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Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

November 2, 2011

PARTIES OF RECORD

Re: Case No. 2011-00161

Attached is a copy of the Summary Notes and attached Exhibits, of the proceedings from the Public Meeting held in Henderson, Kentucky on September 1, 2011.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Dereuen".

Jeff Dereuen
Executive Director

Attachments

cc: Parties of Record

SUMMARY NOTES

PUBLIC MEETING
CASE NO. 2011-00161
HENDERSON, KENTUCKY
KENTUCKY UTILITIES COMPANY
5:30 P.M.

A public meeting concerning Case No. 2011-00161 In the Matter of: Application of Kentucky Utilities Company for an Amended Environmental Compliance Plan, a Revised Surcharge to Recover Costs, and Certificates of Public convenience and Necessity for the Construction of Necessary Environmental Equipment was conducted on September 1, 2011 at 5:30 p.m. Central Daylight Time at the Henderson Fine Arts Center, Henderson Community College, 2660 S. Green Street, Henderson, Kentucky.

A sign in sheet of attendees (excluding PSC staff) is attached as Exhibit # 1. The information provided by Mr. Darrel Pfingston is attached as Exhibit # 2.

This document is intended to be the summary notes of the proceeding and is not intended to be a verbatim transcription.¹

Vice Chairman James Gardner:

Kentucky Public Service Commission Vice Chairman James Gardner introduced himself, Commissioner Charles Borders and Commission Staff in attendance: Kimra Cole, John Rogness, John Shupp, Faith Burns, Andrew Melnykovych, Chad Parrish, Jordan Keys, and Pam Ayer. The Vice Chairman also introduced Lawrence Cook from the Attorney General's office.

The Vice Chairman stated that Chairman David Armstrong could not be at the meeting but that he will be fully informed about the comments that are made tonight. The Vice Chairman stated that we are here for the purpose of taking public comments on the application of Kentucky Utilities Company for approval of an environmental compliance plan and associated environmental surcharge. KU is seeking authorization to spend \$1.1 billion for additional air emission controls at its Brown plant in Mercer County and its Ghent plant in Carroll County as well as conversion of the coal ash pond to dry storage at the Ghent facility. KU estimates that a customer using 1,000 kw hours per month will see an increase of \$9.46 or about 12% in their monthly bill by 2016. In addition to proposing construction of new environmental controls, KU is also evaluating whether to close its Green River plant in Muhlenberg County and its Tyrone plant in Woodford County. If those plants are shut down, the utilities would file plans to replace the lost generating capacity. Those plans would be subject of a separate PSC proceeding. Kentucky Utilities states in its application that the additional environmental controls are needed to meet new federal standards with most of the costs going to facilities designed to reduce emissions of fine particulates and mercury. If you were here for the earlier informational session, you will have heard that the PSC has no authority to determine

¹ This summary composed by Faith B. Burns, PSC Staff Attorney.

whether or not the environmental standards in question are reasonable or necessary. Therefore the PSC has no jurisdiction over whether Kentucky Utilities should comply with the standards. Our jurisdiction or authority is solely over the reasonableness of the Company's compliance plan and the cost recovery mechanism and the most useful comments tonight would address those issues. This meeting is being held as part of the PSC's consideration of this proposed compliance plan and surcharge. The case number is 2011-00161. This is the first of three such meetings in this case. Four. Three for KU, right. That's true. We will conduct meetings next week in Lexington and Corbin for KU. We'll also conduct a meeting next week in Louisville to take comments on a parallel plan and surcharge proposed by its sister affiliated company, Louisville Gas and Electric Company. Because they're corporate affiliates, the two cases are being considered at the same time but they're actually separate cases. We understand that this proposed increase has generated some controversy. We also recognize that this can be an emotional issue particularly given the current economic situation. We trust that those who want to speak tonight will present their opinions in a respectful manner and respect the right of everyone to be heard.

Let me explain how we'll proceed. We're here to listen to the public. Therefore there'll be no presentations by Kentucky Utilities or any of the other parties to this case such as the Attorney General. Nor will there be any question and answer period involving the parties. The Commission will be taking sworn testimony from them in a forthcoming evidentiary hearing. Allowing questions and answers on the record as part of this meeting creates a potential for procedural problems later in the process. However, representatives of Kentucky Utilities have agreed to remain after the conclusion of public comments to meet informally with anyone who has any individual questions they wish the company to address. And I guess that's if they haven't already been answered; and if those of you with KU, if you would mind standing just so folks know where you are. Great. Thank you all. Those of you wishing to speak should have indicated your intention to do so when you signed in this evening. If you've not signed in please do so whether you intend to speak or not so that we can have a complete record of this proceeding. Those of you who do not wish to speak still may submit comments in writing. We have comment forms that are available. You may turn those in tonight to a member of the PSC staff or fax or mail them to the PSC. The address and phone number are on the forms. You may also submit comments by e-mail through the PSC website, which is psc.ky.gov. As you can see, the meeting is being video taped, a summary of the and it will be available on the PSC website. The summary of the public comments received tonight will be prepared for the PSC and become part of the case record which is also available on the website. All written comments will also be entered into the case record. Written comments will be accepted through the date of the formal evidentiary hearing in this case. That hearing, during which Kentucky Utilities, LG&E and other parties will present their cases to the PSC and be subject to cross examination will begin at 9 o'clock Eastern Standard Time on Wednesday, November the 9th at the PSC offices at 911² (sic) Sower Boulevard in Frankfort. It's open to the public and will be streamed live on the PSC website, psc.ky.gov. Three important things before I ask those who wish to speak to come forward. First, because the PSC acts in a quasi judicial capacity and Commissioners must rule on Kentucky Utilities' application, we cannot answer questions pertaining to the substance of the case. However, any questions you raise during this

² Correct address of the PSC is 211 Sower Boulevard, Frankfort, Kentucky.

meeting may well be of assistance to us and the staff as we prepare for the evidentiary hearing. And PSC staff will be available after the public comments are concluded to answer any other questions you may have regarding procedural matters in this case. The most useful comments are those that directly address the merits of KU's proposed compliance plan and whether it's the least cost reasonable alternative for complying with the environmental requirements in question. As I indicated earlier, comments directed at the merits of the environmental requirements cannot be considered by the PSC because they concern issues outside of our authority. If you have any concerns or questions about service or billing on individual accounts, the most effective way is to have those is to speak with a member of the PSC staff after this meeting or call our toll free consumer hotline 1-800-772-4636 during regular business hours. When you come up to speak if you'd please state your name and place of residence. I assume there's no elected officials here who would like to speak? Okay. Now, it's time for the general public and I understand there's Mr. Darrel Pfingston? Correct? If you'd like to come up it would be great.

MR. DARREL PFINGSTON:

My name is Darrel Pfingston. I am presently employed by the Kentucky School Boards Association. My responsibility is energy manager. I've prepared a very short hand out which I'll present to you. (Handout entitled "Annual Building Energy Costs' Summary for Crittenden, Henderson, Union, & Webster County Public Schools and attached business card of Mr. Darrel Pfingston attached as Exhibit # 2).

VICE CHAIRMAN GARDNER:

If you could tell us where you live Mr. Pfingston it would be great.

MR. PFINGSTON:

I am a resident of Henderson, Kentucky.

VICE CHAIRMAN GARDNER:

Okay.

MR. PFINGSTON:

What I would like to describe to you and to the public behind me here is what shows on this handout. It identifies the annual energy costs for the public school districts that I have responsibility for which are Crittenden, Henderson, Union, and Webster County public schools. The aggregate total student population of those four districts is 12,500 students. Our annual energy billing costs is slightly over \$2.5 million annually. Our billing costs for building energy from Kentucky Utilities is slightly north of \$1 million, \$1.032 million. That provides you with one service provider for our schools that provides 40% of our energy costs is from one service provider. So any rate changes that occur will have significant, more significant an impact as a result of that. As an aside but to complete the reasonableness as to whether or not these written numbers represent statewide or area region wide applicability for Kentucky Utilities, the average unit price

per student on an annual basis of about \$200 per student is what it costs us, and that's nominally if you check with other people in the education public education environment in Kentucky you'll find that that's nominally the same number so these are representative reasonable numbers there.

What I would like to identify to you is that as I'm sure you are well aware and the people behind me are reasonably aware that the escalation rates associated with energy costs have in the recent past increased at a rate greater than the core rate of inflation. And if you were to take those two numbers – those two rates – the core rate of inflation and the energy services electrical energy services escalation rate and divide one by the other you'd find that the escalation rate at least from our perspective, for electricity, is increasing at about a factor of 2 greater than the rate of inflation. Now if you take that over a very short period of time you might find a slightly different conclusion. If you take it over a very very long period of time you might find a different conclusion. But over moderate length periods of time – and I'm saying those would be in the ranges of decades – that I think that this is a reasonable I think that what we've personally have seen may you may well see that yourself.

How does that apply to the school system? School systems are basically provided money on a per student basis. So our 12,500 students get the same rate of pay into the district as any other district would inside the state of Kentucky. So that nominally stays about the same. Another piece of that is is that those rates are tied loosely to the rate of inflation and not to the escalation rates. My proposal is so so the quandary that you put the public school districts in as these rates change not at the rate of inflation but at the rate of escalation you require the school district to actually - ah, how should I say this – ah, they have to make a decision as to how to reallocate their finite amount of resources. Their pie is not growing as fast as the escalation rate. And so there has to be a share shift as to where these monies come from and basically if we pay more than the rate of inflation for energy then we have to pay at a differing rate for something else. And basically all we have left is instruction, instructional power. So our share shift is is that we have to pay our teachers less or revise the ratio between the students and the instructors to allow our pie to remain finite.

My proposal for this quandary is is that we start thinking about possibly and integrating with this particular rate increase proposal a more novel way to look into the future that might help public school systems better achieve their fundamental goal. My idea, and it could be one of many, it's I truly believe it could be a seed for another idea, that could be grown from from the skills and expertise of this particular ah panel – for us to look at uh Kentucky Utilities uses a rate schedule that you're all familiar with, AES – all electric schools. And it's a preferred rate. And I think I think it's worked well for us for the period of time in which we've had it around. And I continue to think it's going to be very appropriate for us to use into the distant foreseeable future. However, what it doesn't allow for is if I have a school that's attempting to optimize its energy use and it uses fuels other than exclusively electricity, it becomes penalized in that it we don't allow that particular school or that group of schools to use the all electric school rate. Now I'm not saying that we should so water down the all electric schools rate to allow it to be used by everybody but I think it's time for us to think about a rate that's somewhere in between ah the general services and the power services rates and the all electric school rate and we could call that, for just purposes of discussion tonight, we'll just call it the ES rate instead

of the AES rate. And ES stands for electric schools. And basically what it becomes is is a rate that's more tied to the core rate of inflation, the rate in which the school districts are paid by the state to educate the students and less to the escalation rate or the rates that are required to insure that we have appropriate uh environmental stewardship.

If there uh, if there's one thing that would could really help us, as an energy manager, I'm looking for all, I think that there's no stone that shouldn't be unturned and things that we look at are increased efficiencies in the schools, and we're doing those. Increased awareness by the operating staff and we're doing that. Those are the types of things that we can do internally. But the things that happen externally, are sometimes the largest and the most important because the rate changes have significant effect on our overall energy costs. These are the things that you can help us with. I think it's appropriate for the school systems to be uh be looked on favorably in this area.

One final thought. As you know, there are, uh this particular type of concept of providing uh rates that allow school systems a little bit more flexibility with their finite cash do function inside the state of Kentucky now. Typically those uh electrical service providers are smaller uh municipal, municipalities. But if you were to take a look at their school rates and compare with the school rates and the rates that are paid by customers that public of Kentucky Utilities what you'll find is is that there's a fairly significant uh advantage for public schools that are presently being served by independent municipalities. And you might look to their rate schedule as a model, ah, for for further insight.

I thank you for your time. I really do appreciate your coming to western Kentucky to make it more convenient for us to make a public, public comment.

VICE CHAIRMAN GARDNER:

Thank you Mr. Pflingston. Thank you. Appreciate your time.

Is there anyone else who would like to speak? Okay. Ah, If not, I would like to thank everyone for coming tonight and Mr. Pflingston for sharing your views with the PSC. Thank you all for the courtesy you've shown. As I announced earlier, PSC staff and KU representatives will be available to meet informally to answer whatever questions you may have. Thank you again and good night folks.

Attachments:

- | | |
|-------------|--------------------|
| Exhibit # 1 | Sign-in sheet |
| Exhibit # 2 | Pflingston handout |

PUBLIC MEETING - SIGN-IN SHEET

Kentucky Utilities Co. - Case No. 2011-00161

Henderson - September 1, 2011

PLEASE PRINT LEGIBLY

Name	Address	DO YOU WISH TO SPEAK?
1 Chris Hooper	318 Seiwad St. Henderson, Ky 42420	YES <input type="radio"/> NO <input checked="" type="radio"/>
2 Doreen Pimpton	521 N. Main St. Hwy. Ky 42420	YES <input checked="" type="radio"/> NO <input type="radio"/>
3 Deborah Mercer	West KY Morgantown, Ky	YES <input type="radio"/> NO <input checked="" type="radio"/>
4 Chuck Swireth	The Glens	YES <input type="radio"/> NO <input checked="" type="radio"/>
5 Ben Jellard	Big Rivers Henderson, KY	YES <input type="radio"/> NO <input checked="" type="radio"/>
6 Jim Shaw	Big Rivers Henderson KY	YES <input type="radio"/> NO <input checked="" type="radio"/>
7 Chad Ridout	2189 Augusta Drive Henderson	YES <input type="radio"/> NO <input checked="" type="radio"/>
8 Robert Pimpton	319 N. Market St. Morgantown, Ky	YES <input type="radio"/> NO <input checked="" type="radio"/>
9 Chris Jellard	220 W. Main St. Louisville	YES <input type="radio"/> NO <input checked="" type="radio"/>
10 Robert Conroy	Louisville	YES <input type="radio"/> NO <input checked="" type="radio"/>

PUBLIC MEETING - SIGN-IN SHEET

Kentucky Utilities Co. - Case No. 2011-00161

Henderson - September 1, 2011

PLEASE PRINT LEGIBLY

	Name	Address	DO YOU WISH TO SPEAK?
1	ROGER HICKMAN	201 THIRD ST HENDERSON, KY	YES <input type="radio"/> NO <input checked="" type="radio"/>
2	LORNE BELMAN	220 W MAIN LOUISVILLE, KY	YES <input type="radio"/> NO <input checked="" type="radio"/>
3	HOLLY NELSON	Rte Dixon - Morgantown	YES <input type="radio"/> NO <input checked="" type="radio"/>
4	DUNCAN CASH	580 W. JEFFERSON ST. 2000 ⁵⁰⁰ LOU, KY	YES <input type="radio"/> NO <input checked="" type="radio"/>
5	SHARLA MANDER	3652 BUCKLAND SQ. OWENSBORO KY	YES <input type="radio"/> NO <input checked="" type="radio"/>
6	LARRY CASH	10849 CAPITAL CIRCLE FANKS A	YES <input type="radio"/> NO <input checked="" type="radio"/>
7	BRIAN MILLER	4777 CARPENTRY ST. E HAVESVILLE TN	YES <input type="radio"/> NO <input type="radio"/>
8			YES <input type="radio"/> NO <input type="radio"/>
9			YES <input type="radio"/> NO <input type="radio"/>
10			YES <input type="radio"/> NO <input type="radio"/>

Annual Building Energy Costs' Summary for Crittenden, Henderson, Union, & Webster County Public Schools

Number of Students	Total Annual Building Energy Billing [million \$]	Total Annual Building Energy Billing from Kentucky Utilities [million \$]	% of Total Billing received from KU	Unit price [\$ per Student]
12,500	2.582	1.032	40.0%	207

**Darrel Pfingston, PE
Energy Manager**

Contact Information:

1805 Second St., Henderson, KY 42420

Phone: 270-831-8757

Fax: 270-831-5009

Cell: 270-577-9862

darrel.pfingston@henderson.kyschools.us



Serving the county school districts of:

**Crittenden
Henderson
Union**

9/1/2011

**Darrel Pfingston P.E., Energy Manager
270-577-9862**