

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR ADJUSTMENT OF)
ELECTRIC RATES OF KENTUCKY POWER) CASE NO. 91-066
COMPANY)

O R D E R

IT IS ORDERED that the Low Income Residential Customers ("LIRC") shall file the original and 12 copies of the following information with the Commission by August 26, 1991, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. Each sheet should be appropriately indexed as needed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

1. On page 4 of her testimony, LIRC witness Brockway proposes a two-year Low Income Residential Assistance Rate ("LIRAR") pilot project for 1,000 households currently receiving assistance through the Low Income Home Energy Assistance Program ("LIHEAP").

a. Explain how or why 1,000 was chosen as the number of households to include in the project.

b. Explain the rationale for using LIHEAP eligibility as the determinant of LIRAR eligibility.

2. The statement on page 4, lines 5-7, of Ms. Brockway's testimony indicates that through the pilot project Kentucky Power will test the LIRAR. The responses shown in Schedule NB-9 indicate that Kentucky Power has not separately recorded or accumulated many of the costs associated with non-payments. Absent such cost data, what precisely will be tested during a pilot project?

3. Under LIRC's proposal, the LIRAR would be limited to LIHEAP participants. Explain why such limitation does not discriminate against low-income customers that would qualify for LIHEAP but for some reason are not LIHEAP participants.

4. Under the Energy Assurance Program, which LIRC has proposed in previous cases, customers were required to make a monthly payment toward reducing their past arrearages. Explain, from a purely economic basis, how Kentucky Power could justify the complete write-off of arrearages under LIRAR as proposed on page 6 of Ms. Brockway's testimony.

5. The first full answer on page 11 of Ms. Brockway's testimony reads as follows: "This group of customers is currently utilizing Kentucky Power services and is providing minimal revenue to support such service. Any mechanism that causes these customers to increase their contribution toward their cost of service will reduce the subsidy required by other ratepayers."

a. Provide the evidence or documentation relied upon by Ms. Brockway to support the statement that these customers are providing minimal revenue to Kentucky Power.

b. Provide the amount of the subsidy described by Ms. Brockway and explain its derivation. Include all necessary workpapers with appropriate references to Kentucky Power's responses to data requests.

c. The average bill calculation shown on page 10 of Ms. Brockway's testimony would produce a result of \$631,000 in annual revenue from the 1,000 customers in the pilot project. At Kentucky Power's proposed residential rates, the annual revenue from the 1,000 customers would be \$938,000. In conjunction with this revenue reduction of \$307,000, how great an expense reduction can Kentucky Power expect to experience?

d. Will this lost revenue show up in the allocation of costs described on page 11, lines 10-12, of Ms. Brockway's testimony?

e. Given that revenues will be \$307,000 less and that some costs not contained in the proposed rate will be allocated to Kentucky Power's other customer classes, explain how LIRAR will reduce the subsidy from other customers.

Done at Frankfort, Kentucky, this 12th day of August, 1991.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director