

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
MAY 24 2013
PUBLIC SERVICE
COMMISSION

In The Matter Of: :
: Case No. 2012-00535
Application Of Big Rivers Electric Corporation For :
A General Adjustment In Rates :
:

DIRECT TESTIMONY OF BILL CUMMINGS
ON BEHALF OF KIMBERLY CLARK CORPORATION
AS A MEMBER OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

I. INTRODUCTION AND QUALIFICATIONS

1
2
3 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

4 A. My name is Bill Cummings. I am the Energy Supply Leader of Kimberly Clark
5 Corporation ("Kimberly Clark"). My business address is 1400 Holcomb Bridge Road,
6 Roswell, Georgia 30076.

7
8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
9 **BACKGROUND.**

10 A. I received a Bachelor of Science degree in General Management from New Hampshire
11 College (now known as Southern New Hampshire University) in May 1981. I joined

1 Kimberly-Clark in June 1981. In my 31 years with Kimberly-Clark I have held several
2 procurement positions at corporate staff and at a manufacturing plant. I became Energy
3 Supply Leader in 2008 within Kimberly-Clark's Global Sustainability team. My
4 responsibilities include purchasing reliable low cost supply of natural gas and electricity
5 for several Kimberly-Clark North American manufacturing plants, corporate offices and
6 distribution centers. In addition I have global responsibility for developing renewable
7 energy and alternative energy projects for Kimberly-Clark.

8 I am Kimberly-Clark's representative in several state industrial energy groups
9 including KIUC. I am Vice Chairman of the South Carolina industrial energy group and
10 serve on the Boards of the Wisconsin group and on the Executive Committee of the
11 Texas group.

12
13 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

14 A. I am appearing on behalf of Kimberly Clark and Kentucky Industrial Utilities Customers,
15 Inc. ("KIUC"). Kimberly Clark is the manufacturer of well-known brands such as
16 Kleenex, Scott, Huggies, Kotex, Viva and Cottonelle. Kimberly-Clark is a global
17 manufacturer with \$21 billion in annual revenue and 58,000 employees. Kimberly
18 Clark's Owensboro mill broke ground in 1992 and now employs 340 full time personnel
19 plus approximately 60 full time contractors producing tissue products for hotels,
20 restaurants and other professional markets. It is one of Kimberly Clark's most productive
21 and cost effective facilities, operating 24 hours per day, seven days per week, 365 days
22 per year. It is also one of the safest operating paper plants in North America and is
23 recognized annually for exceeding performance measures of all types. The Owensboro

1 mill wages, not including benefits, exceed \$20 million per year, and annual plant
2 spending including capital investment exceeds \$200 million per year.

3 Kimberly Clark is a member of KIUC and is a Large Industrial customer of Big Rivers.
4

5 **Q. HOW DOES KIMBERLY CLARK VIEW BIG RIVERS RATE REQUEST IN**
6 **THIS CASE?**

7 A. When all rate elements are taken into account the impact of Big Rivers' rate case filing
8 would result in a nearly 30% rate increase to Large Industrial customers such as
9 Kimberly Clark.¹ This rate increase would impose significant additional costs on
10 Kimberly Clark that cannot be passed on to Kimberly-Clark's customers.

11 Further, Big Rivers states in its data responses² that it will file a separate
12 proceeding in June of 2013 in order to address the termination of Alcan's electric supply
13 contract. Kimberly Clark is concerned with the prospect of having to pay for Big Rivers'
14 next rate case on the heels of the current case. Obviously, the next Big Rivers rate
15 increase will not only need to include the lost margins caused by Alcan's departure from
16 the Big Rivers' system, but will also reallocate Alcan's share of the current proposed rate
17 increase to a much smaller group of remaining customers.

¹ See Tab 59 Attachment to Application of Big Rivers; page 8 of 8.

² See Big Rivers' Response to PSC 2-1.

1 Q. HAS BIG RIVERS BEEN FORTHCOMING WITH CUSTOMERS REGARDING
2 THE MAGNITUDE OF THE RATE REQUEST THAT IT PLANS TO FILE IN
3 JUNE?

4 A. No. Big Rivers has declined to answer any questions or requests that seek to quantify
5 Big Rivers' "pancaked" rate increase. As a result, customers are unable to plan their
6 budgets for the next rate increase. This is particularly problematic for businesses because
7 the next rate increase request is likely to be significantly larger than the current rate
8 request. According to Mr. Kollen's calculations this increase may be in the range of an
9 additional 48% to 62% increase to Large Industrial customers in real dollars, although it
10 is possible that Big Rivers may further accelerate the use of its reserve accounts in order
11 to temporarily mask the size of the next rate increase. Mr. Kollen estimates that the total
12 increase to Kimberly Clark from the "pancaked" rate increases is likely to be around
13 90%. The misinformation concerning the "Century" increase and the lack of information
14 regarding the "Alcan" increase was so glaring to Kimberly-Clark, that we along with
15 Domtar and Aleris, spearheaded an organized effort to educate the public regarding Big
16 Rivers' planned rate hikes. Fair Rates Kentucky's (www.fairratesky.com) goal is to
17 provide Big Rivers' rate payers with facts regarding the true rate impact of Big Rivers'
18 rate increases.

19 I would urge the Commission to consider the impact of the rate increase that Big
20 Rivers has stated that it will ask for in June when it considers whether or not to approve
21 the rate increase in this case. I can assure the Commission that Big Rivers' large
22 industrial rate payers will consider both cases when making decisions regarding capital
23 investment in their facilities in Big Rivers service territory.

1 **Q. HOW DOES BIG RIVERS' PROPOSED RATE INCREASE AND THE**
2 **ANNOUNCEMENT THAT BIG RIVERS PLANS TO FILE A REQUEST FOR A**
3 **"PANCAKED" RATE INCREASE IN JULY OF 2013 IMPACT KIMBERLY**
4 **CLARK'S OWENSBORO MILL?**

5 A. Our Owensboro management team actively manages our cost structure to try to stay
6 competitive, including investing in energy efficient equipment to reduce energy costs and
7 closely scrutinizing every job opening. However, Kimberly-Clark cannot pass along cost
8 increases to our customers in order to maintain margins. Rate increases of this magnitude
9 will result in uncompetitive power rates for Owensboro Mill.

10
11 **Q. WHAT ARE THE CONSEQUENCES OF AN UNCOMPETITIVE POWER RATE**
12 **AT THE OWENSBORO MILL?**

13 A. In addition to its Owensboro mill, Kimberly Clark owns and operates tissue
14 manufacturing plants in several states and Canada. These plants compete with
15 Owensboro to operate at full capacity and for capital investment. Although electricity
16 costs are one of several costs that are considered when making decisions regarding which
17 plant will receive additional capital investment, electricity costs are a very important
18 factor. If the Commission approves the rate increases proposed by Big Rivers, it will
19 weaken the Owensboro mill's position relative to other Kimberly Clark tissue
20 manufacturing assets and relative to Kimberly-Clark's numerous competitors in the
21 competitive tissue markets. It is possible that capital investment could bypass the
22 Owensboro mill in favor of Kimberly Clark's other US tissue plants. This will have an

23

1 impact on the long-term plans for the Owensboro mill and could ultimately result in job
2 loss in Owensboro.

3
4 **Q. DOES KIMBERLY CLARK HAVE ANY OPTIONS OUTSIDE OF THE STATE**
5 **REGULATORY PROCESS IN ORDER TO REDUCE POWER COSTS AT THE**
6 **OWENSBORO MILL?**

7 A. With respect to Kimberly-Clark's other tissue manufacturing facilities, the Company has
8 gone to great capital expense in some instances to address uncompetitive power costs
9 and/or unreliable power supply. Kimberly-Clark has installed gas-fired combined heat
10 and power cogeneration in facilities in California, Connecticut and Italy, and another will
11 startup in 2013 at our tissue mill in Australia. Should rate hikes for Owensboro Mill be
12 approved, Kimberly-Clark will certainly evaluate installing a similar combined heat and
13 power cogeneration system for Owensboro to keep the mill competitive on overall cost of
14 manufacture.

15 While this may be a solution for Kimberly Clark's high power rate at the
16 Owensboro mill, the construction of additional cogeneration at the Kimberly Clark
17 facility would obviously result in further deterioration of Big Rivers' native load, perhaps
18 causing Big Rivers to file yet another rate case.

19
20 **Q. DOES KIMBERLY CLARK HAVE ANY OTHER CONCERNS REGARDING**
21 **THE PROPOSED RATE HIKES?**

22 A. Mr. Kollen projects that the rate increase to the Rural rate class from the "pancaked" rate
23 increase will be in the range of 108%. Kimberly-Clark believes that a rate hike of this

1 magnitude within a one year period could cause closures of many other businesses and
2 commercial establishments. This uncertainty causes Kimberly-Clark to call into question
3 the long term viability of Big Rivers as a stand-alone entity, and as a reliable supplier.

4 A reliable, low cost power supply is critical to the long term success of the
5 Kimberly-Clark Owensboro site.

6

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 A. Yes.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of: :
: Case No. 2012-00535
Application Of Big Rivers Electric Corporation For A :
General Adjustment In Rates :
:

AFFIDAVIT OF BILL CUMMINGS

STATE OF KENTUCKY)
COUNTY OF Daviess) SS
)

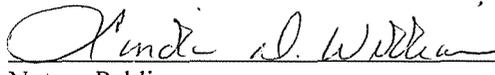
Bill Cummings, being first duly sworn deposes and states that:

1. He is Energy Supply Leader of Kimberly Clark Corporation;
2. He is the witness who sponsors the accompanying testimony entitled "Direct Testimony of Bill Cummings on behalf of Kentucky Industrial Utility Customers and Kimberly Clark Corporation ";
3. Said testimony was prepared by him and under his direction and supervision;
4. If inquiries were made as to the facts in said testimony he would respond as therein set forth; and
5. The aforesaid testimony is true and correct to the best of his knowledge, information and belief.



Bill Cummings

Subscribed and sworn to or affirmed before me this 17 day of April, 2013 by Bill Cummings.



Notary Public
My commission expires May 6, 2014
Certificate No. W-00083035

