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Via Overnight Mail

RECEIVED

January 24, 2014

JAN 24 2014

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2013-00199

Dear Mr. Derouen:

Please find enclosed the original and ten (10) copies each of KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'s RESPONSES TO POST-HEARING DATA REQUESTS for filing in the above-referenced matter. I also enclose a CD with CONFIDENTIAL attachments to be filed under seal.

The information filed under seal is information for which Big Rivers sought confidential treatment through Petitions for Confidential Treatment dated June 28, 2013 and September 3, 2013, with some modifications by KIUC. KIUC redacted this information in order to protect Big River's interests in keeping this information confidential.

By copy of this letter, all parties listed on the Certificate of Service have been served. Please place these documents on file.

Very Truly Yours,



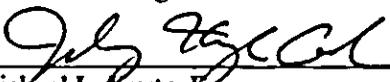
Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment

cc: Certificate of Service
Quang Nyugen, Esq.
Richard Raff, Esq.
Jeff Cline (cover ltr only)

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by electronic mail (when available) and by Overnight Mail, unless other noted, this 24th day of January, 2014 to the following:


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**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC)	
CORPORATION FOR A GENERAL)	Case No. 2013-00199
ADJUSTMENT IN RATES)	

**KIUC'S RESPONSES TO
POST-HEARING DATA REQUESTS**

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1. Provide, in electronic format, the supporting calculations for how 63 percent for residential customers, 19 percent for rural business customers, and 18 percent for large industrial customers is determined.

RESPONSE:

See attachment: "KIUC RER Summary" KIUC has slightly revised its analysis to include all Meade Schedule 1 customers in the Residential category (Residential, Farm and Non-Farm, Schools and Churches). This has the effect of increasing the "Rural Residential" share of RER credits to 65.4% and reducing the share of Rural Business RER credits to 17.5% and the Large Industrial RER credits to 17.1%.

The mechanics for allocating and collecting the RER funds are slightly different depending upon whether: 1) the Commission adopts KIUC's proposed Rate Plan to use the Reserve Funds to ensure Big Rivers a monthly earnings target prior to a second rate filing ("hour glass approach"); or 2) the Commission adopts Big Rivers' proposal to use the Reserve Funds to delay the effective date of the rate increase ("time bomb approach"). However, under either approach, KIUC's proposal to treat all business customers equally would give Rural Residential customers the exact same benefit. The mechanics are described below:

1. Mechanics under KIUC Rate Plan

KIUC's specific proposal is to split the RER balance into two separate funds; a Rural Residential amount and a Rural Business/Large Industrial amount. This will guarantee that Residential customers will receive their full share of the RER. The Rural Residential RER fund would receive 65.4% of the total RER fund balance existing on the date of the Commission's Order in this case; the Rural Business/Large Industrial RER fund ("Business customer RER fund") would receive the remaining 34.6% of the RER fund balance. The Residential share of 65.4% is the same share of the RER fund that Residential customers would receive under Big Rivers' proposal.

Under the KIUC Rate Plan, Big River's would receive a rate increase as a result of this case in February of 2014. Big Rivers would first access the Economic Reserve fund and then the Rural Reserve funds, to meet its TIER requirement on a monthly basis.

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When the Economic Reserve fund is depleted, Big Rivers would begin to proportionately access the Residential RER and the Business Customer RER funds to continue meeting its target TIER requirement on a monthly basis. Upon exhaustion of the Business Customer RER fund, Big Rivers would begin collecting a surcharge from the Rural Business and Large Industrial customers equal to the amount that Big Rivers would otherwise have withdrawn from the Business Customer RER fund.

Big Rivers would continue to withdraw funds from the Residential RER so that Residential customers would not have any rate increase or surcharge. When the Residential RER finally runs out, Big Rivers would also stop collecting the surcharge from Business customers. At that point, Big Rivers will no longer have any mechanism to ensure that it meets its TIER requirement on a monthly basis and will then have the option of filing a rate case with the Commission.

Below is a timeline that illustrates how the mechanics of this proposal would work. The dates are merely illustrative. The actual dates will depend on the level of increase approved by the Commission in Case No. 2013-00199 and Big Rivers' subsequent actual monthly earnings:

KIUC Rate Plan- hypothetical timeline:

- Feb 2014 – Cash increase to all ratepayers based on KPSC Order in 2013-00199 case. BREC is able to access Economic Reserve to insure that it meets its monthly target TIER.
- Jul 2014 – Economic Reserve is depleted. When the Economic Reserve is depleted, BREC begins accessing the RER-Residential and RER Business funds to insure it meets its monthly target TIER.
- Dec 2014 – RER Business funds are depleted. When the RER Business funds are depleted BREC begins collecting a surcharge from Rural Business and Large Industrial Customers that is equal to the amount that it would have withdrawn from the RER Business fund to ensure the target TIER is met. Rural Residential customers do not receive a surcharge because the Rural Residential RER funds continue to provide TIER support for BREC.
- Apr 2015 – Rural Residential RER funds are depleted. When Rural Residential RER is depleted the Rural Business/Large Industrial surcharge terminates. BREC no longer has a mechanism to ensure its target TIER and BREC has the ability to seek KPSC approval of an additional rate increase.

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2. Mechanics under Big Rivers' proposed use of Reserve Funds

If the Reserve Funds are used to delay the effective date of the rate increase, as proposed by Big Rivers, KIUC would still propose that the RER be separated into Rural Residential and Rural Business/Large Industrial RER funds (65.4% Rural Residential, 34.6% Rural Business/Large Industrial). These separate RER funds would then be used to offset the Commission approved increases for Residential and Business customers after the depletion of the Economic Reserve. Under Big Rivers' proposed revenue requirement the Reserve Funds would expire for Business customers around December 25, 2014 and for Residential around April 25, 2015.

Below is a timeline that illustrates how the mechanics of this proposal would work. The dates are merely illustrative. The actual dates will depend on the level of increase approved by the Commission in Case No. 2013-00199:

KIUC proposed use of Reserve Funds under Big Rivers' methodology - hypothetical timeline:

- February 2014 – Cash increase to all ratepayers based on KPSC Order in 2013-00199 case. Economic reserve fully offsets February 2014 rate increase (plus any other rate increases such as the FAC, environmental surcharge, etc) to all customers.
- July 2014 – Economic Reserve is depleted. BREC begins drawing from RER Rural funds and RER Business funds.
- December 2014 – RER Business funds are depleted. The Case No. 2013-00199 rate increase is no longer offset for Rural Business and Large Industrial customers, and their rates automatically increase.
- April 2015 – Rural Residential RER funds are depleted. The Case No. 2013-00199 rate increase is no longer offset for Rural Residential customers, and their rates automatically increase.

Answer provided by Stephen J. Baron.

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2. Provide in electronic format the supporting calculations in determining when the reserve funds would be depleted.

RESPONSE:

See attached files on Confidential CD: Confidential RER-1 that develops the balance of RER funds remaining after fully satisfying Rural Residential customers through April 2015 and file Confidential RER-2 that develops the remaining RER credits that can be provided to Rural Business and Large Industrial customers.

Answer provided by Stephen J. Baron.

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- 3. Provide a listing of rate classes of each of the three distribution member cooperatives that would receive the reserve fund credit through April 2015 under the revised RER proposal.**

RESPONSE:

Kenergy- Rate Schedule I Residential, plus churches and schools on other rate schedules if such customers can be identified by Kenergy and provided to Big Rivers to include in the "Rural Residential" RER group.

Meade – Rate Schedule I Residential, Farm and non-Farm, Schools and Churches.

Jackson Purchase – Rate Schedule R Residential, plus churches and schools on other rate schedules if such customers can be identified by Jackson Purchase and provided to Big Rivers to include in the "Rural Residential" RER group.

Answer provided by Stephen J. Baron.

KIUC RER Summary			
	<u>\$Millions</u>	<u>Summary (\$Millions)</u>	<u>%</u>
RER Balance July 2014	66.18		
Interest (Rural Res)	0.74		
Rural Residential RER Credits	43.97	43.97	65.4%
Remaining Balance for Rural Business and Large Industrial	22.95		
Interest (Business)	0.35		
Total RER Available to Business	23.30		
Rural Business RER Credits	11.79	11.79	17.5%
Large Industrial RER Credits	11.52	11.52	17.1%
Total RER Paid to Business	23.31		
Total Including all Interest		67.28	100%