

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APPLICATION OF BIG RIVERS)
ELECTRIC CORPORATION FOR AN)
ADJUSTMENT OF RATES)

CASE NO.2012-00535 PUBLIC SERVICE
COMMISSION

JUN 10 2013

**KIUC'S RESPONSE TO
COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

1. Refer to page 14 of the Direct Testimony of Exhibits of Lane Kollen ("Kollen Testimony"), wherein Mr. Kollen provides two tables that he states were developed using Tab 59 of Big Rivers Electric Corporation's ("Big Rivers") application.
 - a. Refer to the Rural table. For the five items listed under the Base Rate Demand and Base Rate Energy items, explain why the amounts in the "Base Period" and "Test Year" columns differ slightly from those that appear in Tab 59 on pages 3 of 8 and 7 of 8, respectively.
 - b. Refer to the Large Industrial table. For the five items listed under the Base Rate item, explain why the amounts in the "Base Period" and "Test Year" columns differ slightly from those that appear in Tab 59 on pages 4 of 8 and 8 of 8, respectively.

RESPONSE:

- a,b. Mr. Kollen computed the amounts shown for the base period and test year using the Company's billing determinants and rates shown on Tab 59. The differences in the amounts shown on the table and the amounts shown on Tab 59 are due to rounding. Mr. Kollen used the truncated rates shown on Tab 59; Big Rivers apparently used non-truncated rates. The differences in the revenues for each period are *de minimis*.

Answer provided by Lane Kollen.

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2. Refer to pages 15-16 of the Kollen Testimony. Starting at the end of page 15, Mr. Kollen states that "...the Century termination will result in FAC rate increases to all customer classes due largely to the increases in average fuel cost per kWh resulting from the layup of the Wilson plant, less efficient operation of the remaining generating units, and the greater heat rates of the remaining generating units." Explain the reason for the less efficient operation of the remaining generating units.

RESPONSE:

There are at least two related reasons. First, the remaining units (other than Wilson) will be cycled more in the test year due to the reduction in the load factor of the remaining customers compared to the base year when Century was on the system. Century operated at a 98% load factor during the base year. Second, the highest cost remaining units will be cycled more in the test year due to the inability of the Company to economically sell into the market during off-peak hours. These realities are reflected in the Company's production cost modeling used to develop the projected FAC rates during the test year that are reflected on Tab 59.

Answer provided by Lane Kollen.

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3. Refer to pages 50-52 of the Kollen Testimony regarding Mr. Kollen's rate comparison of the residential customers served by Big Rivers' member distribution cooperatives and the four investor-owned electric utilities operating in Kentucky.
- a. Lines 4-5 on page 51 indicate that Mr. Kollen obtained information for the investor-owned utilities from the SNL financial database. Explain whether Mr. Kollen attempted to obtain rate information from any other sources for distribution cooperatives operating in Kentucky that are served by either the Tennessee Valley Authority or East Kentucky Power Cooperative, Inc. ("EKPC").
 - b. Explain whether Mr. Kollen was aware that rate information for the EKPC distribution cooperatives is available on the Commission's website.
 - c. Mr. Kollen's comparison is based on an average monthly residential bill for a customer using 1,300 kWh. Explain whether Mr. Kollen was aware that the average monthly bill for a residential customer using 1,300 kWh that is served by an EKPC distribution cooperative is approximately \$125.

RESPONSE:

- a. No.
- b. No.
- c. No.

Answer provided by Lane Kollen.

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4. Refer to page 54 of the Kollen Testimony, lines 6-15, wherein he expresses opposition to accelerated use of the Economic and Rural Economic Reserve Funds. Refer also to page 61 of the Kollen Testimony, lines 16-18, which state that “[i]n addition, Big Rivers proposes to *increase* the MRSM surcredit for the Rural Class by \$9.0 million annually, while *reducing* the MRSM surcredit for the Large Industrial customers by \$1.5 million.” State whether Mr. Kollen is aware that the reserve funds are depleted in accordance with a formula set out in Big Rivers’ Member Rate Stability Mechanism tariff. If the answer is yes, explain whether Mr. Kollen is proposing that the tariff be altered and, if so, how it should be altered.

RESPONSE:

The reserve funds are depleted in accordance with a formula set forth in the tariff. Mr. Kollen does not propose a change in the tariff. As he stated in his testimony, Mr. Kollen is concerned that the Company or the Commission may attempt to accelerate the use of the reserve funds to keep rates artificially low for an abbreviated period in the hope that market conditions may change. This potential acceleration would require a modification to the tariff. Mr. Kollen does not believe that an acceleration is reasonable because it would be tantamount to transferring the reserve funds from the Company’s customers to its creditors and would not provide a long term resolution to the underlying problem of excess capacity. Mr. Kollen also does not believe that an acceleration is reasonable because it would create a ticking time bomb where rates will explode upward once the Reserve funds are depleted.

If the Commission does consider accelerating the use of the reserve funds to mitigate the effects of the Century or Alcan increases, then it first should roll-in the MRSM credit to base rates and then eliminate the MRSM and the RER tariffs so that the risk of the ticking time bomb resulting from the depletion of the Reserves is shifted to the Company and its creditors and does not result in automatic rate increases for the non-Smelter customers.

Answer provided by Lane Kollen.

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5. Refer to pages 63-64 of the Kollen Testimony concerning the possible cessation of depreciation on Big Rivers' Wilson generating facility.
- a. The answer beginning at line 14 and continuing to line 20 of page 64 discusses the revenue requirement impact if Big Rivers were to cease depreciating the Wilson plant. Provide the calculation of the \$20.031 million revenue requirement reduction referenced on line 15 showing the exact dollar amounts rather than rounded amounts as are used in the testimony.
 - b. Confirm that \$20.031 million would be the amount by which Big Rivers' revenue requirement would be reduced if Mr. Kollen's recommendation for sharing the costs of Big Rivers' unneeded capacity between customers and creditors were not adopted by the Commission.

RESPONSE:

- a. The Company included \$20,031,373 in the revenue requirement for Wilson depreciation expense, according to its response to KIUC 1-40. The Company provided its detailed calculations by account in a series of tables in that response.
- b. Yes. The Company's revenue requirement would be reduced by \$20,031,373 if the Commission does not adopt KIUC's recommendation for the equitable sharing of the costs of excess capacity. The Company's revenue requirement would be reduced by \$6,269,820 if the Commission adopts KIUC's recommendation for the equitable sharing of the costs of excess capacity. Mr. Kollen's quantification of this latter amount is described on page 64 lines 17-20 of his Direct Testimony.

Answer provided by Lane Kollen.

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6. **Refer to Exhibits LK-2 and LK-3. Provide these exhibits in Excel spreadsheet format with the formulas intact and unprotected.**

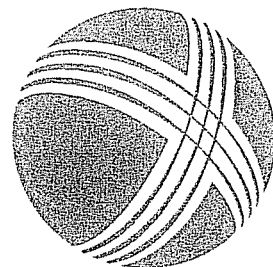
RESPONSE:

The electronic files for Mr. Kollen's Exhibit___(LK-2) and Exhibit___(LK-3) are provided on the attached CD with all formulas intact.

Answer provided by Lane Kollen.

 Exhibit__(LK-2).xlsx

xerox



ESTIMATED RATE INCREASES TO RURAL CLASS DUE TO CENTURY TERMINATION ⁽¹⁾

RURAL	Base Period ⁽¹⁾			Test Year ⁽¹⁾			Century Increase on Aug 21, 2013 ⁽²⁾		
	Rural Bill Units	Rural Rate	Rural Billing	Rural Bill Units	Rural Rate	Rural Billing	Rural Rate	Rural Billing	Rural Percent
Demand	5,388,931	9 50	51,194,845	5,322,297	16 95	90,212,934	7 45	39,018,090	76 21%
Energy	2,420,925,805	0 029736	71,988,650	2,436,557,000	0 030000	73,096,710	0 000264	1,108,060	1 54%
Base Rate	2,420,925,805	0 050883	123,183,494	2,436,557,000	0 067025	163,309,644	0 016468381	40,126,150	32 57%
Non-Smelter Non-FAC PPA	2,420,925,805	(0 001242)	(3,006,790)	2,436,557,000	(0 000781)	(1,902,951)	0 000461	1,103,839	-36 71%
FAC	2,420,925,805	0 003480	8,424,822	2,436,557,000	0 005141	12,526,340	0 001661	4,101,518	48 68%
Environmental Surcharge	2,420,925,805	0 002534	6,134,626	2,436,557,000	0 003897	9,495,263	0 001363	3,360,637	54 78%
Surcredit	2,420,925,805	(0 004110)	(9,950,005)	2,436,557,000	(0 001738)	(4,234,736)	0 002372	5,715,269	-57 44%
Economic Reserve	2,420,925,805	(0 006442)	(15,595,604)	2,436,557,000	(0 010114)	(24,643,337)	(0 003672)	(9,047,733)	58 01%
Rate Increases (\$/kWh), Billings, %		0 045103	109,190,543		0 063430	154,550,222	0.018616301	45,359,679	41.54%
Cumul Rate Increases (\$/kWh), Billings, %							0.063430	45,359,679	41.54%
Distribution Rates (\$/kWh) ⁽¹⁾		0 033000					0 033000		
Retail Rates (\$/kWh) Bef and Aft Increase		0 078103					0 096430		23 8%
Avg Monthly Residential Bill @ 1300 kWh		<u>\$101.53</u>					<u>\$125.36</u>		
Average Annual Residential Increase							<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

ESTIMATED RATE INCREASES TO LARGE INDUSTRIAL CLASS DUE TO CENTURY TERMINATION ⁽¹⁾

LARGE INDUSTRIAL	Base Period ⁽¹⁾			Test Year ⁽¹⁾			Century Increase on Aug 21, 2013 ⁽²⁾		
	Large Industrial Bill Units	Large Industrial Rate	Large Industrial Billing	Large Industrial Bill Units	Large Industrial Rate	Large Industrial Billing	Large Industrial Rate	Large Industrial Billing	Large Industrial Percent
Demand	1,700,070	10 50	17,850,735	1,674,594	12 41	20,781,712	1 91	2,930,977	16 42%
Energy	953,161,521	0 024505	23,357,223	943,698,679	0 030000	28,310,960	0 005495	4,953,737	21 21%
Base Rate	953,161,521	0 043233	41,207,958	943,698,679	0 052022	49,092,672	0 008355118	7,884,714	19 13%
Non-Smelter Non-FAC PPA	953,161,521	(0 001249)	(1,190,499)	943,698,679	(0 000781)	(737,029)	0 000468	453,470	-38 09%
FAC	953,161,521	0 003490	3,326,534	943,698,679	0 005125	4,836,456	0 001635	1,509,922	45 39%
Environmental Surcharge	953,161,521	0 006866	6,544,407	943,698,679	0 003092	2,917,916	(0 003774)	(3,626,491)	-55 41%
Surcredit	953,161,521	(0 004156)	(3,961,339)	943,698,679	(0 001777)	(1,676,953)	0 002379	2,284,387	-57 67%
Economic Reserve	953,161,521	(0 010744)	(10,240,767)	943,698,679	(0 009302)	(8,778,285)	0 001442	1,462,482	-14 28%
Rate Increases (\$/kWh), Billings, %		0 037440	35,686,293		0 048379	45,654,778	0 010563207	9,968,484	27 93%
Cumul Rate Increases (\$/kWh), Billings, %							0.048003	9,968,484	27.93%

⁽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

ESTIMATED RATE INCREASES TO ALCAN DUE TO CENTURY TERMINATION ⁽¹⁾

ALCAN	Base Period ⁽¹⁾			Test Year ⁽¹⁾			Century Increase ⁽²⁾		
	Bill Units	Rate	Billing	Bill Units	Rate	Billing	Rate	Billing	Percent
Energy	3,159,206,400	0 039405	124,489,441	3,159,206,400	0 047597	150,368,554		25,879,113	20 79%
Base Variable Energy	14,918,211	0 021806	325,307					(325,307)	-100 00%
Back-Up Energy	5,422,732	0 039529	214,355					(214,355)	-100 00%
Surplus Energy	(1,075,243)	0 034709	(37,321)					37,321	-100 00%
Supplemental Energy	93,586	0 030114	2,818					(2,818)	-100 00%
TIER Adjustment	3,159,206,400	0 002942	9,294,224	3,159,206,400	0 002945	9,303,467		9,243	0 10%
Non-FAC PPA	3,159,206,400	-0 000505	(1,595,399)	3,159,206,400	(0 000369)	(1,165,347)		430,052	-26 96%
FAC	3,159,206,400	0 003492	11,032,520	3,159,206,400	0 005121	16,176,808		5,144,288	46 63%
Environmental Surcharge	3,159,206,400	0 002263	7,148,088	3,159,206,400	0 002819	8,905,812		1,757,724	24 59%
Surcharge	3,159,206,400	0 001860	5,876,534	3,159,206,400	0 001872	5,912,468		35,934	0 61%
Adjustment			1,844			0		(1,844)	-100 00%
Rate Increases (\$/kWh), Billings, %		0 049618	156,752,411		0 059984	189,501,762	0.010366	32,749,351	20.89%
Cumul Rate Increases (\$/kWh), Billings, %									

⁽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

ESTIMATED RATE INCREASES TO RURAL CLASS DUE TO CENTURY TERMINATION

RURAL	BASE PERIOD		TEST YEAR		CENTURY INCREASE	
	Rural Rate	Rural Revenues	Rural Rate	Rural Revenues	Rural Rate Increases	Percent Increases
Base Rate - Demand	\$9.50	\$ 51,194,845	\$16.95	\$ 90,212,934	\$ 39,018,090	76.2%
Base Rate - Energy		\$ 71,988,650		\$ 73,096,710	\$ 1,108,060	1.5%
Non-Smelter Non-FAC PPA		\$ (3,006,790)		\$ (1,902,951)	\$ 1,103,839	-36.7%
FAC		\$ 8,424,822		\$ 12,526,340	\$ 4,101,518	48.7%
Environmental Surcharge		\$ 6,134,626		\$ 9,495,263	\$ 3,360,637	54.8%
Smelter Surcredit		\$ (9,950,005)		\$ (4,234,736)	\$ 5,715,269	-57.4%
MRSRM (Economic Reserve)		\$ (15,595,604)		\$ (24,643,337)	\$ (9,047,733)	58.0%
Totals	\$0.0451	\$109,190,543	\$0.0634	\$154,550,222	\$ 45,359,679	41.5%
Avg Monthly Residential Bill @ 1300 kWh ⁽¹⁾		\$ 101.53		\$ 125.36	\$23.83	
Avg Annual Residential Increase					\$285.90	

⁽¹⁾ Includes \$0.033/kWh for Member Cooperative Charges As Shown On Ex Wolfram-5.

ESTIMATED RATE INCREASES TO LARGE INDUSTRIAL CLASS DUE TO CENTURY TERMINATION

LARGE INDUSTRIAL	BASE PERIOD ⁽¹⁾		TEST YEAR ⁽¹⁾		CENTURY INCREASE ⁽²⁾	
	Large Ind Rate	Large Industrial Revenues	Large Ind Rate	Large Industrial Revenues	Large Ind Rate Increases	Percent Increases
Base Rate		\$ 41,207,958		\$ 49,092,672	\$ 7,884,714	19.1%
Non-Smelter Non-FAC PPA		\$ (1,190,499)		\$ (737,029)	\$ 453,470	-38.1%
FAC		\$ 3,326,534		\$ 4,836,456	\$ 1,509,922	45.4%
Environmental Surcharge		\$ 6,544,407		\$ 2,917,916	\$ (3,626,491)	-55.4%
Smelter Surcredit		\$ (3,961,339)		\$ (1,676,953)	\$ 2,284,387	-57.7%
MRSRM (Economic Reserve)		\$ (10,240,767)		\$ (8,778,285)	\$ 1,462,482	-14.3%
Totals	\$0.0374	\$ 35,686,293	\$0.0484	\$ 45,654,778	\$ 9,968,484	27.9%

ESTIMATED RATE INCREASES TO ALCAN CLASS DUE TO CENTURY TERMINATION

ALCAN	BASE PERIOD		TEST YEAR		CENTURY INCREASE	
	Alcan Rate	Alcan Revenues	Alcan Rate	Alcan Revenues	Alcan Rate Increases	Percent Increases
Energy		124,489,441		150,368,554	25,879,113	20.79%
Base Variable Energy		325,307		0	(325,307)	-100.00%
Back-Up Energy		214,355		0	(214,355)	-100.00%
Surplus Energy		(37,321)		0	37,321	-100.00%
Supplemental Energy		2,818		0	(2,818)	-100.00%
TIER Adjustment		9,294,224		9,303,467	9,243	-100.00%
Non-FAC PPA		(1,595,399)		(1,165,347)	430,052	-26.96%
FAC		11,032,520		16,176,808	5,144,288	46.63%
Environmental Surcharge		7,148,088		8,905,812	1,757,724	24.59%
Surcharge		5,876,534		5,912,468	35,934	0.61%
Adjustment		1,844		0	(1,844)	-100.00%
Totals	\$0.0496	156,752,411	\$0.0600	189,501,762	32,749,351	20.9%

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		\$ 23.83			\$ 164.18	
Average Annual Residential Increase from Base Period		\$ 285.90			\$ 751.79	
Rate Increases if Proportional Red in Fixed Costs					\$ 55,867,385	51.17%
Sum of Century and Alcan Increases if Red in Fixed Costs					\$ 101,227,064	92.71%

⁽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

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%
Rate Increases if Proportional Red in Fixed Costs					\$ 16,970,472	47.55%
Sum of Century and Alcan Increases if Red in Fixed Costs					\$ 22,104,012	75.49%

⁽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

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


	No Reduct In Fixed Costs	Prop Reduct In Fixed Costs
Century Contribution to Fixed Costs and Margin Base Year ⁽¹⁾	92,397,332	63,028,536
Alcan Energy	3,159,206	3,159,206
Century Energy	4,210,987	4,210,987
Ratio of Alcan to Century	75.0229%	75.0229%
Alcan Contribution to Fixed Costs and Margin Base Year	69,319,189	47,285,857
Century Increase Allocated to Alcan ⁽²⁾	25,552,000	25,552,000
Total Alcan Contribution to Fixed Costs & Margin aft Century Increase	94,871,189	72,837,857
Allocation of Alcan Rate Increase to Rural Class	72,767,178	55,867,385
Allocation of Alcan Rate Increase to Industrial Class	22,104,012	16,970,472

⁽¹⁾ Exhibit Berry-4

⁽²⁾ Exhibit Wolfram - 5

SUMMARY OF ESTIMATED RURAL AND LARGE INDUSTRIAL CLASS INCREASES

	Rural Class			Large Industrial Class		
	<u>\$ Revenue</u>	<u>\$/kWh</u>	<u>% Increase</u>	<u>Revenue</u>	<u>Rate/mWh</u>	<u>% Increase</u>
Revenues Before Rate Increases (Base Year kWh)	109,190,543	0.045103		35,686,293	0.037440	
Century Rate Increase (Test Year kWh)	<u>45,359,679</u>	<u>0.018616</u>	<u>41.54%</u>	<u>9,968,484</u>	<u>0.010563</u>	<u>27.93%</u>
Total After Century Rate Increase (Test Year kWh)	154,550,222	0.063430	41.54%	45,654,778	0.048379	27.93%
Alcan Increase	<u>72,767,178</u>	<u>0.029865</u>	<u>66.64%</u>	<u>22,104,012</u>	<u>0.023798</u>	<u>61.94%</u>
Total After Century and Alcan Increases	227,317,400	0.093295	108.18%	67,758,789	0.071801	89.87%
Economic Reserve and Rural Economic Reserve Increases	<u>24,643,337</u>	<u>0.010114</u>	<u>22.57%</u>	<u>8,778,285</u>	<u>0.009302</u>	<u>24.60%</u>
Total After Century, Alcan, and Reserve Increases	<u><u>251,960,737</u></u>	<u><u>0.103409</u></u>	<u><u>130.75%</u></u>	<u><u>76,537,074</u></u>	<u><u>0.081103</u></u>	<u><u>114.47%</u></u>

 Exhibit__(LK-3).xlsx



**COMPARISON OF COMPANY AND KIUC PROPOSED RATE INCREASES
IN TOTAL AND BY CUSTOMER CLASS
(\$ MILLION)**

Customer Class	BREC Rate Increase	KIUC Rate Increase
Rurals	39.381	16.767
Large Industrials	8.221	2.066
Smelter	<u>25.367</u>	<u>6.459</u>
Total System	72.968	25.292

KIUC Rate Impact Analysis
Calculation of Increases by Rate Class

	Rurals	Lg Ind + Smelter	Large Industrials	Smelter	Total System
Rate Base	587,196,907	650,548,730	157,501,117	493,047,612	1,237,745,636
Allocation vector	0.4744	0.5256	0.1272	0.3983	1.0000
Present Revenues	139,267,110	209,876,300	46,077,677	163,798,623	349,143,410
Big Rivers proposed increases	39,380,581	33,587,550	8,220,635	25,366,916	72,968,131
BREC Proposed % Increases	28.3%	16.0%	17.8%	15.5%	20.9%
KIUC INCREASE					
Utility Operating Margins - Pro Forma	(14,754,369)	(6,296,648)	(4,612,906)	(1,683,742)	(21,051,017)
Rate of Return	-2.51%	-0.97%			
Increase to equalize present ROR	9,070,902	-			9,070,902
Additional KIUC Increase (on rate base)	7,695,425	8,525,673			16,221,098
KIUC Proposed Increases	16,766,327	8,525,673			25,292,000
KIUC Proposed % Increases	12.0%	4.1%			7.2%
ADJUSTMENT TO ES REVENUES DUE TO INCREASE					
TIER Adjustment Charge		9,319,659		9,319,659	9,319,659
ES Revenues	8,815,889	11,916,097	2,944,366	8,971,731	20,731,985
Surcharge Revenues	(4,235,358)	4,235,358	(1,677,110)	5,912,468	-
Adjusted Present Revenue Base	134,686,579	184,405,186	44,810,421	139,594,765	319,091,766
Adjusted KIUC Revenue Base	151,151,294	193,232,472			344,383,766
ES Revenues - KIUC Proposed	9,099,344	11,632,641			20,731,985
Change in ES Revenues	283,455	(283,455)			-
KIUC Increase - Base Rates	16,482,871	8,809,129			25,292,000
Large Industrial and Smelter Rate Design					
Billing Energy		4,102,905,079	943,698,679	3,159,206,400	
Proposed Energy Charge	5.3%	0.025811	0.025811	0.025811	
Present Energy Charge		0.024505	0.024505	0.024505	
Revenue Increase from Energy		5,358,216	1,232,429	4,125,786	
Revenue Increase from Demand		3,450,913			
Billing Demand/Equivalent Dem		6,090,594	1,674,594	4,416,000	
Increase in Demand Charge		0.57	0.57	0.57	
Change in demand revenues		3,450,913	948,820	2,502,093	
Change in energy revenues		5,358,216	1,232,429	4,125,786	
Change in base revenues	16,482,871	8,809,129	2,181,250	6,627,879	25,292,000
Change in ES revenues	284,548	(284,548)	(115,456)	(169,093)	-
Change in Total Revenues	16,767,420	8,524,580	2,065,794	6,458,786	25,292,000
Percent Increase	12.0%	4.1%	4.5%	3.9%	7.2%

	Rurals	LI + Smelter	
	\$ (14,754,369)	\$ (6,296,648)	Utility Operating Margins - Pro Forma
	\$ 587,196,907	\$ 650,548,730	Net Cost Rate Base
	-2.51%	-0.97%	Rate of Return
	9,070,902		Increase to Equal ROR
\$ 72,968,131	\$ 39,380,581	\$ 33,587,550	BREC Increase
\$ 63,897,229	\$ 30,309,679	\$ 33,587,550	Increase above equalization
	0.4744	0.5256	Vector
	\$ 142,528,872	\$ 216,064,791	Total Operating Revenue
\$ 367,664,564	\$ 151,599,773	\$ 216,064,791	Operating Revenue with equalization
	0.4123	0.5877	Vector
\$ 1,237,745,636	\$ 587,196,907	\$ 650,548,730	Net Cost Rate Base
	0.4744	0.5256	Vector

	\$ (5,683,467)	\$ (6,296,648)	Margins with equalization
	-0.968%	-0.968%	Rate of return
11,152,076	5,322,297	5,829,779	12 CP Demand
	0.4772	0.5228	Vector

APPROACH 1

9,070,902	9,070,902		Equalization Increase
17,729,098	8,410,833	9,318,265	Additional Increase (on rate base)
26,800,000	17,481,735	9,318,265	Total Increase

APPROACH 2

72,968,131	\$ 39,380,581	\$ 33,587,550	Company Proposed Increase
(46,168,131)	(21,902,548)	(24,265,583)	Scale Back (on rate base)
26,800,000	\$ 17,478,032	\$ 9,321,968	

DIFFERENCE 3,702 (3,702)

Difference is probably due to rounding in the Company proposed increase.

	Rurals	LI + Smelter	
	\$ (16,110,528)	\$ (6,574,408)	Utility Operating Margins - Pro Forma
	\$ 587,174,492	\$ 650,524,829	Net Cost Rate Base
	-2.74%	-1.01%	Rate of Return
	10,176,358		Increase to Equal ROR
\$ 74,476,120	\$ 40,676,278	\$ 33,799,842	BREC Increase
\$ 64,299,762	\$ 30,499,920	\$ 33,799,842	Increase above equalization
	0.4743	0.5257	Vector
	\$ 141,535,138	\$ 216,129,337	Total Operating Revenue
\$ 367,840,833	\$ 151,711,496	\$ 216,129,337	Operating Revenue with equalization
	0.4124	0.5876	Vector
\$ 1,237,699,321	\$ 587,174,492	\$ 650,524,829	Net Cost Rate Base
	0.4744	0.5256	Vector

	\$ (5,934,170)	\$ (6,574,408)	Margins with equalization
	-1.011%	-1.011%	Rate of return
11,152,076	5,322,297	5,829,779	12 CP Demand
	0.4772	0.5228	Vector

APPROACH 1

10,176,358	10,176,358		Equalization Increase
16,623,642	7,886,389	8,737,253	Additional Increase (on rate base)
26,800,000	18,062,747	8,737,253	Total Increase

APPROACH 2

74,476,120	\$ 40,676,278	\$ 33,799,842	Company Proposed Increase
(47,676,120)	(22,617,934)	(25,058,186)	Scale Back (on rate base)
26,800,000	\$ 18,058,344	\$ 8,741,656	

DIFFERENCE 4,403 (4,403)

Difference is probably due to rounding in the Company proposed increase.

KIUC Rate Impact Analysis
Development of Large Industrial Rates

	Rurals	Lg Ind + Smelter	Large Industrials	Smelter
12 CP Demand	5,322,297	5,829,779	1,413,779	4,416,000
Allocation vector	0.4772	0.5228	0.1268	0.3960
Present Revenues	138,121,080	209,820,128	46,064,053	163,756,075
Big Rivers proposed increases	40,676,278	33,799,842	8,247,929	25,551,913
BREC Proposed % Increases	29.4%	16.1%	17.9%	15.6%
KIUC Adjustments (on 12CP)	(22,753,295)	(24,922,825)		
KIUC Proposed Increases	17,922,983	8,877,017		
KIUC Proposed % Increases	13.0%	4.2%		
TIER Adjustment Charge		9,319,659		9,319,659
ES Revenues	8,718,352	11,872,232	2,933,572	8,938,660
Surcharge Revenues	(4,235,358)	4,235,358	(1,677,110)	5,912,468
Adjusted Present Revenue Base	133,638,086	184,392,879	44,807,591	139,585,288
Adjusted KIUC Revenue Base	151,229,390	193,601,575		
ES Revenues - KIUC Proposed	9,030,226	11,560,358		
Change in ES Revenues	311,874	(311,874)		
KIUC Increase - Base Rates	17,611,110	9,188,890		
Large Industrial and Smelter Rate Design				
Billing Energy		4,102,905,079	943,698,679	3,159,206,400
Proposed Energy Charge	5.6%	0.025867	0.025867	0.025867
Present Energy Charge		0.024505	0.024505	0.024505
Revenue Increase from Energy		5,589,625	1,285,655	4,303,969
Revenue Increase from Demand		3,599,266		
Billing Demand/Equivalent Dem		6,090,594	1,674,594	4,416,000
Increase in Demand Charge		0.59	0.59	0.59
Change in demand revenues		3,599,266	989,609	2,609,656
Change in energy revenues		5,589,625	1,285,655	4,303,969
Change in base revenues	17,611,110	9,188,890	2,275,265	6,913,626
Change in ES revenues	313,056	(313,056)	(122,155)	(190,901)
Change in Total Revenues	17,924,166	8,875,834	2,153,109	6,722,725
Percent Increase	13.0%	4.2%	4.7%	4.1%

**Total
System**

11,152,076
1.0000

347,941,208
74,476,120
21.4%

(47,676,120)

26,800,000
7.7%

9,319,659
20,590,584

-
318,030,965 6.474%
344,830,965 5.971%
20,590,584
-
26,800,000

26,800,000
(0)
26,800,000
7.7%

KIUC Rate Impact Analysis
Calculation of Increases by Rate Class

	Rurals	Lg Ind + Smelter	Large Industrials	Smelter	Total System
Rate Base	587,174,492	650,524,829	157,495,298	493,029,531	1,237,699,321
Allocation vector	0.4744	0.5256	0.1272	0.3983	1.0000
Present Revenues	138,121,080	209,820,128	46,064,053	163,756,075	347,941,208
Big Rivers proposed increases	40,676,278	33,799,842	8,247,929	25,551,913	74,476,120
BREC Proposed % Increases	29.4%	16.1%	17.9%	15.6%	21.4%
KIUC INCREASE					
Increase to equalize present ROR	10,176,358	-			10,176,358
Additional KIUC Increase (on rate base)	7,886,389	8,737,253			16,623,642
KIUC Proposed Increases	18,062,747	8,737,253			26,800,000
KIUC Proposed % Increases	13.1%	4.2%			7.7%
ADJUSTMENT TO ES REVENUES DUE TO INCREASE					
TIER Adjustment Charge		9,319,659		9,319,659	9,319,659
ES Revenues	8,718,352	11,872,232	2,933,572	8,938,660	20,590,584
Surcharge Revenues	(4,235,358)	4,235,358	(1,677,110)	5,912,468	-
Adjusted Present Revenue Base	133,638,086	184,392,879	44,807,591	139,585,288	318,030,965
Adjusted KIUC Revenue Base	151,360,809	193,470,156			344,830,965
ES Revenues - KIUC Proposed	9,038,073	11,552,511			20,590,584
Change in ES Revenues	319,721	(319,721)			-
KIUC Increase - Base Rates	17,743,026	9,056,974			26,800,000
Large Industrial and Smelter Rate Design					
Billing Energy		4,102,905,079	943,698,679	3,159,206,400	
Proposed Energy Charge	5.5%	0.025848	0.025848	0.025848	
Present Energy Charge		0.024505	0.024505	0.024505	
Revenue Increase from Energy		5,509,379	1,267,198	4,242,181	
Revenue Increase from Demand		3,547,594			
Billing Demand/Equivalent Dem		6,090,594	1,674,594	4,416,000	
Increase in Demand Charge		0.58	0.58	0.58	
Change in demand revenues		3,547,594	975,402	2,572,192	
Change in energy revenues		5,509,379	1,267,198	4,242,181	
Change in base revenues	17,743,026	9,056,974	2,242,601	6,814,373	26,800,000
Change in ES revenues	320,933	(320,933)	(124,106)	(196,828)	0
Change in Total Revenues	18,063,960	8,736,040	2,118,495	6,617,545	26,800,000
Percent Increase	13.1%	4.2%	4.6%	4.0%	7.7%

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF BIG RIVERS)
ELECTRIC CORPORATION FOR AN) CASE NO.2012-00535
ADJUSTMENT OF RATES)

**KIUC'S RESPONSE TO
COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

7. **Refer to page 5, lines 18-21, of the Kollen Testimony. With the recommended revenue increase, for how long would Big Rivers be able to continue paying all of its existing debt and its existing financial obligations?**

RESPONSE:

Mr. Kollen cannot make a reasonable calculation of the timeframe due to the unavailability of the information necessary to make such a calculation and the dynamic nature of the decision-making processes of the Company, the creditors, and customers. There are significant unknowns, including what actions the Company, the creditors, and customers will take in response to the rate increase granted; the actions the Company will take in response to the Alcan termination and the resulting additional physical and economic excess capacity; and the amount of the Alcan rate increase and the actions the Company, the creditors, and customers will take in response to the Alcan rate increase that is granted. The Staff and KIUC asked numerous data requests to determine what actions the Company plans to take in response to the Alcan termination. The Company failed to provide the requested information or the related costs. The Staff request is Staff 2-1. The KIUC requests are listed in Footnote 28 on page 46 of Mr. Kollen's Direct Testimony.

Mr. Kollen recommends that the Commission set rates at fair, just, and reasonable levels and that there be an equitable sharing between customers and creditors of the costs of the excess capacity caused by the Century and Alcan terminations. This will require creditors to make concessions either voluntarily or involuntarily. How that will be worked out between the Company and its creditors is not the Commission's responsibility. If the Commission does not adopt the KIUC recommendation and instead approves the Company's request, then it will impose the entirety of the costs of excess capacity on customers who did not cause these costs and who did not agree to assume the risks of the Smelter terminations and will relieve the creditors of any responsibility despite the fact that the creditors knowingly assumed the risks of the Smelter terminations.

Answer provided by Lane Kollen.