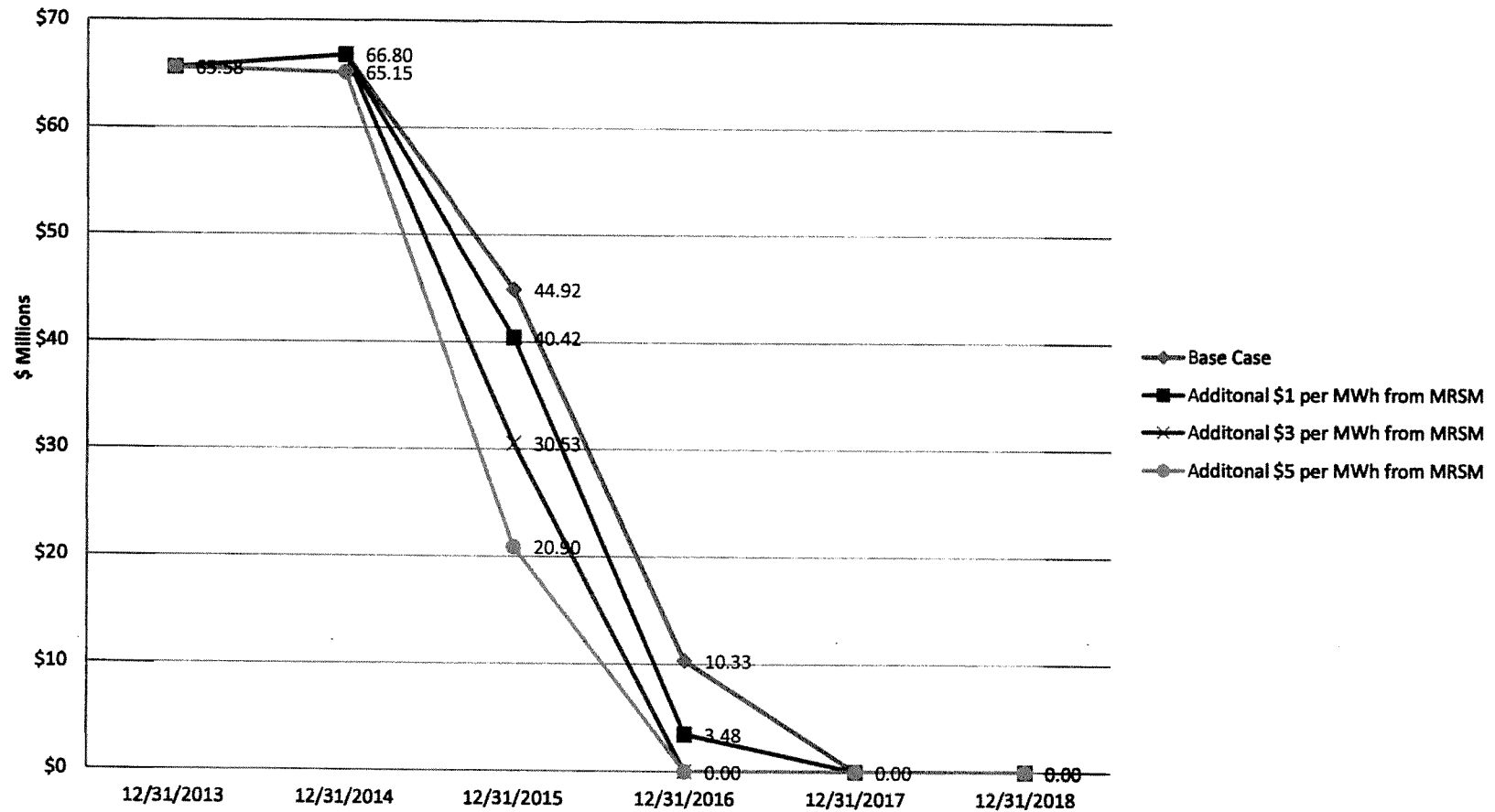


MRSM Scenarios

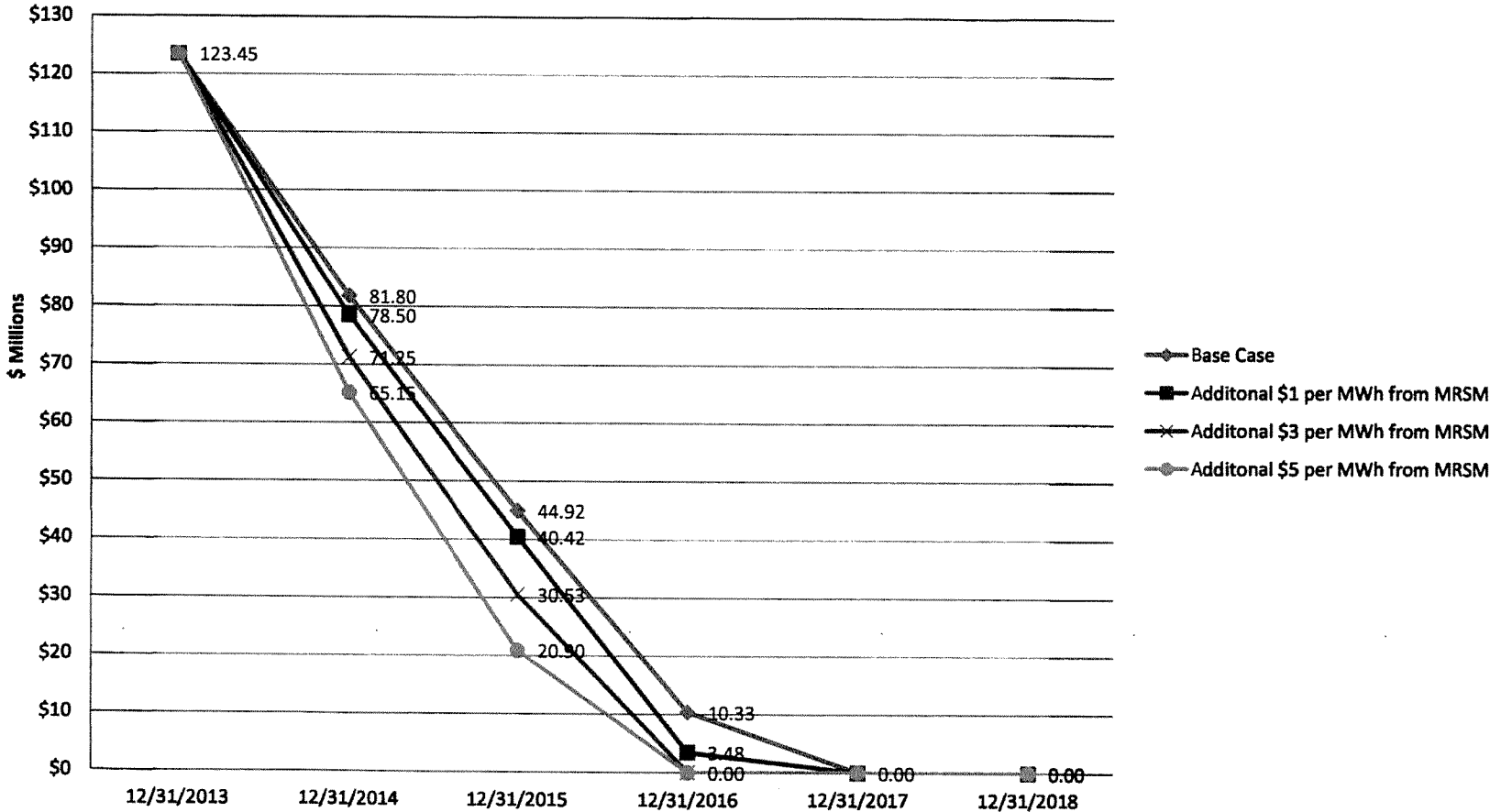
Accelerated Use of MRSM to Lower Rates Economic Reserve Balance



Accelerated Use of MRSM to Lower Rates Rural Economic Reserve Balance



**Accelerated Use of MRSM to Lower Rates
Reserve Funds Combined Balance**



Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

Paula Mitchell

From: Mark Bailey
Sent: Friday, August 23, 2013 10:30 AM
To: Paula Mitchell
Subject: FW: Slides for Alcan Rate Case Update Meeting
Attachments: Rate Case Update with Member CEOs 050913- Alcan.pptx

From: DeAnna McCormick Speed
Sent: Thursday, May 09, 2013 8:46 AM
To: kelly.nuckols@jpenenergy.com; Chuck Williamson; Karen Brown; bmercer@mcrecc.com; gstarheim@kenegycorp.com; Steve Thompson
Cc: Mark Bailey; Billie Richert
Subject: Slides for Alcan Rate Case Update Meeting

Good Morning!

Please find attached the presentation for today's meeting. Please feel free to forward to your rate consultants. Thanks!

DeAnna

DeAnna Speed, CPA
Director Rates and Budgets
Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6042 | deanna.speed@bigrivers.com



Big Rivers 2013 Alcan Rate Case

May 9, 2013

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1



2013 “Alcan Rate Case”

Driver

- Alcan Contract Termination

Fully Forecasted Test Period

- Based on Big Rivers’ latest forecasts for 02/01/2014 – 01/31/2015
 - Timing driven by effective date of Alcan termination notice



Key Assumptions

- Century and Alcan smelting operations cease as of 08/20/2013 and 01/31/2014 respectively
- Terms of Smelter Agreements (including TIER Adjustment Charge) no longer apply
- No change to Credit Rating Agencies' outlook
- No change to applicable effective state legislation



Key Assumptions (cont.)

- KPSC approves rates in current “Century rate case” that allow Big Rivers to recover its full revenue requirement
- Plans for idling units meet MISO requirements
- Load Mitigation results not yet realized
- Updated depreciation study not required



Key Assumptions (cont.)

- Actions approved in Finance Filing are completed
 - Big Rivers pays obligations under 1983 Bonds by using \$60 million of the proceeds of the secured loan with CoBank
 - Big Rivers uses the Transition Reserve funds to replace up to \$35 million of the aforementioned CoBank funds and may use them for capital expenditures in the ordinary course of business
- Any other finance filings are approved as filed



Key Issues

- Magnitude of Impact on Customers
- Cost of Service / Revenue Allocation
 - How to allocate the necessary increase between the Rural and Large Industrial rate classes
 - How to allocate Demand and Energy costs within the rate classes
- Mitigation Efforts following Smelter Contract Terminations
- Outcome of Century rate case must be taken into account

6



Cost Allocation

- Cost of Service Study drives the allocation of costs between Rural / Large Industrial and between demand / energy charges.
- Big Rivers incurs costs that relate to demand and costs that relate to energy consumption.
- In numerous rate orders over many years, the KPSC has noted its support for establishing rates that are cost-based and has repeatedly accepted the fundamental notion that demand-related costs should be charged on a \$/kW basis and that energy-related costs should be charged on a \$/kWh basis.



Cost Allocation (cont.)

- Rates are designed to fully recover the revenue requirement.
- Actual revenue recovery may vary from forecast when the actual consumption values differ from the forecasted consumption values that were used to design rates.
- Proposed demand and energy charges should be supported by the cost of service study, within a range of reasonableness and consistent with KPSC precedent in this area, in order to send a price signal that properly aligns the economic interests of Big Rivers, its members, and the end-use consumers.



Key Steps

- Complete forecast development
 - Complete production cost runs
 - Compile Big Rivers' Financial Model
 - Calculate Revenue Deficiency
 - Complete Cost of Service Study & Rate Design
 - Develop Proposed Rates & Estimated Bill Impact



Expected Timeline

- April 8, 2013 – Complete Production Cost Runs
- April 30, 2013 - Complete Budgetary cost estimates
- May 6, 2013 – Complete Test Period forecast
- May 9, 2013 – Meet with Member CEO Teams
- May 14, 2013 – Complete COSS & Proposed Rates
- May 15 or 16 - Review with Member CEO Teams
- May 17, 2013 – Present COSS & Rates to Board of Directors



Expected Timeline

- May 17, 2013 – File Notice of Intent with KPSC
- June 28, 2013 – File Application with KPSC
- July 26, 2013 – KPSC likely to suspend rates through Jan 2014
- July – November 2013 – Discovery & Rebuttal Testimony
- November/December 2013 – Hearing at KPSC
- January 28, 2014 – Rate suspension ends

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

Mark Bailey

From: Mark Bailey
Sent: Tuesday, May 07, 2013 8:04 AM
To: Burns Mercer (bmercer@mcrecc.com); Kelly Nuckols (kelly.nuckols@jpenenergy.com); 'Bill Denton'; 'James Sills'; 'Larry Elder'; 'Lee Bearden'; 'Paul Edd Butler'; 'Wayne Elliott'
Subject: FW: Please see attached Domtar analysis with monthly amounts
Attachments: Domtar Increases 5-6-2013.xlsx

FYI. Mark

From: Mark Bailey
Sent: Tuesday, May 07, 2013 7:53 AM
To: Greg Starheim; David Hamilton (DHamilton@kenergycorp.com)
Cc: Marty Littrel; Billie Richert; John Talbert; Bob Berry
Subject: FW: Please see attached Domtar analysis with monthly amounts

Greg,

At an HCIF Board meeting over a month ago and again in an interview with The Gleaner late last week, Steve Henry of Domtar asserted we were publicly understating the magnitude of the Century rate case. In both cases, he quoted Domtar's increase would be 32%. Attached is an analysis of the numbers using Domtar's 2012 billing determinants (demand and energy) by month. In the two columns on the left, Domtar's 2012 billings are compared to what would exist after the proposed rate increase. The two columns on the right compare what we expect Domtar to be paying in 2013 in September before the rate increase compared to what we would expect after the proposed rate increase. The two bottom horizontal lines show revenue/billings which reflect pre-MRSM and post-MRSM discounts respectively. Notice the percentages are in line with the class averages we have stated (18% pre-MRSM compared to the 17% figure we have stated publicly for the Industrial class). Also note Domtar's percentage is a little higher because their rates are lower than the Industrial class average. More importantly, note the absolute rate levels in cents per kwh before and after the proposed increase. If you plot these rates on the utility rate comparison graphs I showed your Board (and which Marty also showed the HCIF Board last week), you'll notice even after the proposed increase, Domtar's numbers compare quite favorably with other utilities' industrial rates in the state and region.

The second folder shows Industrial rates which although higher on average than Domtar's, are still very favorable compared to other utilities. While I understand that any rate increase is tough for businesses and residential customers alike trying to make ends meet, this information confirms that many other electric utility customers in this state, this region, and the country have been living with electric rates in this range for some time (remember the graphs show 2011 numbers).

I hope this helps.
Mark

From: Mark Bailey
Sent: Tuesday, May 07, 2013 7:08 AM
To: Mark Bailey
Subject: FW: Please see attached Domtar analysis with monthly amounts

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

From: Billie Richert
Sent: Monday, May 06, 2013 7:50 PM
To: Mark Bailey; Bob Berry
Cc: Chris Warren
Subject: Please see attached Domtar analysis with monthly amounts

Please let us know if this addresses your concerns.

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

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

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Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

Paula Mitchell

From: Mark Bailey
Sent: Friday, August 23, 2013 10:35 AM
To: Paula Mitchell
Subject: FW: Please see attached Domtar analysis with monthly amounts

From: Greg Starheim [mailto:GStarheim@kenergycorp.com]
Sent: Tuesday, May 07, 2013 7:55 AM
To: Mark Bailey; David Hamilton
Cc: Marty Littrel; Billie Richert; John Talbert; Bob Berry
Subject: RE: Please see attached Domtar analysis with monthly amounts

Thanks, Mark – will dig into this am.

Greg

From: Mark Bailey [mailto:Mark.Bailey@bigrivers.com]
Sent: Tuesday, May 07, 2013 7:53 AM
To: Greg Starheim; David Hamilton
Cc: Marty Littrel; Billie Richert; John Talbert; Bob Berry
Subject: FW: Please see attached Domtar analysis with monthly amounts

Greg,

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The second folder shows Industrial rates which although higher on average than Domtar's, are still very favorable compared to other utilities. While I understand that any rate increase is tough for businesses and residential customers alike trying to make ends meet, this information confirms that many other electric utility customers in this state, this region, and the country have been living with electric rates in this range for some time (remember the graphs show 2011 numbers).

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

I hope this helps.
Mark

From: Mark Bailey
Sent: Tuesday, May 07, 2013 7:08 AM
To: Mark Bailey
Subject: FW: Please see attached Domtar analysis with monthly amounts

From: Billie Richert
Sent: Monday, May 06, 2013 7:50 PM
To: Mark Bailey; Bob Berry
Cc: Chris Warren
Subject: Please see attached Domtar analysis with monthly amounts

Please let us know if this addresses your concerns.

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

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

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**Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75**

Domtar	Proposed Rates Leave Demand & Energy Constant			Estimated Rates Sept-13		
	Actual 2012	with 2012	% Increase	Rates in Sept-13 w/out base rate Increase	% Increase	
Demand (kW) Rate \$/kW	\$ 10.50	\$ 12.41		\$ 10.50	\$ 12.41	
Energy (kWh) \$/kWh	\$ 0.024505	\$ 0.030000		\$ 0.024505	\$ 0.030000	
Demand (kW)	197,000	197,000		197,000	197,000	
Energy (kWh)	138,503,802	138,503,802		138,503,802	138,503,802	
Base Rate (\$/kWh)	<u>\$ 0.039440</u>	<u>\$ 0.047651</u>	21%	<u>\$ 0.039440</u>	<u>\$ 0.047651</u>	21%
Non-Smelter Non-FAC PPA	(0.001141)	(0.001141)		(0.000781)	(0.000781)	
FAC	0.002909	0.002909		0.004701	0.004701	
Environmental Surcharge	0.002113	0.002113		0.003329	0.003329	
Surcredit	(0.004204)	(0.004204)		(0.001910)	(0.001910)	
Economic Reserve	(0.006032)	(0.006032)		(0.009332)	(0.009332)	
Wholesale Rate (\$/kWh)	<u>\$ 0.033085</u>	<u>\$ 0.041297</u>	25%	<u>\$ 0.035446</u>	<u>\$ 0.043658</u>	23% *
Retail Rate (\$/kWh)	\$ 0.035085	\$ 0.043297	23%	\$ 0.037446	\$ 0.045658	22% *
Revenue	\$ 5,417,830.17	\$ 6,555,178.55	21%	\$ 6,201,917.25	\$ 7,339,265.63	18%
Billing (Excluding Economic Reserve)	\$ 4,582,382.92	\$ 5,719,731.30	25%	\$ 4,909,460.66	\$ 6,046,809.04	23%

* The Wholesale and Retail increases are 18% when excluding the Economic Reserve.

**Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75**

Large Industrial	Proposed Rates Leave Demand & Energy Constant			Estimated Rates		
	Actual 2012	with 2012	% Increase	Rates in Sept-13 w/out base rate Increase	Sept-13	% Increase
Demand (kW) Rate \$/kW	\$ 10.50	\$ 12.41		\$ 10.50	\$ 12.41	
Energy (kWh) \$/kWh	\$ 0.024505	\$ 0.030000		\$ 0.024505	\$ 0.030000	
Demand (kW)	1,708,506	1,708,506		1,708,506	1,708,506	
Energy (kWh)	961,298,194	961,298,194		961,298,194	961,298,194	
Base Rate (\$/kWh)	<u>\$ 0.043167</u>	<u>\$ 0.052056</u>		<u>\$ 0.043167</u>	<u>\$ 0.052056</u>	
Non-Smelter Non-FAC PPA	(0.001144)	(0.001144)		(0.000781)	(0.000781)	
FAC	0.002921	0.002921		0.004701	0.004701	
Environmental Surcharge	0.002178	0.002178		0.003329	0.003329	
Surcredit	(0.004203)	(0.004203)		(0.001910)	(0.001910)	
Economic Reserve	(0.006110)	(0.006110)		(0.009332)	(0.009332)	
Other	0.000227	0.000227				
Wholesale Rate (\$/kWh)	<u>\$ 0.037036</u>	<u>\$ 0.045698</u>	23%	<u>\$ 0.039173</u>	<u>\$ 0.048063</u>	23%
Retail Rate (\$/kWh)	\$ 0.039036	\$ 0.047698	22%	\$ 0.041173	\$ 0.050063	22%
Revenue \$	41,476,236.39	49,803,226.23	20%	46,627,670.12	55,173,250.11	18%
Billing \$	35,602,826.42	43,929,816.26	23%	37,657,258.01	46,202,838.00	23%

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

Paula Mitchell

From: Mark Bailey
Sent: Friday, August 23, 2013 10:06 AM
To: Paula Mitchell
Subject: FW: DOMTAR MTG
Attachments: KUUC Confidentiality Agreement.pdf; Exhibit A to KIUC confidentiality agreement.docx

From: Tyson Kamuf [mailto:tkamuf@smsmlaw.com]
Sent: Monday, May 20, 2013 4:15 PM
To: Mark Bailey
Cc: Jim Miller
Subject: RE: DOMTAR MTG

Mark,

Jim asked me to send you the confidentiality agreement that KIUC entered into with Big Rivers for the Century rate case, along with Exhibit A to the KIUC confidentiality agreement for Steve Henry to sign. They are attached.

Tyson Kamuf
Sullivan, Mountjoy, Stainback & Miller, P.S.C.
100 St. Ann Street, P.O. Box 727
Owensboro, Kentucky 42302-0727
tkamuf@smsmlaw.com
phone: (270) 926-4000
fax: (270) 683-6694

CONFIDENTIALITY STATEMENT:

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From: Mark Bailey [mailto:Mark.Bailey@bigrivers.com]
Sent: Monday, May 20, 2013 3:11 PM
To: Paula Mitchell; Marty Littrel; Bob Berry; Billie Richert
Cc: Jim Miller; Tyson Kamuf
Subject: FW: DOMTAR MTG

FYI. Mark

From: Mark Bailey
Sent: Monday, May 20, 2013 3:11 PM
To: 'Greg Starheim'
Subject: RE: DOMTAR MTG

OK. Thanks.....

From: Greg Starheim [mailto:GStarheim@kenegycorp.com]
Sent: Monday, May 20, 2013 2:14 PM

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

To: Mark Bailey
Subject: DOMTAR MTG

Mark –

We're confirmed to meet with Steve Henry at the Kenergy Oboro office on Thurs @ 3pm. Suggest we review the mitigation actions and the discrepancy in actual vs. perceived rate increases. OK?

Greg

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CONFIDENTIALITY AGREEMENT

Kentucky Public Service Commission

Case No. 2012-00535

This Agreement is entered into by and between Big Rivers Electric Corporation ("Big Rivers") and Kentucky Utility Industrial Customers, Inc. ("Intervenor").

WHEREAS, Intervenor has moved to intervene in the above referenced case and has requested review of certain information Big Rivers believes to be confidential and proprietary;

WHEREAS, during the course of this proceeding, Big Rivers may, by petition for confidential treatment, seek protection from public disclosure of information Big Rivers believes to be confidential and proprietary and for which it believes public disclosure would prove harmful to Big Rivers, and will under those circumstances, provide Intervenor with access to that information pursuant to the following confidentiality agreement alone; and

WHEREAS, Intervenor is willing to enter into this agreement and have access to the information at issue upon the terms and conditions contained herein;

NOW, THEREFORE, the parties covenant and agree as follows:

1. Access to information which Big Rivers believes to be confidential and propriety for which confidential treatment is sought by Big Rivers in this case will be limited strictly to Intervenor, its legal counsel and/or consultants, and employees of Intervenor's clients in this matter who have a need for access to the information for purposes of this proceeding, who shall execute a nondisclosure certificate as described in paragraph 3 and attached as Exhibit A to this agreement.

2. Use of the information provided pursuant to this confidentiality agreement shall be limited strictly to Case No. 2012-00535 before the Kentucky Public Service Commission (the "Commission") and any appeals from that case.

3. The non-disclosure certificate shall require Intervenor, its legal counsel, and its consultants to read a copy of this agreement and certify in writing that it, he, or she has reviewed this agreement and agrees to be bound by its terms before disclosure of the confidential and proprietary information will be made. The certificate shall contain the full name of Intervenor's legal counsel and/or consultant(s) and their permanent business address. A copy of each certificate shall be provided to Big Rivers.

4. All copies of documents containing information that are provided to Intervenor under this agreement pending a ruling by the Commission upon a petition for confidential treatment, and information for which the Commission has Ordered that confidential treatment shall be afforded, shall be deemed to be held in trust pursuant to this agreement and shall be returned to Big Rivers upon demand at the conclusion of Case No. 2012-00535. Upon demand for return of the information, any notations or other work product of Intervenor, its counsel, or its

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

consultants made or contained in the information shall be redacted prior to the return of the information to Big Rivers.

5. If Intervenor desires to make use of any confidential or proprietary information obtained as a result of its, its legal counsel's, or its consultant's examination of the information, whether in testimony filed by Intervenor or through cross-examination of any witness or otherwise, Intervenor shall notify Big Rivers in advance of the proposed use and shall meet with Big Rivers' representatives to attempt in good faith to establish a procedure that will accommodate the needs of Intervenor to make use of the information without risking its public disclosure. If Big Rivers and Intervenor are unable to agree on a means of preventing public disclosure of the confidential and proprietary information, Big Rivers and Intervenor will submit these issues to the Commission for resolution before the proposed use of the information is made.

6. Each and every party to this agreement will act in good faith, and no party to the agreement will do anything to deprive any other party of the benefit of this agreement. The parties agree that the Commission is the sole and exclusive forum for considering any alleged breach of this agreement, and that the remedies within the jurisdiction of the Commission are the only available remedies. This agreement does not restrict the parties from seeking any injunctive relief in a court of competent jurisdiction which they believe that they are otherwise entitled to seek; furthermore, it does not extinguish any right to judicial review of the Commission's actions. The parties do, however, expressly waive any other relief or remedy to which they might be entitled in the absence of the limitations of this agreement.

7. Intervenor's participation in this agreement shall not be construed as an admission that the information claimed to be confidential and proprietary is, as a matter of law, confidential and proprietary, or as a waiver of any right to assert that the information is not confidential and proprietary before the Commission or any court of competent jurisdiction. In the event the Commission should rule that any of the information should be removed from the restrictions imposed by this agreement, Intervenor shall not disclose such information until the Commission's Order subjecting the information to public disclosure is final pursuant to KRS 278.410, or until all appeals of such Order have been exhausted, unless authorized to do so by Big Rivers or a court of competent jurisdiction.

8. This agreement shall bind the parties to it from the date of its execution. Every executed copy of this agreement will be deemed an original.

EXECUTED this 14th day of January, 2013.

Kentucky Industrial Utility Customers, Inc.
Intervenor

By: Will C. Hart

Title: Attorney

Big Rivers Electric Corporation

By: Mark A. T. Bailey

Title: President

EXHIBIT A

NONDISCLOSURE CERTIFICATE

The undersigned hereby certify that, before disclosure to them of confidential and proprietary information of Big Rivers, they have read the confidentiality agreement between Big Rivers and Kentucky Utility Industrial Customers, Inc., which is incorporated herein by reference as if set forth in its entirety, and agree to be bound by its terms.

Name

Address

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Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

Paula Mitchell

From: Mark Bailey
Sent: Friday, August 23, 2013 10:59 AM
To: Paula Mitchell
Subject: FW: Domtar Information
Attachments: 03_26_2013.pdf

From: Greg Starheim [mailto:GStarheim@kenegycorp.com]
Sent: Tuesday, March 26, 2013 2:01 PM
To: Mark Bailey; Bob Berry
Cc: Chris Hopgood (chopgood@dkgnlaw.com); Steve Thompson
Subject: FW: Domtar Information

Mark/Bob –

See below as to what Domtar presented this am at the HCIF meeting. I am scheduled to have another meeting with Steve tomorrow am.

Greg

From: David Hamilton
Sent: Tuesday, March 26, 2013 1:39 PM
To: Marty Littrel (Marty.Littrel@bigrivers.com)
Cc: Greg Starheim; Renee Jones
Subject: Domtar Information

Marty:

You need to be aware of something that happened at the Hancock County Industrial Foundation meeting this morning. Steve Henry ,plant manager from Domtar, attended the meeting and handed out the attached estimate of the BREC rate impact to Kenergy members. I was pretty upset that he would hand this out to our board without allowing Kenergy the opportunity to review it first. The numbers he presented were quite alarming to say the least.

Mike Baker said that he did not know Steve was going to hand this information out. I can only speculate, but we had a record crowd at the board meeting this morning. I let Mike Baker know pretty quickly after the meeting that this should have never been allowed and it does not help our negotiations with the smelters. I told Mike that we wanted the opportunity to speak at the April HCIF board meeting, which is on April 23. I would like to extend the invitation to anyone at BREC that can help clear up any confusion regarding the rate increase and what BREC is doing to mitigate the increase.

David Hamilton
Vice President, Member Services
Kenergy Corp

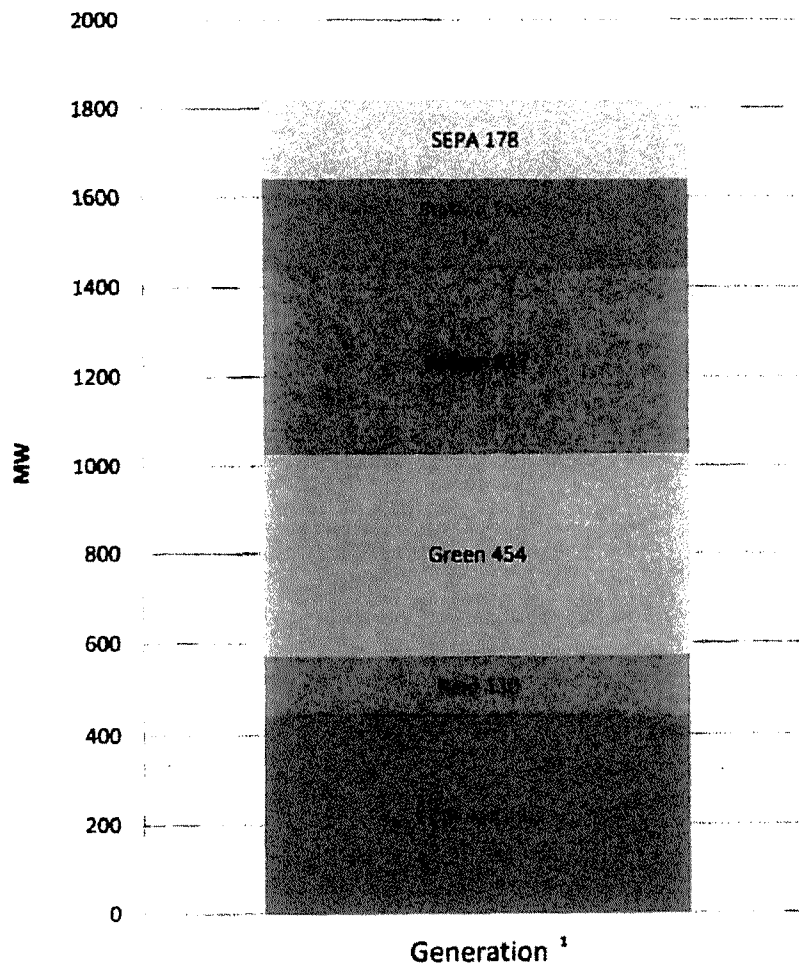
Office: 270.689.6155
Fax: 270.689.6255

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

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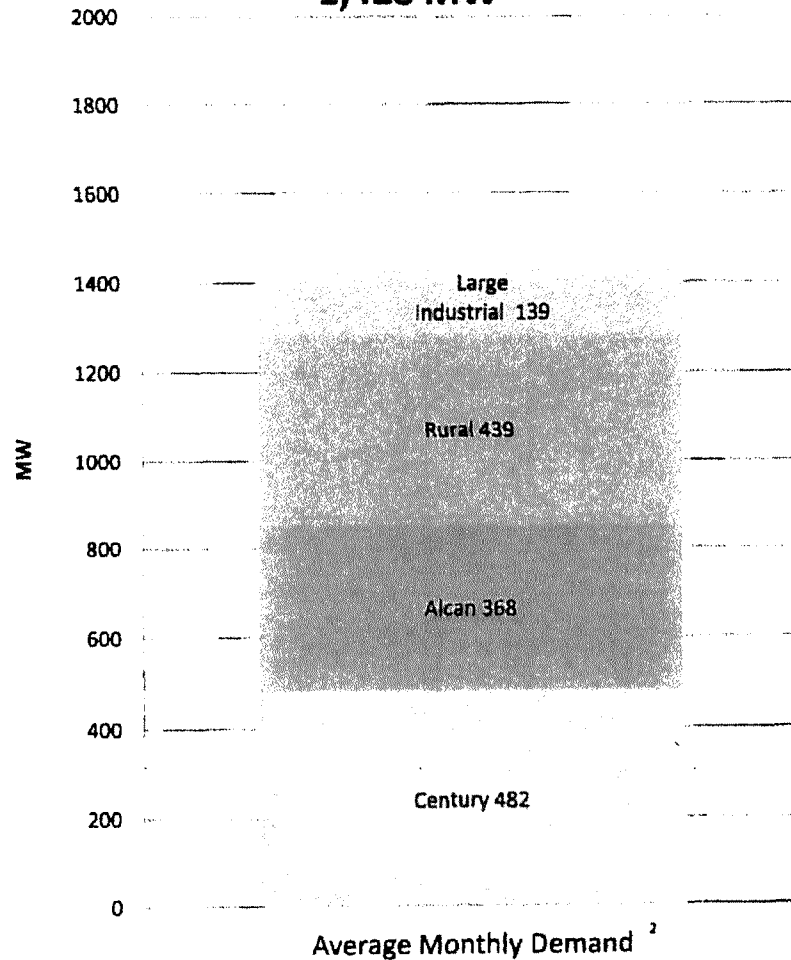
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Big Rivers' Generation 1,819 MW



¹ Berry Direct Testimony at p. 5.

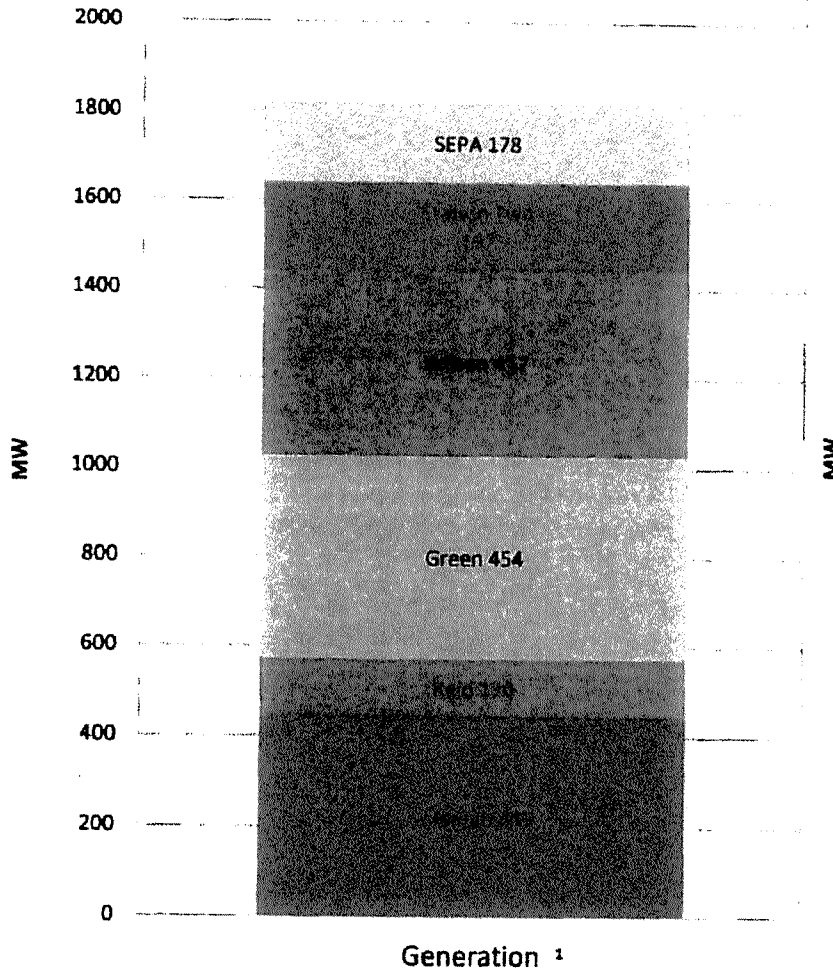
Member Average Monthly Demand With Smelters 1,428 MW



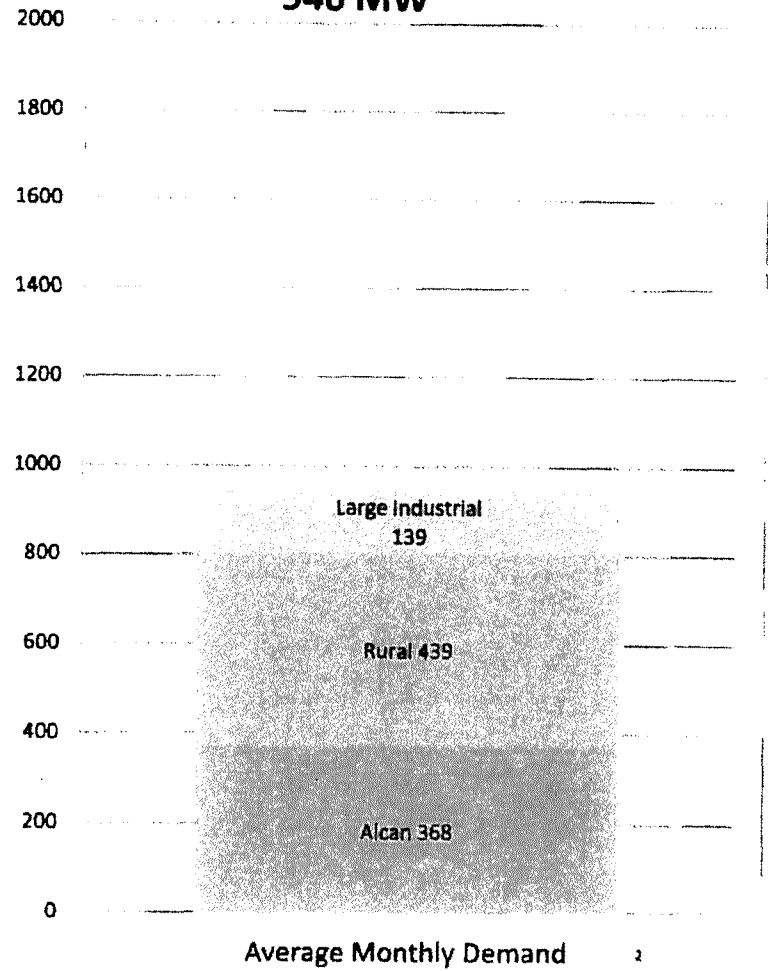
² Exhibit Siewert -2, p-1 of 36.

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

**Big Rivers' Generation
1,819 MW**



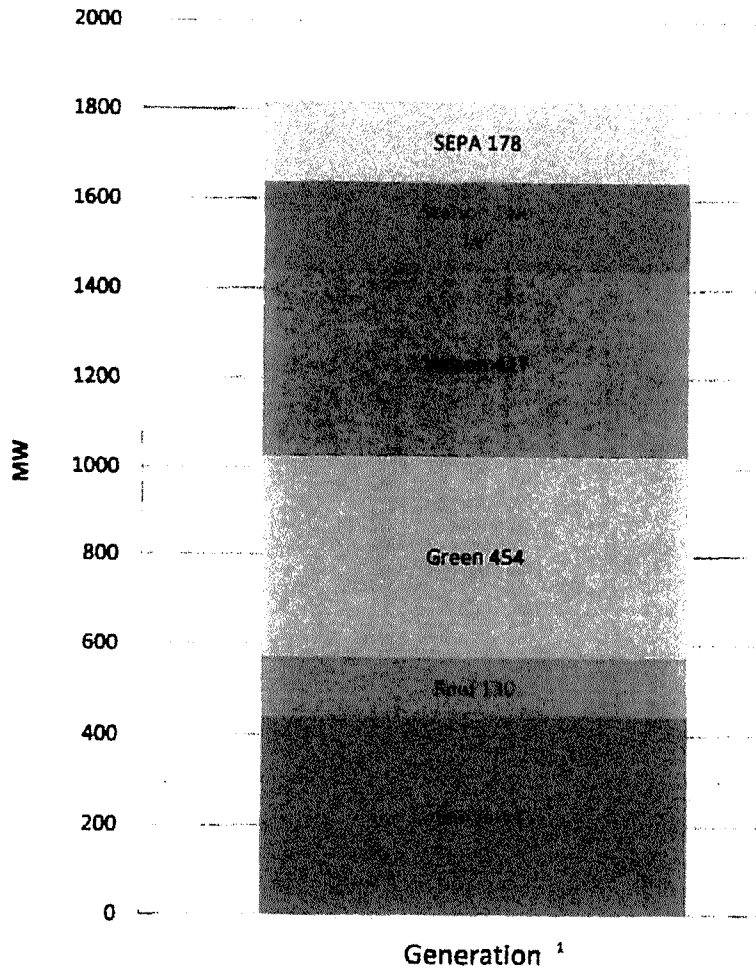
**Member Average Monthly Demand
Without Century
946 MW**



¹ Berry Direct Testimony at p. 5.

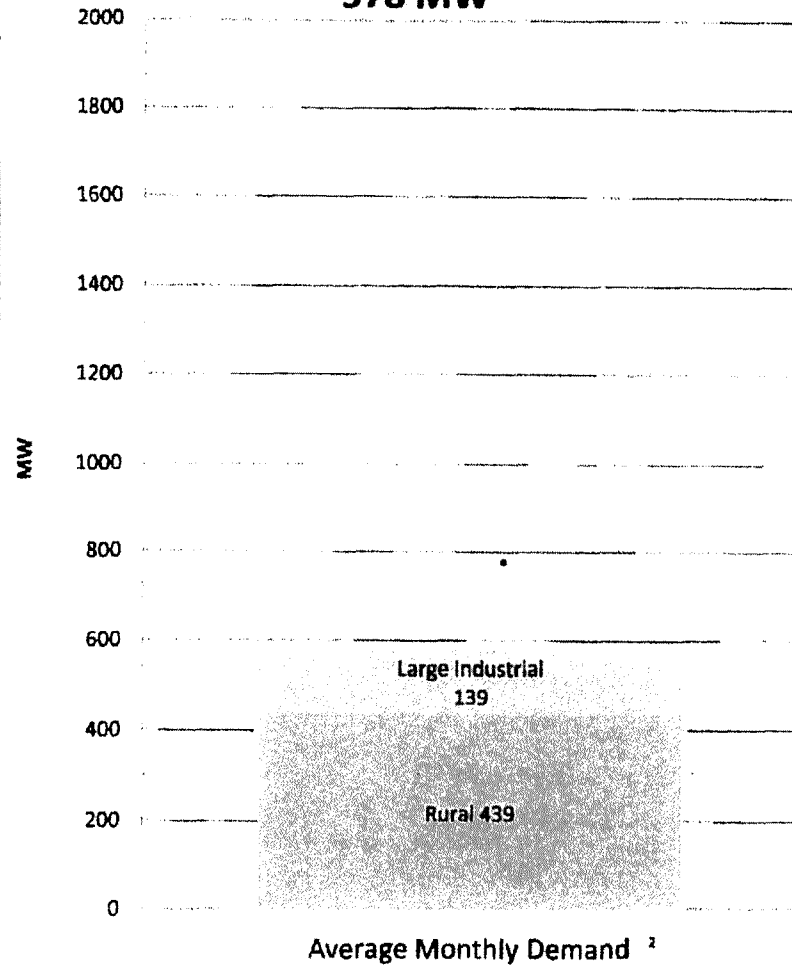
² Exhibit Siewert -2, p-1 of 36.

Big Rivers' Generation 1,819 MW



¹ Berry Direct Testimony at p. 5.

Member Average Monthly Demand Without Smelters 578 MW



² Exhibit Siewert -2, p-1 of 36.

Big Rivers Electric Corporation
Case No. 2012-00535
Forecasted Test Period Filing Requirements
(Forecast Test Year 12ME 08/31/2014; Base Period 12ME 04/30/2013)

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Tab No. 59
Filing Requirement
807 KAR 5:001 Section 10(10)(m)
Sponsoring Witness: Billie J. Richert

Description of Filing Requirement:

Revenue summary for both base and forecasted periods with supporting schedules which provide detailed billing analyses for all customer classes.

Response:

The base period revenue summary, which includes detailed billing analyses for all customer classes, is included on pages 1 through 4 of the attachment to this response.

The forecasted period revenue summary, which includes detailed billing analyses for all customer classes, is included on pages 5 through 8 of the attachment to this response.

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Base Period 12ME - April 30, 2013
Base Year 5/1/2012 - 4/30/2013
Revenue Summary

	Total Base Year Revenue (000s)	
Rural	\$	124,786
Large Industrial		45,927
Smelter		363,712
Total	\$	534,425

**Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Base Period 12ME - April 30, 2013**

Billing Analysis Base Year

**Actual Billing Determinants and Revenue 5/1/2012 - 10/31/2012
Forecasted Billing Determinants and Revenue 11/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 4/30/2013**

<u>Smelter Rate</u>	<u>Billing Units</u>	<u>Rate</u>	<u>Revenue \$</u>
Base Fixed Energy (kWh)	7,325,304,000	\$ 0.039405	\$ 288,655,720
Base Variable Energy	34,591,103	0.021806	754,294
Back-Up Energy	12,573,778	0.039529	497,024
Surplus Energy	(2,493,184)	0.034709	(86,535)
Supplemental Energy	217,000	0.030114	6,535
TIER Adjustment	7,325,304,000	0.002942	21,550,670
Non-FAC PPA	7,359,895,103	(0.000505)	(3,714,688)
FAC	7,359,895,103	0.003492	25,702,084
Environmental Surcharge	7,359,895,103	0.002263	16,652,656
Surcharge	7,359,895,103	0.001860	13,690,361
Adjustment			4,276
Rate (\$/kWh)		<u>\$ 0.049349</u>	<u>\$ 363,712,397</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Base Period 12ME - April 30, 2013

Billing Analysis Base Year

Actual Billing Determinants and Revenue 5/1/2012 - 10/31/2012
Forecasted Billing Determinants and Revenue 11/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 4/30/2013

Rural Rate	Billing Units	Rate	Billing \$	Revenue \$
Demand (kW)	5,388,931	\$ 9.50	\$ 51,194,844	\$ 51,194,844
Energy (kWh)	2,420,925,805	0.029736	71,988,650	71,988,650
Base Rate (\$/kWh)	2,420,925,805	<u>\$ 0.050883</u>	<u>\$ 123,183,494</u>	<u>\$ 123,183,494</u>
Non-Smelter Non-FAC PPA	2,420,925,805	\$ (0.001242)	\$ (3,006,668)	\$ (3,006,668)
FAC	2,420,925,805	0.003480	8,423,690	8,423,690
Environmental Surcharge	2,420,925,805	0.002534	6,135,605	6,135,605
Surcredit	2,420,925,805	(0.004110)	(9,950,155)	(9,950,155)
Economic Reserve	2,420,925,805	(0.006442)	(15,596,792)	
Rate (\$/kWh)		<u>\$ 0.045103</u>	<u>\$ 109,189,174</u>	<u>\$ 124,785,966</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Base Period 12ME - April 30, 2013

Billing Analysis Base Year
Actual Billing Determinants and Revenue 5/1/2012 - 10/31/2012
Forecasted Billing Determinants and Revenue 11/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 4/30/2013

<u>Large Industrial Rate</u>	<u>Billing Units</u>	<u>Rate</u>	<u>Billing \$</u>	<u>Revenue \$</u>
Demand (kW)	1,700,070	\$ 10.50	\$ 17,850,735	\$ 17,850,735
Energy (kWh)	953,161,521	0.024505	23,357,223	23,357,223
Base Rate (\$/kWh)	953,161,521	<u>\$ 0.043233</u>	<u>\$ 41,207,958</u>	<u>\$ 41,207,958</u>
Non-Smelter Non-FAC PPA	953,161,521	\$ (0.001249)	\$ (1,190,856)	\$ (1,190,856)
FAC	953,161,521	0.003490	3,326,542	3,326,542
Environmental Surcharge	953,161,521	0.006866	6,544,658	6,544,658
Surcredit	953,161,521	(0.004156)	(3,961,493)	(3,961,493)
Economic Reserve	953,161,521	(0.010744)	(10,240,683)	
Rate (\$/kWh)		<u>\$ 0.037440</u>	<u>\$ 35,686,126</u>	<u>\$ 45,926,809</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Forecasted Period 12ME - August 31, 2014
Forecasted Year 9/1/2013 - 8/31/2014
Revenue Summary

	Total Forecasted Year Revenue (000s)	
Rural	\$	179,193
Large Industrial		54,433
Smelter		189,502
Total	\$	423,128

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Forecasted Period 12ME - August 31, 2014
Billing Analysis Forecasted Year
Budgeted Billing Determinants and Revenue 9/1/2013 - 8/31/2014

<u>Smelter Rate</u>	<u>Billing Units</u>		<u>Rate</u>	<u>Revenue \$</u>
Base Fixed Energy (kWh)	3,159,206,400	\$	0.047597	\$ 150,368,554
TIER Adjustment	3,159,206,400	\$	0.002945	\$ 9,303,467
Non-FAC PPA	3,159,206,400		(0.000369)	(1,165,347)
FAC	3,159,206,400		0.005121	16,176,808
Environmental Surcharge	3,159,206,400		0.002818	8,905,812
Surcharge	3,159,206,400		0.001872	5,912,468
Rate (\$/kWh)		\$	<u>0.059984</u>	<u>\$ 189,501,761</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Forecasted Period 12ME - August 31, 2014
Billing Analysis Forecasted Year
Budgeted Billing Determinants and Revenue 9/1/2013 - 8/31/2014

<u>Rural Rate</u>	<u>Billing Units</u>	<u>Rate</u>	<u>Billing \$</u>	<u>Revenue \$</u>
Demand (kW)	5,322,297	\$ 16.95	\$ 90,212,932	\$ 90,212,932
Energy (kWh)	2,436,557,000	0.030000	73,096,710	73,096,710
Base Rate (\$/kWh)	2,436,557,000	<u>\$ 0.067025</u>	<u>163,309,642</u>	<u>163,309,642</u>
Non-Smelter Non-FAC PPA	2,436,557,000	\$ (0.000781)	\$ (1,903,467)	\$ (1,903,467)
FAC	2,436,557,000	0.005141	12,526,275	12,526,275
Environmental Surcharge	2,436,557,000	0.003897	9,496,100	9,496,100
Surcredit	2,436,557,000	(0.001738)	(4,235,358)	(4,235,358)
Economic Reserve	2,436,557,000	(0.010114)	(24,642,915)	
Rate (\$/kWh)		<u>\$ 0.063430</u>	<u>\$ 154,550,277</u>	<u>\$ 179,193,192</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
Forecasted Period 12ME - August 31, 2014
Billing Analysis Forecasted Year
Budgeted Billing Determinants and Revenue 9/1/2013 - 8/31/2014

<u>Large Industrial Rate</u>	<u>Billing Units</u>	<u>Rate</u>	<u>Billing \$</u>	<u>Revenue \$</u>
Demand (kW)	1,674,594	\$ 12.41	\$ 20,781,712	\$ 20,781,712
Energy (kWh)	943,698,679	0.030000	28,310,960	28,310,960
Base Rate (\$/ kWh)	943,698,679	<u>\$ 0.052022</u>	<u>49,092,672</u>	<u>49,092,672</u>
Non-Smelter Non-FAC PPA	943,698,679	\$ (0.000781)	\$ (737,229)	\$ (737,229)
FAC	943,698,679	0.005125	4,836,245	4,836,245
Environmental Surcharge	943,698,679	0.003092	2,918,280	2,918,280
Surcredit	943,698,679	(0.001777)	(1,677,110)	(1,677,110)
Economic Reserve	943,698,679	(0.009302)	(8,778,318)	
Rate (\$/kWh)		<u>\$ 0.048379</u>	<u>\$ 45,654,540</u>	<u>\$ 54,432,858</u>

**Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75**

ESTIMATED RATE INCREASES TO RURAL CLASS DUE TO CENTURY TERMINATION

RURAL	BASE PERIOD ⁽¹⁾		TEST YEAR ⁽¹⁾		CENTURY INCREASE ⁽²⁾	
	Rural Rate	Rural Billing	Rural Rate	Rural Billing	Rural Billing Increase	Percent Increase
Demand		\$ 51,194,845		\$ 90,212,934	\$ 39,018,090	76.21%
Energy		\$ 71,988,650		\$ 73,096,710	\$ 1,108,060	1.54%
Base Rate		\$ 123,183,494		\$ 163,309,644	\$ 40,126,150	32.57%
Non-Smelter Non-FAC PPA		\$ (3,006,790)		\$ (1,902,951)	\$ 1,103,839	-36.71%
FAC		\$ 8,424,822		\$ 12,526,340	\$ 4,101,518	48.68%
Environmental Surcharge		\$ 6,134,626		\$ 9,495,263	\$ 3,360,637	54.78%
Surcredit		\$ (9,950,005)		\$ (4,234,736)	\$ 5,715,269	-57.44%
Economic Reserve		\$ (15,595,604)		\$ (24,643,337)	\$ (9,047,733)	58.01%
Rates (\$/kWh), Billings, \$ and % Increase	<u>0.045103</u>	<u>\$ 109,190,543</u>	<u>0.063430</u>	<u>\$ 154,550,222</u>	<u>\$ 45,359,679</u>	<u>41.54%</u>
Avg Monthly Residential Bill @ 1300 kWh ⁽³⁾		<u>\$ 101.53</u>			<u>\$ 125.36</u>	
Average Annual Residential Increase from Base Period					<u>\$ 285.90</u>	

⁽¹⁾ Base Period and Test Year Amounts from Tab 59 of Company's filing in Case No. 2012-00535.

⁽²⁾ Century Increase computed as difference between Test Year and Base Period revenues/billings.

⁽³⁾ Includes average distribution retail rate of \$0.0330 per kWh; assumes no increase in distribution rate due to loss of retail load from increase.

**Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75**

ESTIMATED RATE INCREASES TO LARGE INDUSTRIAL CLASS DUE TO CENTURY TERMINATION

LARGE INDUSTRIAL	BASE PERIOD ⁽¹⁾		TEST YEAR ⁽¹⁾		CENTURY INCREASE ⁽²⁾	
	Large Industrial Billings		Large Industrial Billings		Large Industrial Billings Increase	Percent Increase
Demand	\$ 17,850,735		\$ 20,781,712		\$ 2,930,976.54	16.42%
Energy	\$ 23,357,223		\$ 28,310,960		\$ 4,953,737.30	21.21%
Base Rate	\$ 41,207,958		\$ 49,092,672		\$ 7,884,713.84	19.13%
Non-Smelter Non-FAC PPA	\$ (1,190,499)		\$ (737,029)		\$ 453,470.07	-38.09%
FAC	\$ 3,326,534		\$ 4,836,456		\$ 1,509,922.02	45.39%
Environmental Surcharge	\$ 6,544,407		\$ 2,917,916		\$ (3,626,490.69)	-55.41%
Surcredit	\$ (3,961,339)		\$ (1,676,953)		\$ 2,284,386.73	-57.67%
Economic Reserve	\$ (10,240,767)		\$ (8,778,285)		\$ 1,462,482.27	-14.28%
Rate (\$/kWh), Billings, \$ and % Increase	<u>0.03744 \$ 35,686,293</u>		<u>0.048379 \$ 45,654,778</u>		<u>\$ 9,968,484.24</u>	<u>27.93%</u>

⁽¹⁾ Base Period and Test Year Amounts from Tab 59 of Company's filing in Case No. 2012-00535

⁽²⁾ Century Increase computed as difference between Test Year and Base Period revenues/billings.

**Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75**

ESTIMATED RATE INCREASES TO RURAL CLASS DUE TO CENTURY AND ALCAN TERMINATIONS ⁽¹⁾

RURAL	Century Increase Aug 21, 2013 ⁽²⁾			Alcan Increase Feb 1, 2014 ⁽³⁾		
	Rural Rate Aft Increase	Rural Billings	Rural Percent	Rural Rate Aft Increase	Rural Billings	Rural Percent
Demand		\$ 39,018,090	76.21%			
Energy		\$ 1,108,060	1.54%			
Base Rate		\$ 40,126,150	32.57%			
Non-Smelter Non-FAC PPA		\$ 1,103,839	-36.71%			
FAC		\$ 4,101,518	48.68%			
Environmental Surcharge		\$ 3,360,637	54.78%			
Surcredit		\$ 5,715,269	-57.44%			
Economic Reserve		\$ (9,047,733)	58.01%			
Rates (\$/kWh), Billings, \$ and % Increases	0.063430	\$ 45,359,679	41.54%	0.0932945	\$ 72,767,178	66.64%
Sum of Century and Alcan Increases					\$ 118,126,856	108.18%
Avg Monthly Residential Bill @ 1300 kWh		\$ 125.36			\$ 164.18	
Average Annual Residential Increase from Base Period		\$ 285.90			\$ 751.79	

⁽¹⁾ Base Period and Test Year Amounts from Tab 59 of Company's filing in Case No. 2012-00535

⁽²⁾ Century Increase computed as difference between Test Year and Base Period revenues/billings.

⁽³⁾ Alcan Increase computed as sum of Century lost contribution from Ex Berry-4 scaled down to Alcan and Century Increase allocated to Alcan; then allocated to Rural Class on proposed test year revenues from Ex Wolfram-5

**Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75**

CLASS ALLOCATION OF INCREASE DUE TO ALCAN TERMINATION (\$000)

	Rural	Large Ind	Total Rural + Large Ind	
Tot Proposed Rev in Test Year bef Alcan Increase	178,797	54,312	233,109	Ex Wolfram-5
Class Revenues as Percentage of Total	76.70%	23.30%	100.00%	

CALCULATION OF FEBRUARY 2014 RATE INCREASE DUE TO ALCAN TERMINATION

Century Contribution to Fixed Costs and Margin Base Year ⁽¹⁾	92,397,332
Alcan Energy	3,159,206
Century Energy	4,210,987
Ratio of Alcan to Century	75.0229%
Alcan Contribution to Fixed Costs and Margin Base Year	69,319,189
Century Increase Allocated to Alcan ⁽²⁾	25,552,000
Total Alcan Contribution to Fixed Costs & Margin aft Century Increase	94,871,189
Allocation of Alcan Rate Increase to Rural Class	72,767,178
Allocation of Alcan Rate Increase to Industrial Class	22,104,012

⁽¹⁾ Exhibit Berry-4

⁽²⁾ Exhibit Wolfram - 5

Big Rivers Electric Corporation
Case No. 2012-00535
Revenue Requirement due to Century Exit

Century Gross Sales Margin (Revenue less Variable Cost) 92,397,332

Wilson Lay-Up Savings (2014-2015 Annual Average)

FDE Non-Labor	
FDE Labor	
Total FDE Budget	
Less Lay-Up cost	
Less Retained Big Rivers Labor	
Total FDE Budget Reduction	

Addl. OSS Net Sales Margin

Reduction in MISO Expenses

2,079,728

Net Revenue Requirement Due to Century Exit

63,028,536

Note: Laying up Wilson does not eliminate all fixed costs. Items such as Depreciation, Interest, Property Tax, and Property Insurance remain.

**Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75**

ESTIMATED RATE INCREASES TO LARGE INDUSTRIAL CLASS DUE TO CENTURY AND ALCAN TERMINATIONS ⁽¹⁾

LARGE INDUSTRIAL	Century Increase Aug 21, 2013 ⁽²⁾			Alcan Increase Feb 1, 2014 ⁽³⁾		
	Large Ind Rate aft Increase	Large Industrial Billing	Large Industrial Percent	Large Ind Rate aft Increase	Large Industrial Billing	Large Industrial Percent
Demand		\$ 2,930,977	16.42%			
Energy		\$ 4,953,737	21.21%			
Base Rate		\$ 7,884,714	19.13%			
Non-Smelter Non-FAC PPA		\$ 453,470	-38.09%			
FAC		\$ 1,509,922	45.39%			
Environmental Surcharge		\$ (3,626,491)	-55.41%			
Surcredit		\$ 2,284,387	-57.67%			
Economic Reserve		\$ 1,462,482	-14.28%			
Rates (\$/kWh), Billings, \$ and % Increases	0.048003	\$ 9,968,484	27.93%	0.071801297	\$ 22,104,012	61.94%
Sum of Century and Alcan Increases					\$ 32,072,496	89.87%

⁽¹⁾ Base Period and Test Year Amounts from Tab 59 of Company's filing in Case No. 2012-00535

⁽²⁾ Century Increase computed as difference between Test Year and Base Period revenues/billings.

⁽³⁾ Alcan Increase computed as sum of Century lost contribution from Ex Berry-4 scaled down to Alcan and Century Increase allocated to Alcan; then allocated to Rural Class on base rates less all fuel

**Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75**

CLASS ALLOCATION OF INCREASE DUE TO ALCAN TERMINATION (\$000)

	Rural	Large Ind	Total Rural + Large Ind	
Tot Proposed Rev in Test Year bef Alcan Increase	178,797	54,312	233,109	Ex Wolfram-5
Class Revenues as Percentage of Total	76.70%	23.30%	100.00%	

CALCULATION OF FEBRUARY 2014 RATE INCREASE DUE TO ALCAN TERMINATION

Century Contribution to Fixed Costs and Margin Base Year ⁽¹⁾	92,397,332
Alcan Energy	3,159,206
Century Energy	4,210,987
Ratio of Alcan to Century	75.0229%
Alcan Contribution to Fixed Costs and Margin Base Year	69,319,189
Century Increase Allocated to Alcan ⁽²⁾	25,552,000
Total Alcan Contribution to Fixed Costs & Margin aft Century Increase	94,871,189
Allocation of Alcan Rate Increase to Rural Class	72,767,178
Allocation of Alcan Rate Increase to Industrial Class	22,104,012

⁽¹⁾ Exhibit Berry-4

⁽²⁾ Exhibit Wolfram - 5

**Case No. 2013-00199, Attachment for Response to AG 1-75
Witness: Robert W. Berry P-**

Big Rivers Electric Corporation
Case No. 2012-00535
Revenue Requirement due to Century Exit

Century Gross Sales Margin (Revenue less Variable Cost) 92,397,332

Wilson Lay-Up Savings (2014-2015 Annual Average)

FDE Non-Labor	
FDE Labor	
Total FDE Budget	
Less Lay-Up cost	
Less Retained Big Rivers Labor	
Total FDE Budget Reduction	

Addl. OSS Net Sales Margin

Reduction in MISO Expenses 2,079,728

Net Revenue Requirement Due to Century Exit 63,028,536

Note: Laying up Wilson does not eliminate all fixed costs. Items such as Depreciation, Interest, Property Tax, and Property Insurance remain.

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

Paula Mitchell

From: Mark Bailey
Sent: Tuesday, August 27, 2013 3:42 PM
To: Paula Mitchell
Subject: FW: Kenergy Annual Meeting Remarks
Attachments: Kenergy 2013 Annual Meeting.doc

Paula, Please print. Thanks, Mark

From: Mark Bailey
Sent: Monday, June 10, 2013 10:52 AM
To: Marty Littrel; Sharla Darnell
Subject: FW: Kenergy Annual Meeting Remarks

FYI. Mark

From: Mark Bailey
Sent: Monday, June 10, 2013 10:50 AM
To: Greg Starheim
Cc: Marty Littrel
Subject: Kenergy Annual Meeting Remarks

Greg, I have had a chance this morning to hone my remarks for your Annual Meeting tomorrow evening. Here is the latest. They run about 6 minutes. I hope that is OK. Thanks, Mark

KENERGY 2013 ANNUAL MEETING

Thank you, Greg for inviting me to participate in Kenergy's 2013 Annual Meeting.

- It's always a pleasure to discuss matters of importance to all of us as electric utility customers.
- During his remarks, Greg noted the contract terminations of the two aluminum smelters; Century Aluminum and Rio Tinto Alcan, which will occur over the next 7-1/2 months.
- He also observed these are huge loads; and in fact they are huge, by any electric utility's standards especially so for utilities the size of Kenergy and Big Rivers.
 - The two smelters together consume nearly 850 megawatts of electricity which about **61% of the peak demand** of Big Rivers' total System.
 - They also provided approximately 64 percent of Big Rivers' annual revenue, or ~**\$360 million** in 2012.

[PAUSE]

From the beginning, the smelter situation has been complex and **NO** easy solution has ever existed to deal with their issues.

- We've dedicated countless hours to seek reasonable and equitable solutions to this problem while minimizing costs to you.
- We understood the importance of the smelter jobs and the economic impact of the smelters' existence in our region.
- As non-profit cooperatives owned by you - our customers - Big Rivers and Kenergy were facing a rate increases regardless of what happened with the smelters.

- This would have been necessary had the smelters closed, whether they bought power from others on the open market, or whether we granted them the rate concessions they demanded.
 - In fact, had we had granted the rate concessions they demanded, the rate increase would have been even higher.
 - Rate concessions would have also locked in higher rates indefinitely,
 - Whereas freeing the smelters to buy on the market offered Big Rivers and its 3 Member cooperatives the chance to sell the power the smelters had been buying to others...
 - Which offered the chance to lower rates later to levels closer to where they are today.
- That's why we proposed over a year ago the solution to allow them to go to buy their power from the market.

[PAUSE]

- Century accounts for approximately **\$205 million** in annual revenue.
- In anticipation of their departure in August this year, earlier this year we requested an annual revenue increase of ~ **\$74.5 million**.
- That means - in addition to this rate increase - we will cut costs approximately **\$125 million** to address the financial void created by Century leaving the system.

The rate increase we requested would increase Retail rates System Wide an average of:

- Approximately **19%** for *residential and commercial accounts*, and
- Approximately **17%** for *large industrials*.
- We know you work hard, and as **non-profit electric cooperatives** owned by you – our Members - the last thing we want to do is increase rates.
- We are not taking this rate increase lightly... but even with this increase our industrial electric rates will **continue** to be some of the lowest rates in the Commonwealth and in the U.S.

In fact, if the Century rate increase is granted:

- Industrial rates will rise to approximately **5 cents per kWh**.
 - That's still nearly **30%** below the current *national average industrial rate of 6.52 cents per kWh*.
 - Residential rates will increase to ~ **9.6 cents per kWh**, which is still less than middle of the pack in Kentucky.

[PAUSE]

I mentioned cost cutting earlier, we have taken and are continuing to evaluate “Cost Cutting” actions involving:

- Debt refinancing that cut interest expense,
- Re-negotiation of fuel and chemical contracts,
- Improving power plant efficiency thus lowering fuel costs,
- Making employee benefits changes with employees share an increasing portion of costs,
- Avoiding filling vacancies – in fact, we are currently down 39 employees, and if necessary.....
- Idling one or more generation facilities with additional staff reductions.

However, cost cutting **alone** cannot address the financial deficiency created when the two smelters no longer buy power from the Big Rivers' System.

- Even if we idle plants, we still have to service the debt owed on those plants; and....
- Pay property taxes on them; and...
- Maintain insurance coverage.

Some say Big Rivers ought to just go to our lenders and ask them to forgive our debt, but it's just not that simple.

- All electric utilities are capital intensive and Big Rivers is no exception.
- Sure, we owe millions of dollars in debt as does every other electric utility in the country, but
- Big Rivers owes proportionally less debt than just about every other electric G&T in the country.
 - In fact our latest data shows in 2011, Big Rivers had the 5th lowest debt ratio of 40 G&T's in the nation.
- All coal-fired utilities in the nation including Big Rivers are facing significant capital spending additions to comply with new EPA regulations.
- How do you think our lenders would react if we were to go to them and ask that they forgive our debt and then turn-around and ask them for additional loans?
 - How would you react if you were one of those lenders?
 - Clearly, that is not an option for us.

[PAUSE]

In the meantime, Big Rivers and its Member-Owners are working aggressively to replace the 850 MW smelter load.

To give you some detail regarding our Load Replacement efforts:

- We've had multiple discussions with various electric utilities to supply them power from **10MW - 400MW**,
- Additionally, Big Rivers and its 3 Members have engaged in discussions with "new" Economic Development prospects with electric load anywhere from **2MW - 200MW or more...**
- Furthermore, we've also had discussions with other electric utilities and a business regarding the **lease or sale** of some of our generating units.

I feel confident... In time; we'll be successful in selling this power and in mitigating this rate increase.

[PAUSE]

To this point, I've devoted most of the discussion to Century departing our system, because it's the first of the two large customers that will soon be leaving.

- Alcan accounts for approximately **\$155 million in annual revenue** to our financials.

In an effort to blunt the impact of the 2nd (Alcan) rate increase...

- Which will be filed later this month, Big Rivers and its Members will propose to ...
- Accelerate use of approximately **\$120 million in Reserve Funds** which were established in July 2009 when the Unwind closed to reduce future rate increases to

- Eliminate the need for the second rate increase (Alcan) until June 2015 for the residential members and about a year for Industrial members **(April 2014)**.
 - By exhausting all of the reserve funds and deferring the Alcan rate increase for the next two years - it will allow Big Rivers and its Members an opportunity to implement our load replacement strategy, thus
 - Perhaps negating the need for that rate increase entirely, and depending how much replacement load comes and how quickly it comes, ...
 - Even possibly leading to a lowering of the Century rate increase.
 - Keep in mind, there are still a lot of approvals required to implement this short-term strategy, but
 - I wanted to give you a glimpse of our plans to lessen the impact of the loss of our two largest industrial consumers.
- So with those remarks, I'll close.
- Thanks again Greg, for having me this evening.

THANK YOU.....

Big Rivers Electric Corporation - Case No. 2013-00199
Attachment for Response to AG 1-75

Paula Mitchell

From: Mark Bailey
Sent: Tuesday, August 27, 2013 4:07 PM
To: Paula Mitchell
Subject: FW: Difference in Increase %

Paula, Please print. Thanks, Mark

From: Mark Bailey
Sent: Friday, May 24, 2013 10:29 AM
To: Greg Starheim; David Hamilton (DHamilton@kenegy.com)
Cc: Billie Richert; Bob Berry
Subject: FW: Difference in Increase %

FYI. Mark

From: Billie Richert
Sent: Friday, May 24, 2013 10:21 AM
To: Mark Bailey
Subject: Difference in Increase %

Mark,

Below is the explanation for the differences in Steve's calculations and Big Rivers:

The problem is the Steve Henry's numbers include the effects of changes in the surcharges/surcredits between 2012 actuals and the Century rate filing test period. These changes are NOT attributable to the increase in base rates (except for a very small portion of the Environmental Surcharge, which we should put aside for now).

It is true that the 2012 Actual FAC, Non-FAC PPA, ES and Surcredit (all annualized) will be different than those values annualized for the Test Period (Sep 2013 to Aug 2014). That difference, however, is not related to the base rate increase and is projected by Big Rivers to occur whether the base rates change or not. That is why, in the billing analysis in the rate filing itself, Big Rivers holds the amounts for these riders constant. (The exception is the ES, because it is calculated as a percentage of Total Adj Revenue, which does increase by a relatively small amount with the proposed rate increase.) The big changes Steve lists for the riders (32% decrease in NonFAC PPA credit, 62% increase in FAC charge, 58% increase in ES charge, and 55% decrease in Surcredit credit) are (other than a small portion of ES) completely unrelated to the rate request.

The method used by Steve Henry overstates the effect of the proposed base rate increase and understates the effect of other factors related to the forecast test period (including rising fuel and environmental costs as well as the decline in smelter surcredits related to the contract terminations). It would be more appropriate to hold these factors constant and then compare total bills if the goal is to isolate the effect of the proposed rates.

Let me know if this helps.

Billie

----- Original message -----

Subject:Fwd: Difference in Increase %
From:Mark Bailey <Mark.Bailey@bigrivers.com>
To:Billie Richert <Billie.Richert@bigrivers.com>
Cc:

Big Rivers Electric Corporation - Case No. 2013-00199

When your folks get a minute, I'd like your thoughts for a Response to AG 1-75 Thanks, Mark

Sent from my iPhone

Begin forwarded message:

From: Greg Starheim <GStarheim@kenenergycorp.com>
Date: May 24, 2013 7:48:58 AM CDT
To: Mark Bailey <Mark.Bailey@bigrivers.com>
Cc: David Hamilton <DHamilton@kenenergycorp.com>
Subject: FW: Difference in Increase %

Mark,

Here's how they arrive at their #'s – they're including the surcharges in their calcs. Still a far cry from 100%.

Greg

From: Henry, Steve
Sent: Thursday, May 23, 2013 6:43 PM
To: Greg Starheim
Subject: Difference in Increase %

Greg,

After the meeting, I took a look at the Domtar numbers that Big Rivers provided. This is what I realized. If you take the "Estimated Rates Sept-13" and calculate the percentage increase over "Actual 2012", you come up with 32% increase at wholesale, 30% increase at retail, 35% on revenue, and 32% on Billing (excluding economic reserve). This matches very closely to what we calculated using our own 2012 billing and the rate case filing.

I have attached a spreadsheet to illustrate my point above. I ask that we discuss first before sharing the spreadsheet with anyone else as I've done this quickly.

Steve

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