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NEWS RELEASE

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PSC Adjusts Rates for Big Rivers Electric Corp. *New rates reflect exit of Century Aluminum Sebree smelter; PSC also orders management audit of utility*

FRANKFORT, Ky. (April 25, 2014) – The Kentucky Public Service Commission (PSC) today adjusted the revenue and rates of Big Rivers Electric Corp. to reflect the January departure from its system of the Century Aluminum smelter in Sebree.

The rates for the remaining customers will increase, although not by as much as the utility requested. Customers will not feel the effect of the rate increases until next year. The PSC agreed to let Big Rivers use reserve funds to fully offset the increases for as long as possible.

Once the reserve funds are exhausted, residential customers will see monthly bills increase by about \$15 on average. But the actual size of any increase will vary depending on which of three distribution cooperatives serves that customer and on individual usage patterns.

In an order issued today, the PSC authorized Big Rivers to receive an additional \$36.16 million – or 14 percent - annually from the remaining customers. That is about half the amount sought by Big Rivers. Because of the loss of income from the Sebree smelter, Big Rivers' total revenue will decline substantially despite the rate increase.

In orders also issued today, the PSC approved pass-through rate increases for the three electric distribution cooperatives that purchase power from Big Rivers – Jackson Purchase Energy Cooperative, Kenergy Corp. and Meade County Rural Electric Cooperative Corp.

Today's order also initiates a focused management audit to review Big Rivers' plans for mitigating the combined effects of the departure of the Sebree smelter and the departure last year of Century Aluminum's smelter in Hawesville. Under the audit process set forth in state law, the PSC will select an independent consultant to conduct the review, with the utility paying for the audit.

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The PSC said the audit “will review the strategic planning, management and decision-making of Big Rivers relating to its mitigation efforts.” The major focus of the audit “will be on the steps that Big Rivers has undertaken or should undertake to mitigate any further financial impact” from the loss of the smelters, which together represented about two-thirds of Big River’s former total load and revenue, the PSC said.

Big Rivers is owned by the distribution cooperatives to which it provides power. Together, the three cooperatives serve about 112,000 customers in 26 counties in western Kentucky. The customers include about 20 large industrial facilities.

Big Rivers had applied to increase annual revenue by \$70.4 million. As allowed under Kentucky law, Big Rivers and the three distribution cooperatives put their proposed rates into effect on Feb. 1 and began billing at the higher rates. However, Big Rivers also offset the full amount of the increase using the reserve funds, so customers saw no change in rates.

The PSC order directs Big Rivers to replenish the reserve funds to reflect the difference between the proposed rates and the rates approved by the PSC, which were ordered effective retroactively to Feb. 1.

Century Aluminum’s Sebree smelter stopped purchasing power from Big Rivers on Jan. 31, the effective date of a contract allowing it to buy power on the open market. The contract was approved by the PSC on Jan. 30. The Hawesville smelter stopped buying power from Big Rivers on Aug. 20, 2013, and began buying it on the open market also under a contract approved by the PSC.

The PSC in October 2013 approved a rate increase that reflected the loss of the revenue from the Hawesville smelter. That rate increase was not offset by reserve funds.

The reserve funds were established in 2009 as part of a complex transaction under which Big Rivers regained control of its generating facilities, which had been leased to a third party when Big Rivers went through a bankruptcy proceeding in the mid-1990s. The funds were established for the purpose of mitigating fuel and environmental cost increases.

Based on financial projections and estimates of future electric consumption, the rate offsets for residential and other small customers should end in the fourth quarter of 2015. Offsets for commercial and large industrial customers are estimated to end during the second quarter of next year.

Revenue Big Rivers receives for the Hawesville smelter’s use of its transmission facilities will be used to partially replenish the reserves, allowing much smaller rate offsets to continue after the present reserves have been exhausted.

In trimming the revenue increase by \$34.2 million, the PSC made several adjustments. The largest of those deferred depreciation expenses on power plants and took into account transmission revenue from the Sebree smelter.

Today's order sets no deadline for completion of the management audit. Such audits typically require about a year to complete.

Mitigation measures that could be examined in the audit could include selling power plants that are no longer needed and the possibility of using surplus generating capacity to profitably sell power to users outside the Big Rivers system, the PSC said.

Since rates will rise once the reserve funds are exhausted, now is the "appropriate time to review Big Rivers' mitigation efforts to determine (their) continued reasonableness," the PSC said.

In addition to Big Rivers, parties to the case included the Kentucky Office of Attorney General; the Kentucky Industrial Utility Customers, Inc., representing three large customers; the Sierra Club; and the three distribution cooperatives.

The PSC received public comments on the case at meetings held in Brandenburg, Henderson, Owensboro and Paducah. The evidentiary hearing in the case was held in Frankfort on Jan. 7-9.

Today's orders, videos of the meetings and hearing and documents in the case are available on the PSC website, psc.ky.gov. The case number is 2013-00199.

Case records in the three distribution cooperative pass-through cases also are available on the PSC website. The case numbers are 2013-00231 (Meade County), 2013-00384 (Jackson Purchase Energy) and 2013-00385 (Kenergy).

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 85 employees.