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COMMISSION

May 3, 2013

Kentucky Public Service Commission
Frankfort, Kentucky

Ref: Big Rivers/Kenergy rate increases

Sir/Madam,

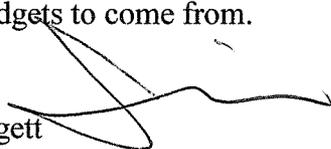
We have recently had the following problem dumped in our lap:

1. Two aluminum smelters have given Big Rivers termination notices. These two smelters represent 70 percent of Big Rivers' business.
2. Big Rivers has submitted a rate case to KY PSC already for the first of these cancellations. They will be submitting a second one also. Kenergy plans to pass the rate increases on through to the home users.
3. The first rate increase, if granted will add 19% to individual consumer electricity bills. The second is expected to be similar.

Although I understand the problem fairly clearly, I am distressed by the solution proposed by Big Rivers and Kenergy. They plan to pass the shortfall along to the individual customers, simply raising the price of retail electricity to make up for the loss of the two smelter customers. Obviously, something like this cannot happen in a competitive environment - if I don't want to shop at Krogers, I go to WalMart for my groceries. And that competition prevents any thought of "just passing the cost on through".

I also understand that our society has chosen to let utilities be monopolies, and for good reasons. And to prevent the problems of monopoly pricing power, public service commissions were created. Now we need KY PSC to step in and insist on real solutions to this situation, something more innovative than "pass the increase on through". I am no expert on public utilities, but there has to be better answers than what we're seeing. In the extreme, as in the competitive marketplace, Big Rivers needs to hold prices at normal market rates, scramble for new customers, and if they fail to find them, go bankrupt. But almost certainly there is a much less dramatic solution.

Please help us with this situation. Many of the people in western KY are in middle-income or lower brackets, many retired. A 30-40% electric bill increase has few places in our budgets to come from.


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