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July 5, 2011

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PUBLIC SERVICE COMMISSION

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

Re: Kenergy Corp.
Case No. 2011-00035
and
Big Rivers Electric Corporation
Case No. 2011-00036

Dear Mr. Derouen:

Enclosed you will find enclosed the original and five (5) copies of Amended Joint Settlement Stipulation and Recommendation in **Kenergy's Case No. 2011-00035.**

Also enclosed for filing please find the original and 10 copies of Kenergy's motion to submit rebuttal testimony to be filed in **Big Rivers Case No. 2011-00036.**

Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By

J. Christopher Hopgood
Attorney for Kenergy Corp.

JCH/cds

Encls.
COPY/w/encls. Office of Attorney General
Utility and Rate Intervention Division

Hon. Michael Kurtz, attorney for KIUC

Mr. Steve Thompson, Kenergy Corp.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:)
) **CASE NO. 2011-00036**
The Application of Big Rivers Electric)
Corporation for General Adjustment)
in Existing Rates)

MOTION OF KENERGY CORP. TO SUBMIT REBUTTAL TESTIMONY

Kenergy Corp. ("Kenergy") moves the Commission to submit the rebuttal testimony of Jack Gaines. For its grounds, Kenergy states as follows:

1. Big Rivers Electric Corporation was granted the right to submit rebuttal testimony until July 6, 2011, by the Commissioner's Scheduling Order entered March 17, 2011.

2. Although intervenor testimony was due on May 24, 2011, Kenergy had no testimony to file in response to the application.

3. However, in light of the testimony filed by KIUC on May 24, 2011, Kenergy desires to rebut a portion of the KIUC testimony with the attached testimony of Jack Gaines.

4. No undue prejudice exists as this testimony is filed timely as rebuttal testimony.

This the 5th day of July, 2011.

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318 Second Street
Henderson, Kentucky 42420
Telephone (270) 826-3965
Telefax (270) 826-6672
Attorneys for Kenergy Corp.

By ______________________________
J. Christopher Hopgood

CERTIFICATE OF SERVICE

I hereby certify that the foregoing has been served upon the Hon. Dennis Howard, Assistant Attorney General of Kentucky, 1024 Capital Center Drive, Frankfort, Kentucky 40601, Hon. Michael Kurtz, Boehm, Kurtz & Lowry, 36 East Seventh Street, Suite 1510, Cincinnati, OH 45202; and Hon. David Brown, Stites & Harbison, 1800 Providian Center, 400 West Market Street, Louisville, Kentucky 40202, Hon. James Miller, Sullivan, Mountjoy, Stainback & Miller, P.O. Box 727, Owensboro, Kentucky 42302-0727, Hon. Melissa D. Yates, P.O. Box 929, Paducah, Kentucky 42002, Hon. Douglas Beresford, Columbia Square, 555 Thirteenth St., NW, Washington, D.C. 20004 and Hon. Mark Bailey, Big Rivers Electric Corporation, 201 Third Street, Henderson, Kentucky 42420, by mailing a true and correct copy of same on this 5th day of July, 2011.

____
J. Christopher Hopgood
Counsel for Kenergy Corp.

CASE NO. 2011-00036

VERIFICATION

I verify, state and affirm that the testimony filed with this verification and for which I am listed as a witness is true and correct to the best of my knowledge, information and belief formed after a reasonable inquiry.

Jack D. Gaines, JDG Consulting, LLC

STATE OF GEORGIA

COUNTY OF: DeKalb

The foregoing was signed, acknowledged and sworn to before me by Jack D. Gaines, this 29th day of June, 2011.

My commission expires May 17, 2015

Notary Public

Jose Vazquez
NOTARY PUBLIC
(seal)
Dekalb County, GEORGIA
My Commission Expires
May 17, 2015

Before the Kentucky Public Service Commission
Case No. 2011-00036

REBUTTAL TESTIMONY OF JACK D. GAINES
On Behalf of Kenergy Corp.

1. Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jack D. Gaines. My business address is P.O. Box 88039, Dunwoody, Georgia 30356.

2. Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by and am president of JDG Consulting, LLC ("JDG").

3. Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I graduated from the Georgia Institute of Technology receiving a Bachelor of Science Degree in Industrial Management. I was previously employed by Southern Engineering for approximately 25 years as a utility rate and cost of service specialist. From August 1, 2000 until February 1, 2004, I was employed by Clough Harbour & Associates, LLP in the same capacity. I have prepared or assisted in the preparation of electric rate and cost of service studies for either cooperative or municipal utility systems in thirteen different states, including Kentucky.

4. Q. HAVE YOU PREVIOUSLY TESTIFIED AS AN EXPERT WITNESS BEFORE REGULATORY AUTHORITIES?

A. I have submitted testimony and exhibits before the Indiana Utility

Regulatory Commission, the Kentucky Public Service Commission, the Vermont Public Service Board, the Virginia State Corporation Commission, the Georgia Public Service Commission, the Illinois Commerce Commission, the New York Public Service Commission, the West Virginia Public Service Commission, the Public Service Commission of Maryland, the Delaware Public Service Commission and the Federal Energy Regulatory Commission.

5. Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

The purpose of my testimony is to respond on behalf of Kenergy Corp. ("Kenergy") to the testimony of KIUC witness Stephen J. Baron filed on behalf of the Kentucky Industrial Utility Customers ("KIUC"). More specifically, I will explain how the cost of service studies sponsored by Mr. Baron overstate for ratemaking purposes the level of Rural class subsidies by including the effects of Smelter related revenues associated with certain contractual obligations. I will further address the recommendations of witness Baron pertaining to the allocation of the Big Rivers Electric Corporation ("Big Rivers") revenue increase to the Rural, Large Industrial, and Smelter customer classes and explain why it is important in this case to apply the rule of gradualism when adjusting rates to achieve parity.

6. Q. PLEASE DESCRIBE THE SMELTERS' CONTRACTUAL OBLIGATIONS TO WHICH YOU REFER.

A. The Smelters are each served by Kenergy under respective Retail Electric Service Agreements ("Retail Agreements") while Kenergy in turn purchases wholesale electric service from Big Rivers for resale to the Smelters under Wholesale Electric Service Agreements ("Wholesale Agreements") (collectively "the Agreements"). The Agreements are interconnected such that all costs incurred by Kenergy under the Wholesale Agreements are passed through to and paid by the Smelters. The terms, including the rate terms, were the result of extended negotiations over multiple years. As is well established in this proceeding and fully vetted in Case No. 2007-00455, by executing the Agreements, the Smelters committed to be subject to certain charges and credits contained in Article 4 of the Agreements. In particular, some of those terms to which the Smelters agreed provide for revenue contributions from the Smelters to Big Rivers through Kenergy that are in addition to the amounts otherwise determined by applying the Large Industrial Rate to the Smelter load. During the Big Rivers test year, such additional revenue contributions were paid by the Smelters pursuant to the following Agreement terms and in the following amounts:

Section 4.2 - ($0.25 per MWH)	$ 1,284,270
Section 4.7 - (TIER Adjustment)	$14,229,306
Section 4.11 - (Surcharge)	$11,466,492
Total	$27,520.068

7. Q. DID YOU PARTICIPATE IN THE CONTRACT NEGOTIATIONS THAT LED TO THE SECTIONS OF THE AGREEMENTS THAT

PROVIDE FOR ADDITIONAL SMELTER REVENUE CONTRIBUTIONS?

A. Yes, I participated in all negotiations as consultant to Kenergy Corp., Meade County RECC, and Jackson Purchase Energy Corporation (collectively the "Member Systems").

8. Q. IN GENERAL, WHAT IS THE PURPOSE OF SECTIONS 4.2, 4.7, and 4.11 OF THE AGREEMENTS?

A. Each section by design provides for additional revenue contributions to Big Rivers from the Smelters to offset costs or enhance margins. From day one of the negotiations through to the execution of the Agreements, Big Rivers and Kenergy were clear that for Big Rivers to justify unwinding its then existing power supply contracts and to justify accepting the obligation to serve the Smelters' load, the Smelters would have to agree to contribute revenues above a traditional cost of service.

9. Q. DO THE AMOUNTS PAID BY THE SMELTERS PURSUANT TO SECTIONS 4.2, 4.7, AND 4.11 PROVIDE SUBSIDIES TO BIG RIVERS?

A. The amounts could be categorized as subsidies and have been labeled as such in this and other proceedings. But, even to the extent they are subsidies, they are nevertheless subsidies the Smelters agreed to pay. Furthermore, the Commission approved the Agreements and all rate formulas contained therein in Case No. 2007-00455. For these reasons, it is reasonable to conclude that they are fair, just, and reasonable.

10. Q SHOULD THE ADDITIONAL REVENUE CONTRIBUTIONS PAID BY THE SMELTERS PURSUANT TO THE AGREEMENTS BE TREATED AS SUBSIDIES FOR RATEMAKING PURPOSES IN THIS CASE?

A. Those revenues should be considered as offsets to the total revenue requirements but they should not be treated as subsidies in the class cost of service because they represent amounts that the Smelters agreed to pay in exchange for concessions by Big Rivers and for value received. As negotiated amounts that were demonstrably intended to be compensatory to Big Rivers above so called cost of service, those revenues should not be included in the class cost of service for determining the allocation of the revenue requirement between classes. To do so could result in a reallocation of revenues among classes that would have the effect of altering the terms of the Agreements.

11. Q. HOW HAS KIUC TREATED THESE ADDITIONAL REVENUE CONTRIBUTIONS IN ITS COST OF SERVICE RESULTS?

A. KIUC has included the additional revenue contributions in the return provided by the Smelters as well as the overall system return. The overall system rate of return, with the effects of the additional revenue contributions, is then used to calculate class revenue requirements. In this way, KIUC asserts that the Rural class is being subsidized under present rates by $13.2 million using the 12-CP methodology proposed by Big Rivers and by $18.3 million using the 6-CP methodology proposed by KIUC.

12. Q. DID BIG RIVERS INCLUDE THE SMELTERS' ADDITIONAL REVENUE CONTRIBUTIONS IN ITS CLASS COST OF SERVICE AND IF SO, WHY IS KENERGY ONLY NOW TAKING ISSUE WITH THE APPROACH USED BY BIG RIVERS AND KIUC?

A. Yes, Big Rivers did include those additional revenue contributions in their cost of service. However, Mr. Seelye explained in his testimony that the additional revenue contributions were negotiated payments per the Agreements and how they affect the Smelter rate of return. Now, however, through testimony, KIUC is suggesting that the additional revenue contributions be recognized as rate subsidies and considered as justification for shifting dollars from the Smelter class to the Rural class in a manner that would erode the level of additional revenue contributions under the Agreements. Therefore, Kenergy is compelled to respond by explaining why the additional revenue contributions should be excluded from the cost service, and by sponsoring an alternative cost of service that reflects the proper treatment of the additional revenue contributions paid by the Smelters.

13. Q. PLEASE EXPLAIN HOW THE ADDITIONAL REVENUE CONTRIBUTIONS SHOULD BE TREATED IN THE CLASS COST OF SERVICE.

A. The additional revenue contributions from Sections 4.1 (i.e. \$0.00025 per MWH) and 4.7 (i.e. the TIER Adjustments) should be treated as offsets to the total rate revenue requirements but should be removed entirely for purposes of determining the relative class rates of return. The effects of the additional revenues from Section 4.11 should also be removed from each class' revenues for determining relative class rates of return. But, the overall effect is revenue neutral because it means that the Smelter surcharge revenue should be eliminated and corresponding revenue credits under the Unwind Surcredit tariff should be removed from the Rural and Large Industrial classes.

14. Q. PLEASE EXPLAIN IN MORE DETAIL YOUR RECOMMENDED TREATMENT OF SECTION 4.11 SURCHARGE REVENUES AND THE CORRESPONDING CREDITS TO THE RURAL AND LARGE INDUSTRIAL CLASSES UNDER THE UNWIND SURCREDIT TARIFF.

A. Pursuant to Section 4.11 of the Agreements, the Smelters pay surcharges that are "in addition to any other amounts payable under" the Agreements. The Section 4.11 surcharges are negotiated payments from the Smelters intended to offset some of the fuel costs that the Member Systems and Large Industrial customers would otherwise incur as a result of the transaction to unwind the then existing contracts. Since the Section 4.11 surcharges are implicitly, if not explicitly, intended to pay for fuel costs otherwise attributable to the non-Smelter members, the Unwind Surcredit was developed as the mechanism to credit the Rural and Large Industrial classes for the costs that were covered by the Smelters through the surcharges. Therefore, to remove the effects of Section 4.11 from the cost of service it is necessary to eliminate the surcharge revenue and the credits under the Unwind Surcredit. Alternatively, the revenues could remain in the cost of service so long as corresponding direct assignments of expenses are made that increase the Smelter class expense by the amount of the surcharge revenue and decrease the Rural and Large Industrial class expenses by the amounts of the Unwind Surcredit. Either approach would recognize that the Section 4.11 surcharges provide revenues to offset costs that the smelters agreed to pay "in addition to any other amounts payable under" the Agreements. Not making this adjustment skews the results of the cost of service study by allowing the surcharge revenues to boost the Smelter rate of return while reducing the Rural and Large Industrial rates of return.

15. Q. HAVE YOU PREPARED AN EXHIBIT THAT SHOWS THE CLASS SUBSIDIES AND EXCESSES BASED ON ADJUSTING THE COST OF SERVICE FILED AS BARON EXHIBIT__(SJB-4) TO REMOVE THE EFFECTS OF THE ADDITIONAL REVENUE CONTRIBUTIONS?

16. Q. Yes, Gaines Exhibit__ (JDG-1) shows the results of the cost of service study filed as Baron Exhibit___(SJB-4) using the 12-CP methodology but modified to remove the effects of the Smelters' additional revenue contributions pursuant to Sections 4.1, 4.7, and 4.11 of the Agreements. Only by removing these additional revenue effects can the Commission get an un-skewed rate to rate comparison of class subsidies and excesses. As

shown on line 16, the Rural class rate subsidy under present rates is only $156,936 and not the $13.2 million claimed by KIUC. At the Large Industrial rate, the Smelters are receiving a subsidy of $3.7 million. And, the Large Industrial class is contributing 100% of the subsidy in the amount of $3.9 million. As shown on line 37, under Big Rivers' proposed rates the Rural class subsidy is completely eliminated and becomes an excess of $1.7 million. The Large Industrial excess is slightly reduced to $3.7 million. The Smelters' subsidy is increased by $1.7 million $5.5 million.

17. Q. PLEASE EXPLAIN HOW THE LARGE INDUSTRIAL RATE WOULD PRODUCE AN EXCESS RETURN FOR THE LARGE INDUSTRIAL CLASS WHILE PRODUCING A RETURN DEFICIENCY, OR SUBSIDY, FOR THE SMELTERS.

A. The primary reason for the difference is that the costs are allocated using CP demand and both the present and proposed Large Industrial rates are based on NCP demand. This has a favorable rate impact on the Smelters because at their near 100% load factor, their CP and NCP demands are effectively equal.

18. Q. HAVE YOU CALCULATED THE RATE IMPACT OF APPLYING A 25% SUBSIDY/EXCESS REDUCTION TO THE 12-CP COST OF SERVICE AS DEVELOPED ON GAINES EXH.___(JDG-1)?

A. Yes, as shown on line 46, the Rural class rate revenue would have to be increased 9.02% which is less than the 10.71% increase already proposed by Big Rivers.[1] Correspondingly, the Large Industrial rate would increase 3.87% instead of the 5.94% increase as proposed, while the rate applicable to the Smelters would be increased by 6.41% instead of the 5.02% as proposed.

19. Q. HAVE YOU PREPARED AN EXHIBIT THAT SHOWS THE CLASS SUBSIDIES AND EXCESSES BASED ON ADJUSTING THE COST OF SERVIVCE FILED AS BARON EXHIBIT__(SJB-3) TO REMOVE THE EFFECTS OF THE ADDITIONAL REVENUE CONTRIBUTIONS?

A. Yes, Gaines Exhibit__ (JDG-2) shows the results of the KIUC proposed cost of service study using the 6-CP methodology modified to remove the effects of the Smelters' additional revenue contributions. As shown on line 16, the Rural class rate subsidy under present rates would be $4.8 million and not the $18.3 million claimed by KIUC. At the Large Industrial rate, the Smelters would be contributing only $445,254 to the subsidy and the Large Industrials would be contributing $4.4 million to the subsidy. As shown on line 36, the Rural class rate subsidy under Big Rivers' proposed rates would be $4.0 million and the Smelter subsidy would be $338,563. The Large Industrials' contributions to the rate subsidies of the Rural class and the Smelters would be $4.3 million.

20. Q. HAVE YOU CALCULATED THE RATE IMPACT OF APPLYING A 25% SUBSIDY/EXCESS REDUCTION TO THE 6-CP COST OF

[1] These percentages referenced are without the effects of rolling in the non-FAC PPA base.

SERVICE AS DEVELOPED ON GAINES EXH.___(JDG-2)?

A. Yes, as shown on line 46, if the 6-CP methodology is adopted, the Rural class rate revenue would have to be increased 11.03% which is slightly more than the 10.71% increase already proposed by Big Rivers.[2] Correspondingly, the Large Industrial rate would increase 3.33% instead of the 5.94% increase as proposed, while the rate applicable to the Smelters would be increased by 5.71% instead of the 5.02% as proposed.

21. Q. IN CONSIDERATION OF THE CLASS SUBSIDIES AND EXCESSES AS DEVELOPED BY YOU, DO YOU HAVE ANY COMMENTS WITH REGARD TO THE RECOMMENDATIONS OF KIUC ON HOW THE REVENUE INCREASE ULTIMATLEY APPROVED BY THE COMMISSION SHOULD BE ALLOCATED AMONG THE CUSTOMER CLASSES?

A. Yes, regardless of which cost allocation method, 12-CP or 6-CP, is accepted by the Commission, KIUC's proposal to allocate more of the increase to the Rural class in favor of the Smelter class should be disregarded because the cost of service results do not support their recommendation.

22. Q. DOES KENERGY SUPPORT THE BIG RIVERS PROPOSAL TO TARGET A 25% SUBSIDY/EXCESS REDUCTION WHEN ALLOCATING THE REVENUE INCREASE TO THE CUSTOMER CLASSES?

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[2] These percentages referenced are without the effects of rolling in the non-FAC PPA base.

A. Yes, Kenergy supports using 25% as the target subsidy/excess reduction for allocating the Big Rivers increase to the Rural class and to the combined Large Industrial and Smelter classes. It is a reasonable approach that applies the principle of gradualism when adjusting rates to achieve parity.

23. Q. SINCE THE SMELTER BASE RATE IS CONTRACTUALLY LINKED DIRECTLY TO THE LARGE INDUSTRIAL BASE RATE, HOW DOES THE PROPOSED USE OF A 25% TARGET SUBSIDY/EXCESS REDUCTION WORK FOR THE LARGE INDUSTRIA CLASS RELATIVE TO THE SMELTER CLASS?

A. The 25% subsidy/excess reduction must be applied to the Rural class and the aggregate of the Large Industrial and Smelter classes. As previously explained, using NCP billing demand for the Large Industrial demand rate shifts cost recovery within the Large Industrial class. It also shifts cost recovery from the Smelter class to the Large Industrial class. However, Kenergy supports the use of NCP billing demand for the Large Industrial rate in this case because it reflects a consideration of customer impact and gradualism, not just for the Smelters but also for the individual customers within the Large Industrial class.

24 Q. HOW DO THE BIG RIVERS PROPOSED CLASS PERCENTAGES COMPARE FOR KENERGY AT THE RETAIL LEVEL?

A. When calculated at the retail level, the percentage impact of the wholesale increase is diluted. The relative effect is dependent upon the level of retail mark-up included in the retail rates. Based on information from Kenergy's flow through and general rate adjustment filings in Case No. 2011-00035, the rates proposed by Big Rivers have the following class impacts at the retail level: Rural-7.16%; Large Industrials-6.46%; and Smelters-5.47%. However, Kenergy is seeking approval to increase its Rural system distribution revenues simultaneous to the flow through of the Big Rivers increase but is not requesting to increase that distribution revenues from the Large Industrial and Smelter classes.[3] The combined retail impact of the Big Rivers proposed wholesale increase and the Kenergy proposed distribution increase on the Rural class is 9.61%. Therefore, the Rural class total percentage increase at the retail level as proposed would be 1.47 times that of the Large Industrial class and 1.76 times that of the Smelters.

25. Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. As a result of negotiations, the Smelter Agreements provide for revenue contributions from the Smelters to Big Rivers through Kenergy that are in addition to the amounts determined by applying the Large Industrial Rate at 98% load factor. The effects of those additional revenue contributions should not be included in the cost of service studies for purposes of determining class subsidies or excesses and class rates of return. Those additional revenue contributions should be removed as shown in Gaines Exh.__(JDG-1) and Gaines Exh.__(JDG-2). The Commission should apply the principle of gradualism by approving the 25% subsidy/excess

[3] Referred to as Class A, B, and C Direct Served customers by Kenergy in Case No. 2011-00035.

reduction target when determining the revenue allocation to reasonably balance class parity and customer impact considerations.

26. Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

A. Yes, it does.

BIG RIVERS ELECTRIC CORPORATION
Case No. 2011-00036
Cost of Summary per Big Rivers' 12-CP Methodology

	Cost of Service Summary -- Pro-Forma	Rurals	Large Industrials	Smelters	Total System
	a	b	c	d	e
1	Operating Revenues	$ 99,720,178	$ 33,424,391	$ 269,181,024	$ 402,325,593
2	Less: Smelter Contractual Adders (Sections 4.2 & 4.7)	$ -	$ -	$ (16,053,576)	$ (16,053,576)
3	Reverse Section 4.11 & Unwind Surcredit	$ 8,038,629	$ 3,052,791	$ (11,466,492)	$ (375,072)
4	Adjusted Pro-Forma Operating Revenue For COSS Purposes	$ 107,758,807	$ 36,477,182	$ 241,660,956	$ 385,896,945
5					
6	Operating Expenses	$ 105,035,005	$ 31,787,544	$ 239,696,360	$ 376,518,908
7					
8	Utility Operating Margins -- Pro-Forma	$ 2,723,802	$ 4,689,638	$ 1,964,596	$ 9,378,037
9					
10	*Net Cost Rate Base*	$ 359,504,551	$ 99,270,357	$ 711,566,594	$ 1,170,341,502
11					
12	Return on Rate Base --	0.76%	4.72%	0.28%	0.80%
13					
14	Utility Operating Margins -- @ Equalized ROR of -0.15%	$ 2,880,738	$ 795,461	$ 5,701,838	$ 9,378,037
15					
16	Subsidy / (Excess) Under Current Rates	$ 156,936	$ (3,894,177)	$ 3,737,242	$ -
17					
18					
19	Cost of Service Summary -- Pro-Forma (Proposed Rate Increase)				
20					
21	Operating Revenues	$ 107,758,807	$ 36,477,182	$ 241,660,956	$ 385,896,945
22	Pro-Forma Adjustments per Big Rivers' proposed rates:	$ 14,172,003	$ 3,228,566	$ 22,553,396	$ 39,953,965
23					
24	*Operating Revenues after proposed rates*	$ 121,930,810	$ 39,705,748	$ 264,214,352	$ 425,850,910
25					
26	Operating Expenses	$ 105,035,005	$ 31,787,544	$ 239,696,360	$ 376,518,908
27					
28	Utility Operating Margins -- Pro-Formed for Increase	$ 16,895,805	$ 7,918,204	$ 24,517,992	$ 49,332,002
29					
30	Net Cost Rate Base	$ 359,504,551	$ 99,270,357	$ 711,566,594	$ 1,170,341,502
31					
32	Rate of Return	4.70%	7.98%	3.45%	4.22%
33					
34	Utility Operating Margins -- @ Equalized ROR of 3.27%	$ 15,153,764	$ 4,184,424	$ 29,993,813	$ 49,332,002
35					
36	Remaining Subsidy / (Excess)	$ (1,742,041)	$ (3,733,780)	$ 5,475,821	$ -
37					
38	Incremental Percent Impact vs. present rates	-1.58%	-9.51%	1.94%	0.00%
39					
40	Total Rate Change Allocated on Rate Base	$ 12,273,026	$ 3,388,963	$ 24,291,975	$ 39,953,965
41	Shift for 25% Subsidy/Excees Reduction	$ 39,234	$ (973,544)	$ 934,310	$ 0
42	Less: Est. Credits from non-FAC PPA	$ (2,340,068)	$ (896,009)	$ -	$ (3,236,077)
43	*Less: TIER Adjustment Decrease*	$ -	$ -	$ (7,114,653)	$ (7,114,653)
44	Increase with Base Rate and Non-FAC PPA Amortication	$ 9,972,192	$ 1,519,410	$ 18,111,632	$ 29,603,235
45					
46	Percent Increase with Base Rate and Non-FAC PPA Amortication	9.02%	3.87%	6.41%	6.85%
47					
48	Impact of Lowering the Non-FAC PPA Base	$ (2,145,453)	$ (813,705)	$ -	$ -
49	Net Rate Change	$ 7,826,739	$ 705,705	$ 18,111,632	$ 29,603,235
50					
51	Net Percent Impact vs. present rates	7.08%	1.80%	6.41%	6.85%
52					
53	Present Rate Revenues	$ 110,513,089	$ 39,260,372	$ 282,391,841	$ 432,165,302

* Contractual Adders	
Base Rate of $0.00025 per kWh	$ 1,824,270
Test Year TIER Adjustment Revenue	$ 14,229,306
Surcharges	$ 11,466,492
Total	$ 27,520,068

BIG RIVERS ELECTRIC CORPORATION
Case No. 2011-00036
Cost of Summary per KIUC's 6-CP Methodology

	Cost of Service Summary -- Pro-Forma	Rurals	Large Industrials	Smelters	Total System
	a	b	c	d	e
1	Operating Revenues	$ 100,135,124	$ 33,338,709	$ 268,851,759	$ 402,325,592
2	Less: Smelter Contractual Adders (Sections 4.2 & 4.7)	$ -	$ -	$ (16,053,576)	$ (16,053,576)
3	Reverse Section 4.11 & Unwind Surcredit	$ 8,038,629	$ 3,052,791	$ (11,466,492)	$ (375,072)
4	Adjusted Pro-Forma Operating Revenue For COSS Purposes	$ 108,173,753	$ 36,391,500	$ 241,331,691	$ 385,896,944
5					
6	Operating Expenses	$ 109,847,120	$ 31,263,086	$ 235,408,702	$ 376,518,908
7					
8	Utility Operating Margins -- Pro-Forma	$ (1,673,367)	$ 5,128,414	$ 5,922,989	$ 9,378,036
9					
10	Net Cost Rate Base	$ 390,335,625	$ 96,406,419	$ 683,599,459	$ 1,170,341,503
11					
12	Return on Rate Base --	-0.43%	5.32%	0.87%	0.80%
13					
14	Utility Operating Margins -- @ Equalized ROR of -0.15%	$ 3,127,789	$ 772,512	$ 5,477,735	$ 9,378,036
15					
16	Subsidy / (Excess) Under Current Rates	$ 4,801,156	$ (4,355,902)	$ (445,254)	$ -
17					
18					
19	Cost of Service Summary -- Pro-Forma (Proposed Rate Increase)				
20					
21	Operating Revenues	$ 108,173,753	$ 36,391,500	$ 241,331,691	$ 385,896,944
22	Pro-Forma Adjustments per Big Rivers' proposed rates:	$ 14,172,003	$ 3,228,566	$ 22,553,396	$ 39,953,965
23					
24	Operating Revenues after proposed rates	$ 122,345,756	$ 39,620,066	$ 263,885,087	$ 425,850,909
25					
26	Operating Expenses	$ 109,847,120	$ 31,263,086	$ 235,408,702	$ 376,518,908
27					
28	Utility Operating Margins -- Pro-Formed for Increase	$ 12,498,636	$ 8,356,980	$ 28,476,385	$ 49,332,001
29					
30	Net Cost Rate Base	$ 390,335,625	$ 96,406,419	$ 683,599,459	$ 1,170,341,503
31					
32	Rate of Return	3.20%	8.67%	4.17%	4.22%
33					
34	Utility Operating Margins -- @ Equalized ROR of 3.27%	$ 16,453,349	$ 4,063,704	$ 28,814,947	$ 49,332,001
35					
36	Remaining Subsidy / (Excess)	$ 3,954,713	$ (4,293,276)	$ 338,563	$ -
37					
38	Incremental Percent Impact vs. present rates	3.58%	-10.94%	0.12%	0.00%
39					
40	Total Rate Change Allocated on Rate Base	$ 13,325,560	$ 3,291,192	$ 23,337,213	$ 39,953,965
41	Shift for 25% Subsidy/Excees Reduction	$ 1,200,289	$ (1,088,975)	$ (111,314)	$ 0
42	Less: Est. Credits from non-FAC PPA	$ (2,340,068)	$ (896,009)	$ -	$ (3,236,077)
43	Less: TIER Adjustment Decrease	$ -	$ -	$ (7,114,653)	$ (7,114,653)
44	Increase with Base Rate and Non-FAC PPA Amortication	$ 12,185,781	$ 1,306,208	$ 16,111,246	$ 29,603,235
45					
46	Percent Increase with 25% Subsidy/Excess Reduction	11.03%	3.33%	5.71%	6.85%
47					
48	Impact of Lowering the Non-FAC PPA Base	$ (2,145,453)	$ (813,705)	$ -	$ -
49	Net Rate Change	$ 10,040,328	$ 492,503	$ 16,111,246	$ 29,603,235
50					
51	Net Percent Impact vs. present rates (@ 25% Subsidy/Excess Red.)	9.09%	1.25%	5.71%	6.85%
52					
53	Present Rate Revenues	$ 110,513,089	$ 39,260,372	$ 282,391,841	$ 432,165,302

* Contractual Adders	
Base Rate of $0.00025 per kWh	$ 1,824,270
Test Year TIER Adjustment Revenue	$ 14,229,306
Surcharges	$ 11,466,492
Total	$ 27,520,068