

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

IN THE MATTER OF: THE APPLICATION OF BIG :  
RIVERS ELECTRIC CORPORATION FOR AN : Case No. 2013-00199  
ADJUSTMENT OF RATES :

**DIRECT TESTIMONY**  
**OF**  
**BILL CUMMINGS**

**RECEIVED**  
OCT 29 2013  
PUBLIC SERVICE  
COMMISSION

**ON BEHALF OF THE**  
**KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**

**October 2013**

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

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**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 background.**

9 A. I received a Bachelor of Science degree in General Management from New Hampshire  
10 College (now known as Southern New Hampshire University) in May 1981. I joined  
11 Kimberly-Clark in June 1981. In my 32 years with Kimberly-Clark, I have held several  
12 procurement positions at corporate staff and at a manufacturing plant. I became Energy  
13 Supply Leader in 2008 within Kimberly-Clark's Global Sustainability team. My

1 responsibilities include purchasing reliable low-cost supply of natural gas and electricity  
2 for several Kimberly-Clark North American manufacturing plants, corporate offices and  
3 distribution centers. In addition, I have global responsibility for developing renewable  
4 energy and alternative energy projects for Kimberly-Clark.

5 I am Kimberly-Clark's representative in several state industrial energy groups,  
6 including Kentucky Industrial Utilities Customers, Inc. ("KIUC"). I am Chairman of the  
7 South Carolina industrial energy group and serve on the Boards of the Wisconsin group  
8 and on the Executive Committee of the Texas group.

9  
10 **Q. On whose behalf are you appearing in this proceeding?**

11 **A.** I am appearing on behalf of Kimberly-Clark Corporation, which is a member of KIUC.  
12 Kimberly-Clark is the manufacturer of well-known brands such as Kleenex, Scott,  
13 Huggies, Kotex, Viva and Cottonelle. Kimberly-Clark is a global manufacturer operating  
14 in 37 countries with 58,000 employees and \$21 billion in annual revenue.

15 Kimberly-Clark's Owensboro, Kentucky mill broke ground in 1992 and now  
16 employs 340 full-time personnel and approximately 50 full-time contractors, producing  
17 Kleenex and Scott tissue and hand towels for hotels, restaurants and workplace settings.  
18 It is one of Kimberly-Clark's most productive and cost-effective facilities, operating 24  
19 hours per day, seven days per week, 365 days per year. It is also one of Kimberly-  
20 Clark's safest operating paper mills in North America, and is recognized annually for  
21 exceeding performance measures of all types. Owensboro Mill wages, not including  
22 benefits, exceed \$20 million per year, and annual plant spending including capital  
23 investment exceeds \$200 million per year. Kimberly-Clark's Owensboro Mill is a Large

1 Industrial customer of Big Rivers Electric Corporation ("Big Rivers") through our  
2 distribution cooperative Kenergy.

3  
4 **Q. Would you please summarize your testimony?**

5 **A. Yes. I testify that the rate increases requested by Big Rivers would result in**  
6 **uncompetitive power rates for the Owensboro Mill. This could disadvantage that mill in**  
7 **relation to competing Kimberly-Clark mills and discourage future Kimberly-Clark**  
8 **investment in the Owensboro Mill. If Big Rivers' rate increases are approved as filed,**  
9 **the Owensboro Mill will have the highest per unit electricity cost of any Kimberly-Clark**  
10 **tissue mill in the U.S.**

11 I explain that Kimberly-Clark can take actions to reduce the total impact of Big  
12 Rivers' proposed increases on the Owensboro Mill, including continuing its energy  
13 efficiency efforts, which will at best only negate a small percentage of Big Rivers' rate  
14 increase, and investing in cogeneration, which could squeeze out other potential  
15 investment at Owensboro. If Kimberly-Clark's actions reduced the size of the total  
16 native load taking service from Big Rivers, however, Big Rivers may seek additional rate  
17 increases in the future.

18 I recommend that the Commission adopt KIUC's proposed Rate Plan. I also  
19 support KIUC witness Baron's proposal that the Commission allow Large Industrial  
20 customers access to market-based rates for a portion of their load. Alternatively, if the  
21 Commission does not adopt Mr. Baron's recommendation regarding market access, at  
22 minimum, I recommend that it change the terms of the Rural Economic Reserve to  
23 protect both Rural and Large Industrial customers from Big Rivers' proposed rate

1 increases.

2  
3 **Q. Have you testified in any other proceeding(s) before the Commission?**

4 A. Yes. I testified in the last Big Rivers rate case, Case No. 2012-00535.

5  
6 **Q. Please summarize your testimony in Big Rivers' last rate case.**

7 A. I testified that the nearly 30% rate increase to Large Industrial customers requested in that  
8 case would impose significant additional costs on Kimberly-Clark that cannot be passed  
9 on to its customers. I expressed concern that the rate increase proposed by Big Rivers in  
10 this case would be even worse and that both of these increases, if approved, would  
11 undermine the competitiveness of the Owensboro Mill.

12 I also explained that because the misinformation regarding Case No. 2012-00535  
13 and the lack of information related to the case was so glaring, Kimberly-Clark, Domtar,  
14 and Aleris formed Fair Rates Kentucky ([www.fairratesky.com](http://www.fairratesky.com)) to provide Big Rivers'  
15 customers with facts regarding the true impact of the proposed rate increases.

16  
17 **Q. How would a 112% rate increase impact the Owensboro, Kentucky mill?**

18 A. As I previously stated, rate increases of the magnitude proposed by Big Rivers will result  
19 in uncompetitive power rates for the Owensboro Mill. Kimberly-Clark owns and  
20 operates tissue mills in several states and Canada, which compete with the Owensboro  
21 Mill to operate at full capacity and for capital investment. If approved, the substantial  
22 rate increases proposed will weaken the Owensboro Mill's position relative to the other  
23 Kimberly-Clark plants and relative to Kimberly-Clark's numerous competitors in the

1 tissue market.

2 Although electricity costs are one of several factors that are considered when  
3 making decisions regarding which mill will receive additional capital investment, with  
4 energy typically the third largest cost of tissue production, those costs are a very  
5 important factor in a facility's competitiveness. If the Commission approves the rate  
6 increases proposed by Big Rivers, drastically raising the Owensboro Mill's electricity  
7 costs, the mill's cost structure would become comparatively disadvantaged and make it  
8 more likely that capital investment could bypass that mill in favor of Kimberly-Clark's  
9 other U.S. tissue mills with more favorable energy costs. This would impact long-term  
10 plans for the Owensboro Mill and could ultimately result in job loss in Owensboro.

11 Our Owensboro Mill management team actively manages our cost structure to try  
12 to stay competitive, including investing in energy efficient equipment to reduce energy  
13 costs and closely scrutinizing every job opening. Kimberly-Clark has identified 40  
14 energy efficiency projects for the Owensboro Mill at a capital cost of almost \$2.5 million  
15 that will reduce electricity consumption by only 4%. These 40 projects would negate  
16 only a fraction of the 112% rate increase. However, Kimberly-Clark cannot pass along  
17 cost increases to our customers in order to maintain margins. A reliable, competitively  
18 priced power supply was a key factor in selecting Owensboro as the site of a new tissue  
19 mill one quarter century ago and remains critical to the long-term success of the  
20 Kimberly-Clark Owensboro Mill.

21  
22  
23 **Q. Why do you state that the power rates resulting from Big Rivers' requests would be**

1 **uncompetitive?**

2 A. As a result of Big Rivers' proposed increases, the power rate to Owensboro would be  
3 \$79/MWh once the Reserve funds are exhausted. This is significantly higher than the  
4 power rates charged to other Kimberly-Clark facilities. For example, the \$79/MWh rate  
5 is almost 50% higher than Kimberly-Clark's weighted average price for purchased power  
6 in the U.S and would result in the Owensboro Mill having the highest power price of any  
7 Kimberly-Clark tissue mill in the U.S.

8  
9 **Q. In addition to its current energy efficiency efforts, could Kimberly-Clark take any  
10 other action that would reduce the impact of the proposed rate increases on its  
11 Owensboro mill?**

12 A. Yes, but doing so would be expensive and may actually lead to future rate cases.  
13 Kimberly-Clark has gone to great capital expense in some instances to address  
14 uncompetitive power costs and/or unreliable power supply at its tissue mills. For  
15 instance, we have installed gas-fired combined heat and power cogeneration at Kimberly-  
16 Clark mills in California, Connecticut, Italy and Australia – the latter one starting up less  
17 than three months ago. If the proposed rate increases for the Owensboro Mill are  
18 approved, Kimberly-Clark will certainly evaluate installing a similar cogeneration system  
19 in the hopes of keeping Owensboro's overall cost of manufacturing competitive.

20 While this may reduce the impacts of an uncompetitive power rate at the  
21 Owensboro Mill, the use of cogeneration at that mill would obviously result in further  
22 deterioration of Big Rivers' native load. For example, if Kimberly-Clark acquired 100%  
23 of its power here through cogeneration, it would reduce Big Rivers' total remaining

1 native load (Rural and Large Industrial) by 9.4%. This could result in yet another Big  
2 Rivers rate case in the future. Such an investment in on-site energy assets would also  
3 absorb capital that could otherwise be used to expand the facility or improve its  
4 productivity thereby bolstering the long-term employment picture.

5  
6 **Q. Does Kimberly-Clark have any other concerns regarding Big Rivers' proposed rate  
7 increases?**

8 **A.** Yes. Kimberly-Clark believes that a 112% rate hike within a one-year period could cause  
9 the closures of many other industrial and commercial employers in Western Kentucky.  
10 This uncertainty causes us to call into question the long-term viability of Big Rivers as a  
11 stand-alone entity, and as a reliable supplier.

12  
13 **Q. What do you recommend that the Commission do with respect to Big Rivers'  
14 proposal?**

15 **A.** The Commission should adopt the Rate Plan proposed by KIUC witness Lane Kollen.  
16 We also support KIUC witness Baron's recommendation that the Commission allow  
17 Large Industrial customers to have access to market-based rates for a portion of their  
18 load. If the Commission is going to allow the smelters to access market-based rates, they  
19 should also allow Large Industrial customers some access to those rates as well. Doing  
20 so would improve the competitiveness of Large Industrial customers in Kentucky.

21 Alternatively, if the Commission does not provide Large Industrial customers  
22 some access to market-based rates, the Commission should alter the terms of the Rural  
23 Economic Reserve to protect both Rural and Large Industrial customers, as recommended



1 by KIUC witness Baron. In light of the substantial rate increases to both Rural *and* Large  
2 Industrial customers proposed by Big Rivers, it would be reasonable for the Commission  
3 to expand the use of that fund in order to protect all of Big Rivers' remaining customers.

4

5 **Q. Does this conclude your testimony?**

6 **A. Yes.**

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**AFFIDAVIT OF WILLIAM CUMMINGS**

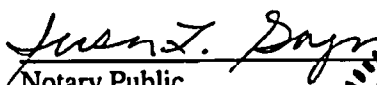
STATE OF GEORGIA            )  
  ) SS  
COUNTY OF FULTON        )

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

1. He is Energy Supply Leader of the 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 under his direction and supervision;
4. If inquiries are made as to facts in his testimony, he will respond to written requests; and
5. The aforesaid testimony is true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
William Cummings

Subscribed and sworn to or affirmed before me this 28<sup>th</sup> day of October, 2013 by Bill Cummings.

  
\_\_\_\_\_  
Notary Public

