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PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfurt, KY 40602
Re: LGE Rate Case No. 2012-00222

Dear Mr. Derouen:

JBS owns a large pork processing facility located in Louisville, KY. The facility has 1,275 employees and uses approximately 45,000 MWhrs of electricity annually with electricity spend for the last 12 months over \$2.7M. The facility has been in Louisville since 1847 under multiple different owners. We appreciate the reliable service LGE has provided along with competitive rates—both have been integral in the viability of our operations.

The purpose of this letter is to express concern over the proposed rate increase by LGE. LGE uses predominantly coal and natural gas fired generation to serve their customers. In the past 3 years, natural gas prices have decreased 50% and coal prices have decreased by over 30%—two of the main cost components in producing electricity. If you look at the accompanying attachment, you will see a continued steady increase in the cost of our electricity, despite a dramatic decrease in input costs for LGE. Not only do we disagree with any rate increase, but we firmly believe we should be seeing a rate decrease.

JBS respectfully asks the Commission to ask the same questions we are asking. Why aren't industrial and retail customers benefitting from such a large decrease in input costs? Why do industrial and residential customers receive an immediate price increase when input costs have a material move to the upside but no adjustment when prices move in our favor?

An increase in electricity prices has direct and indirect impacts to our costs. Direct impacts will be higher electricity invoices and costs. Indirect impacts will occur when our suppliers, distributors, and packaging specialists all try and pass on their higher costs to JBS. Both will increase our costs and ultimately decrease our competitiveness in our industry. Margins in many agricultural businesses are extremely tight—often less than 3%, and increasing costs only makes being successful in this industry that much harder.

We appreciate your consideration of our comments and if you have any questions, please feel free to contact me.

Sincerely,

Jim Mullin
Head of Energy Procurement
JBS/Pilgrim's Pride
(970) 506-7858

