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January 25, 2013

Via Federal Express

Jeff DeRouen
Executive Director
Public Service Commission
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Frankfort, Kentucky 40602-0615

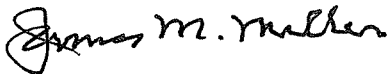
RECEIVED
JAN 28 2013
PUBLIC SERVICE
COMMISSION

Re: *In the Matter of: The Application of
Big Rivers Electric Corporation for a General
Adjustment in Rates*, PSC Case No. 2012-00535

Dear Mr. DeRouen:

Enclosed for filing in the above referenced matter are an original and ten copies of the response of Big Rivers Electric Corporation ("Big Rivers") to Kentucky Industrial Utility Customers, Inc.'s Motion for Big Rivers to File a Corrected Notice. I certify that copies of this letter and response have been served on each party of record this day by placing the same in the U.S. mail, postage prepaid, addressed to each party of record.

Sincerely yours,



James M. Miller

JMM/ej
Enclosures

cc: Albert Yockey

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1 COMMONWEALTH OF KENTUCKY
2 BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

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4 JAN 28 2013

5 In the Matter of:

PUBLIC SERVICE
COMMISSION

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7 Application of Big Rivers Electric)
8 Corporation for a General) Case No. 2012-00535
9 Adjustment in Rates)

10
11
12 **RESPONSE OF BIG RIVERS ELECTRIC CORPORATION TO KENTUCKY**
13 **INDUSTRIAL UTILITY CUSTOMERS, INC.'S MOTION FOR BIG RIVERS**
14 **ELECTRIC CORPORATION TO FILE A CORRECTED NOTICE**
15

16 Comes Big Rivers Electric Corporation ("Big Rivers"), by counsel, and for its
17 response to the motion of Kentucky Industrial Utility Customers, Inc. ("KIUC") to
18 require Big Rivers to provide a revised customer notice (the "Motion"), states as
19 follows:

20 1. The proposed percentage increase in rates stated by Big Rivers in its
21 notice to its three member distribution cooperatives ("Members") is correct. That
22 notice was in the form of a letter, which is attached to Big Rivers' application as Tab
23 10. The attachments included with the notice letter clearly set forth the amount of
24 the proposed rate change in both dollar amounts and percentage change for each
25 customer classification to which the proposed rate change will apply, as well as the
26 other information required by 807 KAR 5:001 Section 10.¹ In fact, Big Rivers
27 provided the entire application and all attachments thereto to its Members as part
28 of the notice, which the notice letter makes clear.

¹ Pursuant to the Commission's December 20, 2012, order in this matter, Big Rivers filed its application under the version of the Commission's regulations in effect prior to the January 4, 2013, revisions.

1 2. KIUC does not allege that Big Rivers made mathematical errors in
2 calculating the percent increase. KIUC's Motion also involves no allegation of error
3 relating to the dollar amounts of the proposed change that Big Rivers provided in
4 the notice. KIUC's claim that the percentages in the notice are incorrect is based
5 solely on the allegation that the only proper methodology was for Big Rivers to
6 provide the percentage change net of the Member Rate Stability Mechanism
7 ("MRSM").

8 3. Big Rivers calculated the percent change gross of the effects of the
9 MRSM. That methodology for calculating the percent change is the same
10 methodology Big Rivers used in Case No. 2011-00036² without complaint from any
11 party in that case, including KIUC, and the fact that the percentages Big Rivers
12 provided are gross of the effects of the MRSM and other temporary mechanisms was
13 plainly explained in the notice letter. More specifically, the notice letter explains:

14 The proposed adjustments in Big Rivers' wholesale electric rates
15 and tariffs are more fully described in the copy of the complete
16 filing enclosed with this letter. The numbers and percentages
17 used in this paragraph are affected by certain mechanisms or
18 adjustments that have a temporary or limited effect, namely, the
19 Member Rate Stability Mechanism, Rural Economic Reserve
20 Rider, and Non-Smelter Non-FAC PPA, all of which are
21 explained in the Direct Testimony of John Wolfram, Tab 73 to
22 the application.

23
24 4. KIUC's Motion includes the entirely unfounded allegation that Big
25 Rivers' methodology was "misleading." It should be noted that neither KIUC nor
26 the retail industrial customers that KIUC represents are customers of Big Rivers

² See Tab 9 to Big Rivers' application in *In the Matter of: Application of Big Rivers Electric Corporation for a General Adjustment in Rates*, Case No. 2011-00036, which closely resembles the notice Big Rivers provided in this case.

1 entitled to notice under the Commission's regulations, and have no standing to
2 speak for the Members on their subjective reactions to the notice. KIUC's Motion
3 refers to the notice Big Rivers provided to its Members as a notice to the public;
4 however, under 807 KAR 5:001 Section 10(3), the notice is explicitly a notice to
5 customers, and thus, it is Big Rivers' customers (its three Members) that are
6 entitled to the notice. More importantly, however, Big Rivers' actual customers, its
7 Members, say in their responses to the KIUC Motion that they were not misled by
8 the notice, and they fully understand the amount and impact of the proposed
9 increase. Even KIUC, for whom the notice was not intended, understands the
10 amount of the proposed increase, that the percentages Big Rivers provided were
11 gross of the MRSB, and that different percentages (but not different dollar
12 amounts) result if the percent increase is calculated using a different methodology.

13 5. KIUC, however, miscalculates the percent increase net of the MRSB
14 as 38.4% for the Rural class and 27.0% for the Large Industrial class. KIUC's
15 calculation is incorrect because it is based on only a subset of the test period, rather
16 than the full test period, and overstates the percent increase net of the MRSB.
17 Using Exhibit Siewert-2 to the Direct Testimony of Travis A. Siewert (Tab 72 to the
18 application), which is the same exhibit KIUC relied on for its calculation, the
19 percent wholesale increase to Big Rivers' Members net of the MRSB is 35.8% for
20 the Rural class and 22.1% for the Large Industrial class.

21 6. Finally, even if KIUC had standing to complain about the notice, it has
22 not shown that calculating the percent increase gross of the MRSB is flawed under

1 the Commission's regulations. In fact, Big Rivers notes that Commission Staff has
2 already found that the application meets the minimum filing requirements.³

3 7. Thus, Big Rivers, its Members, and KIUC all understand the notice
4 Big Rivers provided to its Members. They fully understand what increase Big
5 Rivers is seeking. They understand the percent increase in the notice is gross of the
6 MRSB. They understand a different percent increase results under a different
7 methodology. There is no allegation that Big Rivers' calculation of the percent
8 increase gross of the MRSB was mathematically erroneous, KIUC has not shown
9 that calculating the percent increase gross of the MRSB is contrary to the
10 Commission's regulations, and Commission Staff found that Big Rivers' application
11 met the minimum filing requirements. For all of these reasons, KIUC's Motion is
12 nothing more than a curious diversion of the Commission's and the parties' time
13 and resources, and should be denied.

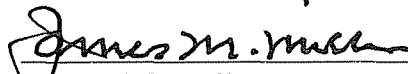
14 WHEREFORE, Big Rivers respectfully requests that the Commission deny
15 KIUC's Motion.

16 On this the 25th day of January, 2013.

17 |

³ See letter from the Commission Staff to Big Rivers dated January 23, 2013, filed in the record in this matter.

Respectfully submitted,




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Counsel for Big Rivers Electric
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Certificate of Notice

I certify that a true and accurate copy of the foregoing was served by first class mail, postage prepaid, upon the persons listed on the attached service list, on this the 25th day of January, 2013.



James M. Miller

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