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BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF OWEN )  
ELECTRIC COOPERATIVE, INC. ) Case No. 2011-00037  
FOR AN ADJUSTMENT OF RATES )

**ATTORNEY GENERAL’S POST-HEARING BRIEF**

Comes now the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and tenders the following post-hearing brief in the above-styled matter.

On January 31, 2011 Owen Electric Cooperative, Inc. (“Owen” or “the company”) filed its notice of intent to file the instant case seeking a change in retail rate design which the company claimed would be revenue neutral. On May 6, 2011, Owen filed its application, which the Commission accepted into the record on May 31, 2011, after certain deficiencies were cured. Owen’s application is based on a historical test year ending December 31, 2009.

At a time when utilities and their customers are facing unprecedented cost increases,<sup>1</sup> Owen, which acknowledges that its financial condition is “excellent,”<sup>2</sup>

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<sup>1</sup> See, e.g., Owen’s response to AG 1-89 (c) (“Given the current environment with member financial stress resulting from the great recession, rising fuel costs, environmental compliance costs, etc, as evidenced by the recent filings at the Public Service Commission of the six major regulated power suppliers in the state, we expect wholesale power costs to increase dramatically.”)

<sup>2</sup> See Owen’s response to AG 1-7 (a): “As shown in exhibit 12 of the Application, Owen’s financial condition is excellent;” and Witt cross-examination, Video Record [“V.R.”] at approximately

seeks to impose a radical rate design change<sup>3</sup> which disincentivizes conservation, and perhaps more importantly, would vastly diminish the ability of its customers to reduce or limit the cost of their utility service.

**A. Owen's Data Prove Sales Grew in the Past Ten Years;  
Sales Forecasts Show Continued Growth Trend**

The primary goal of Owen's petition is a fundamental restructuring of the company's rate design for its residential and small commercial classes such that most of the revenue collection is transferred from the variable energy charge to the fixed monthly customer charge. Owen's petition, if approved, would thus shift the current mix of its distribution-level revenue sourcing (excluding purchased power) from approximately 35% derived from fixed monthly fees and the remaining 65% from volumetric charges, to about 75% being derived from the fixed monthly charge and only 25% from volumetric revenue.<sup>4</sup> While Owen claims that the average residential customer will not experience any increase, the same cannot be said for the very significant number of customers who consume less than the system's average customer.

Owen states in essence that implementation of a rate design that collects the preponderance of revenue from fixed monthly fees is necessary in order to: (1) protect its financial integrity against the risk of declining energy sales; and (2)

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16:02:40 in which the witness stated that last year Owen paid \$750,000 in capital credits to its ratepayers.

<sup>3</sup> Under its current rate design, Owen's current member satisfaction rate is 86%, highest in the EKPC system, according to Mr. Stallons. V.R. at approximately 11:50:00.

<sup>4</sup> See Attorney General's pre-filed written direct testimony of Glenn Watkins, p. 2, lines 17-20.

promote energy efficiency investments.<sup>5</sup> Ironically, Owen was making the same statements in its last rate case,<sup>6</sup> when it stated it could not pursue energy efficiency unless it was allowed to increase its customer charge the full amount of its request, which the Commission granted in full.<sup>7</sup>

However, the evidentiary record in the instant case fails to support Owen's request for a stepped increase in its customer charge in the ultimate sum of \$25 per month. Rather, the evidence establishes an entirely different story. Owen's own records prove that its sales have not only been growing for most of the past ten (10) years, but are projected to continue that growth trend into the future. As depicted in Attorney General Hearing Exhibit-1, Owen's own historical data proves there that there has been no decline in usage per residential customer.<sup>8</sup> Furthermore, the Company's response to AG 1-79, p. 7, column 7, which depicts Owen's forecasted usage as far as 2030, indicates a significant growth in MWh usage for the residential class from 2010 – 2030.<sup>9</sup> Therefore, Owen cannot cite to any data supporting its claim that it is facing a risk of declining energy sales.

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<sup>5</sup> See, e.g., Stallons Testimony, pp. 2, 5; Owen's Response to PSC 1-8 (Mark Stallons responding); Adkins Rebuttal Testimony, p. 6; Purvis Rebuttal Testimony p. 4.

<sup>6</sup> See Stallons testimony, Case No. 2008-00154, pp. 4-5, 8. See also, V.R., Case No. 2008-00154, in which Mr. Stallons acknowledged Owen was not submitting any new DSM programs in that case (V.R. at 10:34 a.m.); that he was not familiar with Kentucky's DSM statute (V.R. at 10:35 a.m.) and did not know that Kentucky utilities could submit energy efficiency programs under which they can capture their costs, a portion of lost sales revenues, and a monetary incentive for participating in such programs (V.R. at 10:36 a.m.); and that Owen would likely file with the Commission proposals for new DSM / conservation programs (V.R. 10:41 a.m.).

<sup>7</sup> Case No. 2008-00154, Final Order dated June 25, 2009. The Commission, however, did not award the full amount of the revenue increment Owen sought in that case.

<sup>8</sup> See also V.R. at 16:07:40 through 16:08:15.

<sup>9</sup> V.R. at 16:09:45 through 16:11:04.

Owen is apparently relying on sales figures for 2009, which plainly show unusually low consumption, so much so that 2009 is clearly an outlier compared with most other years depicted in AG Hearing Exhibit-1.<sup>10</sup> A pertinent portion of that exhibit is attached below for reference:

Year	Single Family (Class 30)		
	KWH	Bills	Avg. Use
2002	569,383,232	444,674	1,280
2003	571,114,931	461,116	1,239
2004	601,136,933	479,559	1,254
2005	641,206,593	497,350	1,289
2006	627,554,600	512,696	1,224
2007	688,674,014	523,715	1,315
2008	681,505,245	529,421	1,287
2009	662,073,036	533,011	1,242
2010	718,357,600	534,884	1,343

This outlying period of reduced sales may, in fact, be the exact reason why Owen chose a 2009 historical test year, relying on data derived two years ago. Many utilities around the nation experienced a significant decrease in sales during 2009, due in large part, if not primarily to the economic downturn. The use of a two-year old test year, especially one with data which markedly veers from a utility's actual sales trends is patently unreasonable, represents a significant departure from rate filings brought before this Commission, and should be called into question, if not outright disregarded.

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<sup>10</sup> V.R. at 16:15:09 through 16:15:17. This exhibit is based directly on Owen's response to AG 1-76. The entire exhibit is attached hereto as "Appendix A."



In recent years, many utilities throughout the country which have sought a straight-fixed variable rate design (SFV) or other variations or aspects of decoupling allege they have a disincentive to encourage DSM programs, that sales volumes have been declining when in fact they have been holding steady or growing, and emphasize the importance of encouraging DSM programs while in actuality offering only token programs. This pattern of utilities seeking SFV or other aspects of decoupling was denounced in a resolution adopted by the National Association of State Utility Consumer Advocates, a copy of which is attached hereto as "Appendix-B." Owen's testimony and responses to data requests in the instant case have generally fallen within this same pattern. Owen's DSM offerings to date have been exceptionally minimal, at best.<sup>11</sup> The Attorney General believes the Commission should not overlook this fact, as the General Assembly undoubtedly enacted the DSM statute to provide incentives for conservation and energy efficiency without the unnecessary need to engage in unprecedented steps to tinker with traditional rate design that has heretofore served the ratepayers and utility companies well for generations. Indeed, over the course of two successive cases, Owen has repeatedly claimed that it is subject to a "throughput disincentive" (despite acknowledging that it owes a fiduciary duty to meet its ratepayers' best interests<sup>12</sup>); that its sales volumes are at risk of declining; and that it emphasizes the importance of DSM, whereas its actual

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<sup>11</sup> Even for those few programs which Owen offers, customer participation levels have been insignificant. Moreover, Owen has yet to conduct any California tests of the programs it offers. V.R. beginning at approximately 14:41:53.

<sup>12</sup> See Company's response to AG 1-40.

offerings illustrate mere token acceptance of the concept of a longstanding mechanism to achieve the conservation that Owen purports to encourage.<sup>13</sup>

The fiduciary duty Owen acknowledges it owes its customers – to act in their best interests – outweighs any other factor which Owen cites. In other words, an RECC that satisfies its fiduciary duty would not be selling any more, nor any less electricity than its member-owners require; hence any issue of throughput incentive in the facts of this case should be moot. The imposition of a SFV rate design would preclude the ability of Owen’s customers to control most of the amount of their utility bill, and would send inappropriate pricing signals which would enhance sales at the expense of conservation. Such results can hardly be said to meet the ratepayers’ best interests. Most importantly for purposes of this case, the evidentiary record fails to support the alleged need for the SFV rate design which Owen seeks, and accordingly should be denied.

**B. Owen’s Filing is Arguably Not Revenue-Neutral for the Company and Clearly is Not Revenue-Neutral for its Customers**

Owen has further alleged that it is seeking no new revenues in the instant case, and that thus its filing is “revenue neutral.”<sup>14</sup> However, it is rates and not revenues that the Commission regulates. These regulated rates are determined in the simplest terms as revenues divided by billing determinants (KWH sales and number of customer bills). If KWH sales are low based on recent history as evidenced by the use of the 2009 data, the resulting rates are abnormally high if

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<sup>13</sup> During cross-examination, Mr. Stallons attempted to shift responsibility for the lack of DSM filings from Owen and instead blamed EKPC’s rate structure. V.R. at approximately 10:36:40.

<sup>14</sup> Id.

revenues will be purportedly the same as Owen would appear to infer in its filing. To crystallize this point, under Owen's rate design, the rates are based on abnormally low KWH sales. Consequently, because revenues will likely increase or remain the same as experienced in years before and after the 2009 test year, Owen's distribution rates will remain abnormally high, if not unreasonable. Thus, it is questionable whether the rates are truly revenue neutral.

The lack of revenue neutrality to Owen's customers' bills has been patently admitted in the company's response to PSC 1-16, wherein the company acknowledged that as many as 26,000 residential customers and 1,100 small commercial customers could receive an increase in their bills. While the new rates may, or may not prove to be revenue neutral to the *company*, nonetheless Owen acknowledges that this would not necessarily be the case for more than one-half of its *customers*. In fact, 52.1% of residential bills would increase under Owen's proposal, if approved and unless customers elect one of the alternative proposed tariffs.<sup>15</sup> The residential cost savings to customers that Owen purports these alternative tariffs will have is simply a question that cannot be answered with certainty, especially for all those affected.<sup>16</sup>

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<sup>15</sup> Importantly, Owen's initial notice to its customers of the rate case filing indicated there would be no impact on the average bill. However, the Attorney General objected to the adequacy of the notice and moved to dismiss the case, whereupon Owen agreed to re-notice the hearing with accurate information pertaining to the average increase on the bills. Despite the fact that Owen may have satisfied the minimum legal requirements regarding adequate notice, the question remains whether the ratepayers can accurately determine what impact, if any, the rate design changes will have on their bills and whether it would be advantageous to choose one of Owen's proposed alternative rates.

<sup>16</sup> See Attorney General's Pre-Filed Written Direct testimony, p. 3.

### **C. Owen's Proposed Rate Increase is Anything But Gradual**

In Case No. 2011-00035,<sup>17</sup> involving another RECC, Vice Chairman Gardner wrote a separate dissenting opinion in which he agreed with the reasonableness of the increase in distribution base rates, but dissented as to the allocation of the increase.<sup>18</sup> The Vice Chairman opined that energy efficiency and DSM programs will play a critical role in maintaining low electricity bills. He further stated:

“In the absence of substantial DSM and energy efficiency programs, I cannot support a rate structure which increases the cost of electricity to residential customers regardless of the amount of energy consumed, particularly those customers who are able to reduce usage through their own energy efficiency efforts.”<sup>19</sup>

In the instant case, Owen clearly lacks substantial DSM programs, contrary to the Commission's demands in Owen's last rate case, yet seeks to implement a rate design that greatly increases the fixed customer charge regardless of consumption. The fact that Owen has failed to avail itself of any meaningful relief through the DSM statute is very telling.

In another recent ruling, the Commission in Case No. 2011-00036<sup>20</sup> found that two special contract smelter customers were subsidizing the rural (residential) class by \$13.5 million, but disallowed the smelters' proposal to

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<sup>17</sup> *In Re: Application of Kenergy Corp. for an Adjustment of Existing Rates*, Final Order dated Nov. 17, 2011, pp. 8-10.

<sup>18</sup> *Id.* at 9.

<sup>19</sup> *Id.* at 9-10.

<sup>20</sup> *In Re: Application of Big Rivers Electric Corp. for a General Adjustment in Rates*, Order dated Nov. 17, 2011 (however, Big Rivers has filed a petition for rehearing which the Commission has granted, while KIUC has filed a separate appeal in the Franklin Circuit Court, both of which are still pending at the time this brief was filed).

remove 100% of the subsidy in that case.<sup>21</sup> In doing so, the Commission found that: “[s]uch an action would be inconsistent with our long-standing practice of employing the principle of gradualism in moving toward cost-of-service-based rates.”<sup>22</sup>

Owen states that its proposed increase would occur only gradually through five (5) annual step increases. In its last rate case, Case No. 2008-00154, Owen obtained approval to increase its customer charge from \$5.64 to \$11.30, an increase of 100.35%. In the present case, Owen proposes to increase its customer charge from \$11.30 to \$15.00 in just one year, an increase of 32.74%. Over the five-year span of rate increases, Owen proposes to increase its customer charge from the current \$11.30 to \$25.00, an increase of 121.24%. Thus, if the Commission should approve the current application, Owen’s customer charge will have skyrocketed from \$5.64 when its 2008 rate case was filed, to \$25.00 at the conclusion of the step increases in the current case -- a period of only eight (8) years -- a whopping 343.26% increase. This pattern of rapid, significant increases can hardly be said to be *gradual*; indeed, it more closely resembles *radical* growth.

**D. Owen’s SFV Rate Design is Designed To Eliminate its Risk and Will Only Encourage Consumption**

Owen has repeatedly stated that the SFV rate design it seeks to impose is designed to incentivize the company to create energy innovation by offering

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<sup>21</sup> Id. at 29-30.

<sup>22</sup> Id. at 30.

efficiency, conservation and demand response programs.<sup>23</sup> Owen identifies several risk factors which it states will prevent it from offering such programs, among them: temperature fluctuations, fuel and construction costs, climate change legislation, and environmental regulations.<sup>24</sup> Owen believes eliminating these risk items will leave it with a stable revenue stream.<sup>25</sup>

Owen is a monopoly service provider and its ratepayers are captive customers. Rate regulation is intended to be a substitute for competition, hence the enactment of KRS Ch. 278. This principle of regulation was designed to stimulate a utility to act as it would if it was in a competitive industry, i.e., to make a profit, or in the case of Owen maintain a reasonable TIER and continue its financial viability. In the event an adequate TIER is not met, KRS 278.190 provides the remedy by allowing for an adjustment in rates. But Owen's attempt to increase its customer charge to the excessive extent it seeks is tantamount to reimbursement ratemaking, and virtually guarantees that the company will earn its TIER. Such would represent a clear and indeed radical departure from generally accepted ratemaking foundations. Competitive entities do not have any such guarantees. Since regulation is supposed to be a substitute for competition, regulated entities should not receive guaranteed recovery of costs if such guarantees are not available in the competitive marketplace.

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<sup>23</sup> Stallons testimony, p. 7.

<sup>24</sup> See, e.g., Stallons testimony pp. 7 and 12.

<sup>25</sup> Stallons cross examination, V.R. 12:01:55 through 12:02:10.

The regulatory compact under which Owen is operating dictates that the utility must provide safe, adequate and reliable service, and in exchange is allowed an opportunity to earn a reasonable TIER and return on investment, while the ratepayers are required to pay rates that are fair, just and reasonable and represent the lowest possible cost. Thus, the regulatory compact calls for a *balancing of interests* between a utility and its ratepayers with both benefits and detriments to be shared in an appropriate manner. An imbalance occurs when all of a rate increase is placed on the customer charge because the company virtually eliminates its financial risk while the ratepayer is trapped with a bill over which he has virtually *no control*. Owen's SFV rate design thus clearly rewards the company by freeing it from risk to the greatest degree possible, but it transfers that risk to the ratepayers.

Stated another way, the company would be guaranteed its income regardless of whether its management operates the company in a manner prudent enough to provide safe, adequate and reliable service at the lowest possible cost. Under Owen's current regulatory compact, an increase in costs in any one area should stimulate cost cutting elsewhere as the Company strives to attain its TIER goals. However, this crucial incentive will be abolished if the customer charge is increased to the levels Owen seeks, and will essentially render KRS 279.190 a nullity as applied to the company for the foreseeable future.

While Owen's financial position would doubtlessly be dramatically improved under its proposal, its customers, however, would be forced to bear costs incurred by an Owen management team freed of its responsibility to avoid imprudent costs. In practical terms, it is axiomatic that customers dictate how much energy will be used, not the utility. Flattening electric rates to make them more closely resemble cable television rates eliminates the incentives consumers need to conserve. Indeed, as pointed out in the Attorney General's pre-filed testimony, the SFV rate design's ultimate result is to send price signals designed to *increase* consumption.<sup>26</sup> Absent incentives targeted to *customers* as well as the utility, the cause of energy efficiency which Owen is correct to trumpet so strongly will simply *not* be accomplished.

The fact that customers need to be incentivized was recognized in EKPC's "Wholesale Cost of Service Analysis and Rate Design" report, where it was stated that decoupling, which includes SFV rate designs such as that which Owen seeks to impose in the instant case, ". . . would also diminish the incentive from the customer's perspective to participate in energy efficiency programs."<sup>27</sup> The report goes on to state that "[a]brupt departures from historical rate structures and policies should be avoided," and that ". . . rate designs should promote the efficient use of energy and capacity by providing appropriate price

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<sup>26</sup> Attorney General's Pre-Filed Testimony of Glenn Watkins, pp. 9-10.

<sup>27</sup> Owen's Supplemental Response to AG DR 1-16, EKPC's "Wholesale Cost of Service Analysis and Rate Design," Bates stamped pages 384-385 of 449.



signals.”<sup>28</sup> Clearly, Owen’s customers, if forced into a risk-shifting SFV rate design, would have no incentive to participate in DSM programs. Such a design would just as clearly constitute a marked departure from the recommendations in EKPC’s report which cautioned against abrupt changes which fail to provide appropriate price signals.

Finally, the Commission itself has repeatedly advised utility customers, in public meetings and on its web site, that the most effective way to lower utility bills is to *conserve*. For example, Commission staff made several public presentations to customers of another electric utility in which staff appropriately emphasized the importance of conservation.<sup>29</sup> Under Owen’s proposal, however, any monetary savings resulting from customer conservation would, by definition, be vastly diminished and would consequently fail to yield the same level of savings that could be achieved under a traditional rate design in which the preponderance of the utility’s costs are placed in the energy charge component. The goal of empowering customers to conserve in order to save is a fundamental principle that the Commission and consumer advocates, like the Attorney General, must address as affordability of utility services is rapidly

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<sup>28</sup> *Id.* at Bates stamped page 381.

<sup>29</sup> See slide presentation given by Kentucky Public Service Commission Staff on or about March 10, 2011, entitled “Understanding Your Electric Bill,” copy attached hereto as “Appendix C”; see especially slides 30-36.

becoming a major issue -- if not *the most important issue* -- for the Commonwealth's utility customers.<sup>30</sup>

Customer-initiated conservation in reaction to appropriate price signals is currently, and will *always* remain the most efficient means of conserving energy. As utilities engage in more and more DSM and EE programs, their rate base grows, allowing them greater returns than if they had never engaged in the programs. Ideally, conservation costs for ratepayers should offset the programs' costs. However, the notion that DSM and EE programs alone, without actual customer-initiated conservation, can both reduce consumption *and* save customers money will not likely occur. Under any regulatory approach in which DSM is the sole or even primary means of conservation, customers would likely end up paying more because program costs could easily outweigh conservation savings. Such a result cannot be allowed to occur given the enormous cost increases of a truly fixed nature (e.g., environmental, fuel, and potential costs for construction of new generation) that ratepayers will soon be forced to bear.

Owen has repeatedly stated that when the company is "freed" from its existing rate design, it will be able to pursue significant efforts designed to yield efficiency and conservation -- yet it has failed to produce any sort of quantification of any such alleged savings. The record is void of any nexus between SFV and conservation-initiated savings. Indeed, Owen's attempt to do

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<sup>30</sup> The number of Owen's customers receiving LIHEAP assistance has increased dramatically, up 54.3% increase from 2008 to 2010. Source: Company's response to PSC 1-11 (a).

so flies in the face of other utilities which have been able to achieve conservation through DSM and EE programs without resort to the radical departure from traditional cost of service studies and rate design which Owen seeks to employ. Owen's attempt to shift its business risks to ratepayers will increase the company's sales and rate base while throwing conservation out the window, adding insult to injury in such financially trying times.

**E. Owen's Proposed Optional Residential Rate Structures Should be Rejected or Significantly Revised**

As an alternative to its SFV rate design, Owen is proposing three seasonal time-of-use ("TOU") rate schedules, as well as an inverted usage block schedule. Owen's proposed customer charge for the TOU schedules is \$25. This cost is excessive, does not comport with gradualism, and as set forth above, is another attempt to free the company of risk it normally would bear and transfer that risk to its customers. Accordingly, the Attorney General believes the customer charge for the TOU rates should be reduced to a range of between \$11.30 to \$17.00 per month.<sup>31</sup>

Owen's proposal to employ an optional inverted block rate structure is directed toward customers who use less than 500 KWH monthly. This structure is inappropriate for the following reasons. First, customers in this category have high load factors because they rarely use air conditioning. Inverted block structures are generally not very effective in cases such as Owen's proposal in

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<sup>31</sup> See Attorney General's pre-filed direct testimony, p. 17.

which the average and marginal cost of providing service to the eligible customers increase as KWH usage increases. Such a design will not be very efficient when, such as here, it is targeted to customers with high load / low usage characteristics.<sup>32</sup> Second, the proposed fixed monthly customer charge of \$15.78 is excessive and should not exceed \$11.30. Third and most importantly, Owen's proposed energy charge for the first consumption block of 0-300 KWH does not even meet the company's variable cost of providing energy.<sup>33</sup> Ironically, Owen would thus have the Commission approve a rate with a built-in subsidy -- a result that is untenable and that should not be allowed.

From a general perspective, inclining block rate structures have significant merit when applied across entire customer classes. Additionally, such measures have the potential to yield major conservation and efficiency, when applied in an otherwise appropriate manner. The Attorney General encourages Owen to consider re-filing the inclining block concept for application across the entire residential class in a manner designed to encourage conservation and efficiency.

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<sup>32</sup> Id. at 17-18.

<sup>33</sup> Id. at 18.

**F. Owen's Bonus Plan Should Not be Recovered in its Rate Base to the Extent it is Based on the Company's Financial Performance**

As established in responses to data requests and during cross-examination during the evidentiary hearing, Owen maintains a bonus incentive plan which is based in part upon the company's financial performance.<sup>34</sup> Details regarding the company's performance plan were established in Case No. 2008-00154, in the company's response to PSC 2-27. Owen's witness Witt acknowledged that the plan continues in force through the present time.<sup>35</sup>

However, the Commission has a well-established precedent that performance incentive plans based on the financial performance of the company should not be included in rate base. In Union Light Heat & Power Company's ("ULH&P"<sup>36</sup>) 2005 base rate case, Case No. 2005-00042, the Commission disallowed 100% of that utility's LTIP incentive compensation that was entirely based on Total Shareholder Return performance. The Commission also disallowed portions of ULH&P's AIP incentive compensation program to the extent that the AIP program was based on corporate financial performance goals. In the three ULH&P base rate cases<sup>37</sup> prior to Case No. 2005-00042, the Commission disallowed 100% of ULH&P's incentive compensation expenses based on its finding, among other things, that the corporate performance goals in ULH&P's incentive compensation plan placed more weight on the interest of

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<sup>34</sup> See company's response to AG 1-56; see also Case No. 2008-00154, company response to PSC 2-27, p. 1 of 2.

<sup>35</sup> V.R. from approximately 15:59:40 through approximately 16:03:45.

<sup>36</sup> N/k/a Duke Energy of Kentucky.

<sup>37</sup> Case Nos. 2001-092, 92-346 and 91-370.

shareholders than customers. In addition, while the Attorney General in Kentucky American Water Company's ("KAWC") 2004 rate case (Case No. 2004-00103) recommended the disallowance of 60% of KAWC's incentive compensation (representing the portion of KAWC's incentive compensation program that was a function of the achievement of corporate financial performance goals), the Commission went further and disallowed 100% of KAWC's incentive compensation expenses.

Although those precedents involved investor-owned utilities ("IOUs"), the principle is even *more* important in the case of RECCs, which as Owen has acknowledged owe a fiduciary duty to their customers to care for the latter's best interests. Implementing a bonus program designed to incentivize workers to enhance the company's bottom line clearly poses a direct conflict to Owen's fiduciary duty. Other aspects of the incentive program, such as those based on worker safety levels, reliability and customer service clearly do meet the ratepayers' interests and should be maintained. Accordingly, Owen should be required to remove those sums paid under the financial incentives portion of the program from its rate base, and should do likewise in its next base rate case.

### CONCLUSION

Since Owen's own data has established that its sales have grown over the past ten years, and are projected to continue that trend, no factual basis exists for the relief Owen seeks. The record also establishes quite starkly both that Owen's

filing is not revenue neutral to its customers, and that the proposed increase in its customer charge, well in excess of 300%, is anything but gradual.

In its last rate case, Owen claimed it needed to increase its customer charge as a prerequisite to offering more DSM programs and encouraging customer participation in such programs. Yet Owen's continuing response is meager DSM offerings with uninspiring customer participation levels. Owen's proffering of identical arguments over two successive cases while both failing to initiate the promised changes, and now seeking approval of a SFV rate design, should make it abundantly clear that Owen is attempting to shift as much utility-business risk as it possibly can from the company to its beleaguered ratepayers. The Commission should not assist Owen in this endeavor.

Imposing a SFV rate design would severely inhibit the ability of Owen's ratepayers to limit the amount of their utility bills. Since affordability has rapidly emerged as the most crucial issue facing the Commonwealth's ratepayers, now is not the time to impose a rate design which sends pricing signals antithetical to conservation. Massive new cost increases for environmental compliance, construction, and fuel volatility which Owen's ratepayers are facing should clearly outweigh any need Owen believes it has to shift its risks.

Owen has offered several alternative rate designs (TOU and inclining block) to its SFV design which it states could yield savings for eligible customers. Since only a veritable handful of customers around the entire Commonwealth have chosen TOU rates, there is no reason to assume, as Owen would have the

Commission to do, that the results on its system would differ in any significant manner. Further, it is quite ironic that Owen would fashion an inclining block design which contains a built-in subsidy for a segment of its customer base that rarely uses space heating or air conditioning.

The Commission should take careful note that this is not a mere revenue stability case. There is absolutely no evidence that Owen's revenues will not remain stable for at least the short-term. Moreover, Owen is always free to file a base rate case if it believes it needs additional revenue.

Finally, the Commission should keep in mind that this case could pose far-reaching repercussions for ratepayers throughout the Commonwealth. Should the Commission in the instant case approve Owen's request to earn its "profit" from its sales, then most if not all electric utilities will seek the same or a similar decoupling mechanism. Such a result would translate into ratepayers being forced to pay extremely high energy bills in the months when they are using very little energy, and will be subjected to even higher bills in the heating and cooling months when their efforts to conserve and lower their bills will be severely limited, if not utterly thwarted.

In the event the Commission is still persuaded to grant any aspect of the relief Owen seeks, the Attorney General recommends that the Commission consider the following alternative relief options: (a) a one-time increase in the customer charge of no greater than 30% above its current level; (b) decrease the proposed customer charge for the TOU rates to a range of \$11.30 to \$17.00 per



month; (c) strike the inclining block rate design; and (d) require the company to re-file this case no later than two (2) years from the date of the final order in the instant case to allow the Commission to review the relief requested in order to insure the Company is not over-earning.

**WHEREFORE**, the Attorney General respectfully requests as follows:

1. That the Commission: (a) DENY that portion of Owen's request pertaining to the straight-fixed variable rate design; (b) grant that portion of the filing pertaining to the TOU rates, but reduce the proposed customer charge to a range of \$11.30 to \$17.00 per month; and (c) order that the Company cease to include in its rate base the costs of that portion of its incentive-based compensation which is based upon the company's financial performance.
2. In the event the Commission desires to grant Owen's straight fixed variable rate design, the Attorney General respectfully requests in the alternative that: (a) any increase in Owen's customer charge for residential service be granted solely on a one-time basis, and that the customer charge not exceed a sum 30% greater than the current amount; (b) the company be required to re-file this case no later than two (2) years from the date of the final order in the instant case in order to insure that the Company is not over-earning.

Respectfully submitted,

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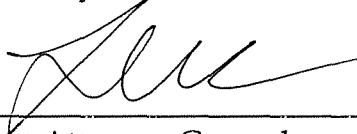
*Certificate of Service and Filing*

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Hon. James M. Crawford  
Crawford and Baxter, P.S.C.  
523 Highland Avenue  
P.O. Box 353  
Carrollton, KY 41008

Mark Stallons  
President  
Owen Electric Cooperative, Inc.  
P. O. Box 400  
Owenton, KY 40359

this 16<sup>th</sup> day of December, 2011.



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Assistant Attorney General

Case No. 2011-00037  
ATTORNEY GENERAL'S POST-HEARING BRIEF  
APPENDIX A

**OWEN ELECTRIC COOPERATIVE**  
**Residential KWH Consumption**  
**(2002-2010)**

Year	Single Family (Class 30)			Apartments (Class 31)			Seasonal (Class 32)			Outbuilding (Class 33)			Misc. Small (Class 40)			Build >=15KW (Class 41)		
	KWH	Bills	Avg. Use	KWH	Bills	Avg. Use	KWH	Bills	Avg. Use	KWH	Bills	Avg. Use	KWH	Bills	Avg. Use	KWH	Bills	Avg. Use
2002	569,383,232	444,674	1,280	25,772,212	30,963	832	3,505,386	11,849	296	1,137,732	3,562	319	11,837,405	43,368	273	938,548	1,887	497
2003	571,114,931	461,116	1,239	29,214,714	37,018	789	3,670,955	12,042	305	1,286,663	4,263	302	12,408,998	44,684	278	987,923	1,997	495
2004	601,136,933	479,559	1,254	30,080,874	38,305	785	3,381,921	11,728	288	1,569,031	4,917	319	12,702,933	45,796	277	1,031,731	2,376	434
2005	641,206,593	497,350	1,289	32,900,054	39,520	832	3,303,158	11,474	288	1,638,658	5,367	305	13,091,699	46,812	280	1,036,580	2,447	424
2006	627,554,600	512,696	1,224	31,224,445	40,305	775	3,186,598	11,492	277	1,743,287	5,898	296	12,660,910	48,008	264	1,150,617	2,787	413
2007	688,674,014	523,715	1,315	35,239,630	41,072	858	3,538,231	11,598	307	2,029,768	6,718	302	13,425,379	48,270	278	1,318,056	3,389	389
2008	681,505,245	529,421	1,287	35,171,527	41,243	853	3,631,488	11,625	312	2,246,491	7,695	292	13,301,995	48,065	277	1,514,139	4,279	354
2009	662,073,036	533,011	1,242	33,036,203	41,488	796	3,701,584	12,026	308	2,350,155	8,777	268	12,648,644	47,683	265	1,624,693	4,799	339
2010	718,357,600	534,884	1,343	36,118,410	41,450	871	3,880,010	12,310	315	2,748,978	10,151	271	12,648,104	46,703	271	1,825,084	5,040	362

Source: Owen response to OAG Item No. 76.

Case No. 2011-00037

**ATTORNEY GENERAL'S POST-HEARING BRIEF**  
**APPENDIX B**

**THE NATIONAL ASSOCIATION OF  
STATE UTILITY CONSUMER ADVOCATES  
RESOLUTION 2007-01**

**NASUCA ENERGY CONSERVATION AND DECOUPLING RESOLUTION**

*Whereas*, the provision and promotion of energy efficiency measures are increasingly viewed by state commissions as a necessary component of utility service;

*Whereas*, many states are now encouraging rate-regulated utilities to adopt energy efficiency programs and other demand-side measures to decrease the number of units of energy each utility's customers purchase from the utility;

*Whereas* NASUCA has long supported the adoption of effective energy efficiency programs;

*Whereas* recent proposals by rate-regulated public utilities for the initiation or expansion of energy efficiency measures have featured utility rate incentives or revenue "decoupling" mechanisms that guarantee utilities a predetermined amount of revenues regardless of the number of units of energy sold;

*Whereas*, the utilities proposing decoupling measures seek guarantees from public utilities commissions that they will receive their allowed level of revenues;

*Whereas*, these utilities justify this departure from traditional rate-making principles on the theory they are being asked to help their customers purchase fewer energy units from them by promoting energy efficiency measures and other demand-side measures, thereby reducing their revenues and, consequently, their returns to their shareholders, and that decoupling mechanisms compensate utilities for revenues lost due to conservation;

*Whereas*, these utilities contend that because these measures reduce their revenues, they have a disincentive to encourage programs that aid their customers in purchasing fewer units of energy;

*Whereas*, historically, rates have been set in periodic rate cases by matching test-year revenues with test-year expenses, adding pro forma adjustments and allowing the utilities an opportunity to earn a reasonable rate of return on their investments in exchange for a state-protected monopoly;

*Whereas* revenue guarantee mechanisms allow rate adjustments to occur based upon one element that affects a utility's revenue requirement, without supervision or review of other factors that may offset the need for such a rate change;

*Whereas*, historically, rate-regulated utilities were not guaranteed they would earn the allowed return; rather, earnings depended on capable management operating the utilities in an efficient manner;

*Whereas*, many utilities proposing revenue decoupling request compensation for revenue lost per customer, implying that sales volumes are declining, when in fact these utilities' total energy sales revenues are stable or increasing;

*Whereas*, there are a number of factors that may cause a utility to sell fewer units of energy over a period of time, including weather, changing economic conditions, shifts in population, loss of large customers and switches to other types of energy, as well as energy efficiency and other demand-side measures;

*Whereas* many utilities have been offering cost-effective energy efficiency programs and actively marketing these programs for years without proposing or implementing rate incentives or revenue guarantee mechanisms such as decoupling, and have continued to enjoy financial health;

*Whereas* past experience has shown that revenue guarantee mechanisms such as decoupling may result in significant rate increases to customers;

*Whereas* some utilities have referenced the benefit of encouraging energy efficiency programs as a justification for revenue guarantee mechanisms without in fact offering any energy efficiency programs, indicating that the revenue guarantee mechanisms are attractive to utilities for reasons other than their interest in promoting energy conservation;

*Whereas* past experience has shown that rate increases prompted by revenue guarantee mechanisms such as decoupling are often driven not so much by reduced consumption caused by utility energy efficiency programs, as by reduced consumption due to normal business risks such as changes in weather, price sensitivity, or changes in the state of the economy;

*Whereas* utilities are better situated than are consumers or state regulators to anticipate, plan for, and respond to changes in revenue prompted by normal business risks, and the shifting of normal business risks away from utilities insulates them from business changes and reduces their incentive to operate efficiently and effectively;

*Whereas* the traditional ratemaking process has historically compensated utilities for experiencing revenue variations associated with normal business risks;

***NOW THEREFORE NASUCA RESOLVES:***

To continue its long tradition of support for the adoption of effective energy efficiency programs;

And to oppose decoupling mechanisms that would guarantee utilities the recovery of a predetermined level of revenue without regard to the number of energy units sold and the cause of lost revenue between rate cases;

***BE IT FURTHER RESOLVED:***

NASUCA urges Public Utilities Commissions to disallow revenue true-ups between rate cases that violate the matching principle, the prohibition against retroactive ratemaking, the prohibition against single-issue ratemaking, or that diminish the incentives to control costs that would otherwise apply between rate cases;

NASUCA urges State legislatures and Public Utilities Commissions to, prior to using decoupling as a means to blunt utility opposition to energy efficiency and other demand-side measures, (1) consider alternative measures that more efficiently promote energy efficiency and other demand side measures; (2) evaluate whether a utility proposing the adoption of a revenue decoupling mechanism has demonstrated a commitment to energy efficiency programs in the recent past; and (3) examine whether a utility proposing the adoption of a revenue decoupling mechanism has a history of prudently and reasonably utilizing alternative ratemaking tools;

If decoupling is allowed by any state commission, NASUCA recommends that the mechanism be structured to (1) prevent over-earning and provide a significant downward adjustment to the utilities' ROE in recognition of the significant reduction in risk associated with the use of a decoupling mechanism, (2) ensure the utility engages in incremental conservation efforts, such as including conservation targets and reduced or withheld recovery should the utility fail to meet those targets, and (3) require utilities to demonstrate that the reduced usage reflected in monthly revenue decoupling adjustments are specifically linked to the utility's promotion of energy efficiency programs.

**NASUCA authorizes its Standing Committees to develop specific positions and to take appropriate actions consistent with the terms of this resolution to secure its implementation, with the approval of the Executive Committee of NASUCA. The Standing Committees or the Executive Committee shall notify the membership of any action taken pursuant to this resolution.**

Approved by NASUCA:  
Denver, Colorado

June 12, 2007

Opposed:  
Ohio  
Indiana  
Colorado  
Wyoming

Submitted by:  
NASUCA Consumer Protection Committee

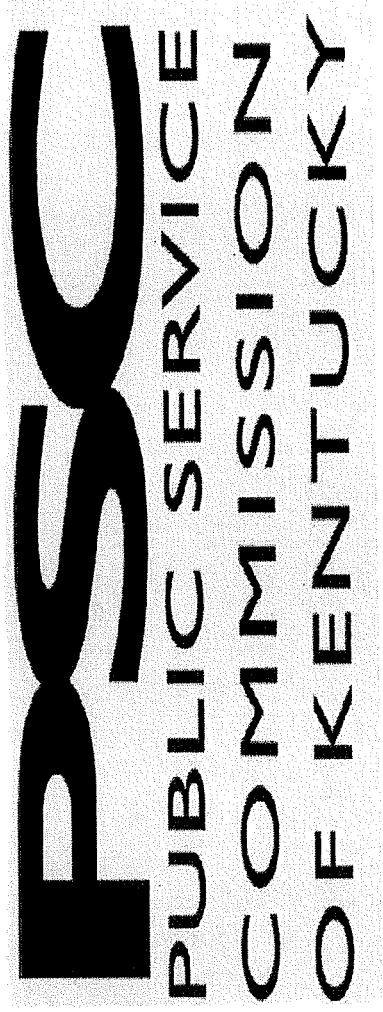
June 11, 2007

Abstained:  
Massachusetts  
California



Case No. 2011-00037  
ATTORNEY GENERAL'S POST-HEARING BRIEF  
APPENDIX C

# UNDERSTANDING YOUR ELECTRIC BILL



**SERVICE AREA:** [Redacted] **QUESTIONS ABOUT BILL:** [Redacted]  
**QUESTIONS ABOUT BILL:** [Redacted] **Service Call:** [Redacted]  
**Service Call:** [Redacted] **1-800-572-1113**  
**1-800-572-1113**  
**Pay by Phone:** [Redacted] **1-800-611-0964**  
**1-800-611-0964**  
**Bill Date:** 12/13/10

**PREVIOUS CHARGES:** *12/22*  
 Account Balance \_\_\_\_\_ Amount Due \_\_\_\_\_  
 Total Amount Due at Last Billing \$ 99.83  
 Payment 11/18/10 - Thank You \$ 99.83 CR  
 Previous Balance \$ .00

**CURRENT KPCo CHARGES (1-800-572-1113):**

121310 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Bill 19 \$ 266.30 CR  
 Fuel Adj @ 0.0003260 - Per KWH 4.85  
 DSM Adj @ 0.0016120 Per KWH .15  
 Residential HEAP @ \$0.15 2.92  
 Capacity Charge @ 0.0009700 Per KWH 10.02  
 Environmental Adj 3.6679000% 8.50  
 School Tax \_\_\_\_\_ 291.76

**Total Amount Due:** \$ 291.76  
**Due Dec 29, Add \$4.59 After Jan 14**

\$8.33 is your average daily cost for current electric service

**USAGE:**

Meter Number 533584495 Service Period From 11/09/10 To 12/13/10 Meter Reading 03723 R Prev CD 06730 R Multiplier 1.0000 Metered Usage 3007 KWH  
 CD - Read Code: R = RI Read 34 Billing Days Next Scheduled Read Date 01/14/11

Month	Usage	Month	Usage	Month	Usage	Month	Usage
Dec 09	2,237	Feb 10	2,965	Apr 10	1,324	Jun 10	1,591
Jan 10	4,252	Mar 10	2,324	May 10	814	Jul 10	2,371
<b>Average Monthly Usage: 2090 KWH</b>				<b>Total Usage (Past 12 Months): 25087 KWH</b>			
				Aug 10	2,358	Oct 10	1,306
				Sep 10	1,952	Nov 10	993

SERVICE AT:

Questions About Bill  
or Service Call:  
1-800-572-1113  
Pay by Phone:  
1-800-611-0954

Bill Date: 12/13/10

PREVIOUS CHARGES: *pd 12-21*

Account Balance	Amount Due
\$ 99.83	
\$ 99.83 CR	
\$ .00	\$ .00

Total Amount Due at Last Billing  
Payment 11/8/10 - Thank You  
Previous Balance

CURRENT KPCO CHARGES (1-800-572-1113):

12/13/10 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Billing  
 Fuel Adj @ 0.0003260 Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000%  
 School Tax

Current Electric Due \$ 291.76

Total Amount Due \$ 291.76  
 Due Dec 29, Add \$ 4.59 After Jan 14

\$8.33 is your average daily cost for current electric service

USAGE:

Meter Number	Service Period	Meter Reading	Metered Usage
533584495	From To	Prev CD Pres CD Multiplier	
	11/09/10 12/13/10	03723 R 06730 R	1.0000 3007 KWH

CD - Read Code: R = RT Read 34 Billing Days Next Scheduled Read Date 01/14/11

Month	Usage	Month	Usage	Month	Usage	Month	Usage
Dec 09	2,237	Feb 10	2,965	Apr 10	1,324	Jun 10	1,591
Jan 10	4,252	Mar 10	2,924	May 10	614	Jul 10	2,371
Average Monthly Usage: 2090 KWH						Total Usage (Past 12 Months): 25087 KWH	
				Aug 10	2,358	Oct 10	1,306
				Sep 10	1,952	Nov 10	993

# TOTAL ELECTRIC USAGE

SERVICE AT: [Redacted] Bill Date: 12/13/10  
 Questions About Bill or Service, Call: 1-800-572-1113  
 Pay by Phone: 1-800-511-0954

**PREVIOUS CHARGES:** *PAID*

Account Balance	Amount Due
\$ 99.83	
\$ 99.83 CR	
\$ .00	\$ .00

**CURRENT KPCo CHARGES (1-800-572-1113):**

12/13/10 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Bill 79  
 Fuel Adj @ 0.0003260 Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000%  
 School Tax

Current Electric Due \$ 291.76

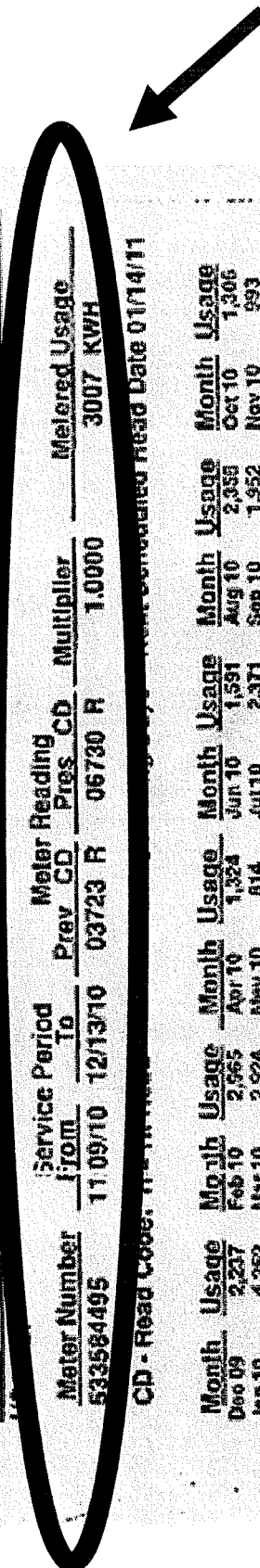
**Total Amount Due: \$291.76**  
 Due Dec 29, Add \$14.59 After Jan 14

\$8.33 is your average daily cost for current electric service

Meter Number	Service Period	Meter Reading	Metered Usage
533584495	From To	Prev CD Pres CD Multiplier	
	11/09/10 12/13/10	03723 R 06730 R 1.0000	3007 KWH

CD - Read Cover. If the meter is not covered, the meter should be covered. Read Date 01/14/11

Month	Usage	Month	Usage	Month	Usage
Dec 09	2,237	Feb 10	2,565	Apr 10	1,324
Jan 10	4,252	Mar 10	2,524	May 10	914
Average Monthly Usage: 2090 KWH			Total Usage (Past 12 Months): 25087 KWH		





# MONTHLY CHARGE

**PREVIOUS CHARGES:**

Total Amount Due at Last Billing  
 Payment 11/18/10 - Thank You  
 Previous Balance

Account Balance  
 \$ 99.83  
 99.83 CR  
 \$ .00

**CURRENT KPCo CHARGES (1-800-572-1113):**

12/13/10 Tariff 015 - RESIDENTIAL SERVICE

Rate Bill 78  
 Fuel Adj. @ 0.0003260 - Per KWH  
 DSM Adj. @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000%  
 School Tax

\$ 266.30 CR  
 .98 CR  
 4.85  
 .15  
 2.92  
 10.02  
 8.50  
 \$ 291.76 \$ 291.76

**Total Amount Due**

**Due Dec 29, Add \$ 4.59 After Jan 14**

**\$ 291.76**

\$8.33 is your average daily cost for current electric service

**USAGE:**

Meter Number	Service Period From	To	Prev CD	Meter Reading	Pres CD	Multiplier	Metered Usage
533584495	11/09/10	12/13/10	03723 R	06730 R	1.0000	3007	KWH

CD - Read Code: R = RI Read 34 Billing Days Next Scheduled Read Date 01/14/11

Month	Usage	Month	Usage	Month	Usage	Month	Usage
Dec 09	2,237	Feb 10	2,565	Apr 10	1,524	Jun 10	1,591
Jan 10	4,252	Mar 10	2,924	May 10	614	Jul 10	2,371
Average Monthly Usage: 2090 KWH		Total Usage (Past 12 Months): 25087 KWH		Aug 10		2,358	
				Sep 10		1,952	
				Oct 10		1,706	
				Nov 10		993	

# ENERGY CHARGE

**PREVIOUS CHARGES:**

Account Balance	Amount Due
\$ 99.83	
\$ 99.83 CR	
\$ .00	\$ .00

Total Amount Due at Last Billing  
 Payment 11/8/10 - Thank You  
 Previous Balance

**CURRENT KPCo CHARGES (1-800-572-1113):**

121310 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Bill 19  
 Fuel Adj @ 0.0003260 - Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0000000 Per KWH  
 Environmental Adj @ 0.00000000%  
 School Tax

Current Electric Due

\$ 291.76

Due \$ 291.76  
 Add \$ 14.59 After Jan 14

**\$266.30 - \$8 = \$258.30**  
**\$258.30 / = .0859**

**Energy charge is**  
**8.59 cents/kwh**

electric service

Reading	Pres	CD	Multiplier	Metered Usage
06730	R		1.0000	3007 KWH

34 Billing Days: Next Scheduled Read Date 01/14/11

CD - Read Code: R = RI Read

Month	Usage	Month	Usage	Month	Usage	Month	Usage
Dec 09	2,237	Feb 10	2,965	Apr 10	1,324	Jun 10	1,591
Jan 10	4,252	Mar 10	2,924	May 10	814	Jul 10	2,371
Average Monthly Usage: 2090 KWH				Total Usage (Past 12 Months): 25087 KWH			
				Aug 10	2,358	Oct 10	1,306
				Sep 10	1,952	Nov 10	993

# FUEL ADJUSTMENT CHARGE

<http://psc.ky.gov/agencies/psc/consumer/fac%20anda.pdf>

PREVIOUS CHARGES: 11/17 AS EQUAL BALANCE Amount Due

Total Amount Due at Last Billing Payment 11/18/10 - Thank You  
 Previous Balance \$ 99.83 CR  
 \$ 99.83 CR  
 \$ .00

**CURRENT KPCo CHARGES (1-800-572-1113):**

1211310 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Bill 19  
 Fuel Adj @ 0.0003260 Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000%  
 School Tax

Current Electric Due \$ 291.76

Total Amount Due \$ 291.76  
 Due Dec 29, Add \$ 14.59 After Jan 14

\$9.33 is your average daily cost for current electric service

**USAGE:**

Meter Number	Service Period From	To	Prev CD	Meter Reading	Prev CD	Multiplier	Metered Usage
533584495	11/09/10	12/13/10	R	03723	R	1.0000	3007 KWH

CD - Read Code: R = R1 Read 34 Billing Days Next Scheduled Read Date 01/14/11

Month	Usage	Month	Usage	Month	Usage	Month	Usage
Dec 09	2,237	Feb 10	2,965	Apr 10	1,324	Jun 10	1,591
Jan 10	4,252	Mar 10	2,924	May 10	614	Jul 10	2,371
Average Monthly Usage: 2090 KWH		Total Usage (Past 12 Months): 25087 KWH		Aug 10		2,358	
				Sep 10		1,952	
				Oct 10		1,306	
				Nov 10		593	



# DEMAND-SIDE MANAGEMENT CHARGE

PREVIOUS CHARGES: Account Balance Amount Due

\$ 99.83  
 \$ 99.03 CR  
 \$ .00

Total Amount Due at Last Billing  
 Payment 11/8/10 - Thank You  
 Previous Balance

**CURRENT KPCo CHARGES (1-800-572-1113):**

121310 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Billing  
 Fuel Adj @ 0.0003260 Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000%  
 School Tax

\$ 266.30  
 .98 CR  
 4.85  
 1.15  
 2.92  
 10.02  
 8.50  
 \$ 291.76

Current Electric Due

**Total Amount Due \$ 291.76**  
**Due Dec 29, Add \$14.59 After Jan 14**

\$8.33 is your average daily cost for current electric service

**USAGE:**

Meter Number	Service Period From	To	Meter Reading	Prev CD	Pres CD	Multplier	Metered Usage
533584495	11/09/10	12/13/10	03723 R	06730 R	1.0000	3007	KWH

CD - Read Code: R = Rf Read 34 Billing Days Next Scheduled Read Date 01/14/11

Month	Usage	Month	Usage	Month	Usage	Month	Usage	
Dec 09	2,237	Feb 10	2,965	Apr 10	1,324	Jun 10	1,591	
Jan 10	4,252	Mar 10	2,924	May 10	814	Jul 10	2,371	
						Aug 10	2,358	
						Sep 10	1,952	
						Oct 10	1,306	
						Nov 10	993	
Average Monthly Usage: 2090 KWH							Total Usage (Past 12 Months): 25087 KWH	

# CAPACITY CHARGE

*M 12-27*

**PREVIOUS CHARGES:**

Total Amount Due at Last Billing  
 Payment 11/8/10 - Thank You  
 Previous Balance

Account Balance	Amount Due
\$ 99.83	
\$ 99.83 CR	
\$ .00	\$ .00

**CURRENT KPCo CHARGES (1-800-572-1113):**

12/13/10 Tariff 015 - RESIDENTIAL SERVICE

Rate Bill  
 Fuel Adj @ 0.0003260 Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential REAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000 %  
 School Tax

\$ 256.30	
.98	CR
4.85	
.15	
2.92	
10.02	
8.50	
\$ 291.76	\$ 291.76

**Total Amount Due: \$ 291.76**  
**Due Dec 29, Add \$ 4.59 After Jan 14**

\$9.33 is your average daily cost for current electric service

**USAGE:**

Meter Number	Service Period From	To	Prev CD	Meter Reading	Prev CD	Multiplier	Metered Usage	
533584495	11/09/10	12/13/10	R	03723	R	06730	1.0000	3007 KWH

CD - Read Code: R = Rf Read      34 Billing Days      Next Scheduled Read Date 01/14/11

Month	Usage	Month	Usage	Month	Usage	Month	Usage
Dec 09	2,237	Feb 10	2,965	Apr 10	1,324	Jun 10	1,591
Jan 10	4,252	Mar 10	2,924	May 10	814	Jul 10	2,371
Average Monthly Usage: 2090 KWH				Total Usage (Past 12 Months): 25087 KWH			
				Aug 10	2,358	Oct 10	1,306
				Sep 10	1,952	Nov 10	993

# HOME ENERGY ASSISTANCE FUND

*12-21*

Account Balance Amount Due

\$ 99.03  
 \$ 99.03 CR  
 \$ .00

Total Amount Due at Last Billing  
 Payment 11/18/10 - Thank You  
 Previous Balance

**CURRENT KPCo CHARGES (1-800-572-1113):**

12/13/10 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Bill 19  
 Fuel Adj @ 0.0003260 Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000%  
 School Tax

\$ 266.30  
 .98 CR  
 4.85  
 .15  
 2.92  
 10.02  
 8.50  
 \$ 291.76

Current Electric Due \$ 291.76

**Total Amount Due \$ 291.76**  
**Due Dec 29, Add \$ 14.59 After Jan 14**

\$3.33 is your average daily cost for current electric service

**USAGE:**

Meter Number	Service Period From	To	Prev CD	Meter Reading	Pres CD	Multiplier	Metered Usage
533594495	11/09/10	12/13/10	03723 R	06730 R	1.0000	3007	KWH

CD - Read Code: R = R1 Read 34 Billing Days Next Scheduled Read Date 01/14/11

Month	Usage	Month	Usage	Month	Usage	Month	Usage
Dec 09	2,237	Feb 10	2,965	Apr 10	1,324	Jun 10	1,591
Jan 10	4,252	Mar 10	2,924	May 10	814	Jul 10	2,371
Average Monthly Usage: 2090 KWH		Total Usage (Past 12 Months): 25087 KWH		Aug 10	2,358	Oct 10	1,206
				Sep 10	1,952	Nov 10	993



# ENVIRONMENTAL SURCHARGE

*12-23*

**PREVIOUS CHARGES:**

Account Balance	Amount Due
\$ 99.83	
\$ 99.83 CR	
\$ .00	\$ .00

Total Amount Due at Last Billing  
 Payment 11/8/10 - Thank You  
 Previous Balance

**CURRENT KPCo CHARGES (1-800-572-1113):**

1211310 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Billing 78  
 Fuel Adj @ 0.0003260 Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000%  
 School Tax

266.30	CR
.98	CR
4.85	
1.15	
2.92	
10.02	
8.50	
291.76	

Current Electric Due \$ 291.76

Total Amount Due \$ 291.76  
 Due Dec 29 Add \$14.59 After Jan 14

\$8.33 is your average daily cost for current electric service

**USAGE:**

Meter Number	Service Period	Meter Reading	Prevs	CD	Multiplier	Metered Usage
533584495	11/09/10 - 12/13/10	03723 R	06730 R		1.0000	3007 KWH

CD - Read Code: R = RI Read 34 Billing Days Next Scheduled Read Date 01/14/11

Month	Usage	Month	Usage	Month	Usage
Dec 09	2,237	Feb 10	2,965	Apr 10	1,324
Jan 10	4,252	Mar 10	2,924	May 10	814
Average Monthly Usage: 2090 KWH			Total Usage (Past 12 Months): 25087 KWH		

# LOCAL TAXES

*12-21*

**PREVIOUS CHARGES:**

	<u>Account Balance</u>	<u>Amount Due</u>
Total Amount Due at Last Billing	\$ 99.83	
Payment 11/18/10 - Thank You	\$ 99.83 CR	
Previous Balance	\$ .00	\$ .00

**CURRENT KPCo CHARGES (1-800-572-1113):**

12/13/10 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Bill 78  
 Fuel Adj @ 0.0003260 Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000%  
 School Tax

	\$ 266.30	
	.98 CR	
	4.85	
	.15	
	2.92	
	10.02	
	8.50	
<b>Current Electric Due</b>	<b>\$ 291.76</b>	<b>\$ 291.76</b>

**Total Amount Due: \$ 291.76**  
**Due Dec 29, Add \$14.59 After Jan 14**

\$8.33 is your average daily cost for current electric service

**USAGE:**

<u>Meter Number</u>	<u>Service Period</u>	<u>Meter Reading</u>	<u>Metered Usage</u>
533584495	From 11/09/10 To 12/13/10	Prev CD 03723 R Pres CD 06730 R	Multiplier 1.0000
			3007 KWH

CD - Read Code: R = RI Read 34 Billing Days Next Scheduled Read Date 01/14/11

<u>Month</u>	<u>Usage</u>	<u>Month</u>	<u>Usage</u>	<u>Month</u>	<u>Usage</u>
Dec 09	2,237	Feb 10	2,965	Apr 10	1,324
Jan 10	4,252	Mar 10	2,924	May 10	814
				Jun 10	1,591
				Aug 10	2,358
				Sep 10	1,952
				Oct 10	1,306
				Nov 10	993
<b>Average Monthly Usage: 2090 KWH</b>					
<b>Total Usage (Past 12 Months): 25087 KWH</b>					

# TOTAL BILL

*12-27*

**PREVIOUS CHARGES:**

<u>Account Balance</u>		<u>Amount Due</u>
\$ 99.83		
\$ 99.83 CR		
\$ .00		\$ .00

Total Amount Due at Last Billing  
 Payment 11/18/10 - Thank You  
 Previous Balance

**CURRENT KPCo CHARGES (1-800-572-1113):**

12/13/10 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Bill 19  
 Fuel Adj @ 0.0003260 Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000%  
 School Tax

\$ 266.30 CR		
4.85		
.15		
2.92		
10.02		
8.50		
\$ 291.76		\$ 291.76

Current Electric Due

**Total Amount Due: \$ 291.76**  
 Due Dec 29, Add \$ 1.59 After Jan 14

\$8.33 is your average daily cost for current electric service

**USAGE:**

Meter Number	11 09/10	12/13/10	03723 R	06730 R	1 0000	3007 KWH
	Service Period	From	To	Prev CD	Meter Reading	Metered Usage

CD - Read Code: R = RI Read      34 Billing Days      Next Scheduled Read Date 01/14/11

<u>Month</u>	<u>Usage</u>	<u>Month</u>	<u>Usage</u>	<u>Month</u>	<u>Usage</u>	<u>Month</u>	<u>Usage</u>
Dec 09	2,237	Feb 10	2,565	Apr 10	1,324	Jun 10	1,591
Jan 10	4,252	Mar 10	2,924	May 10	814	Jul 10	2,371
<b>Average Monthly Usage: 2090 KV/H</b>				<b>Total Usage (Past 12 Months): 25087 KWH</b>			
				Aug 10	2,358	Oct 10	1,306
				Sep 10	1,952	Nov 10	993



# IMPORTANT DATES

**PREVIOUS CHARGES:** *12-21*

<u>Account Balance</u>	<u>Amount Due</u>
\$ 99.83	
\$ 99.83 CR	
\$ .00	\$ .00

Total Amount Due at Last Billing  
 Payment 11/16/10 - Thank You  
 Previous Balance

**CURRENT KPCo CHARGES (1-600-572-1113):**

12/13/10 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Bill 79  
 Fuel Adj @ 0.0003260 - Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000%  
 School Tax

\$ 266.30	\$ 291.76
98 CR	
4.85	
.15	
2.92	
10.02	
8.50	
\$ 291.76	\$ 291.76

**Total Amount Due: \$ 291.76**  
 Due Dec 29, Add \$14.59 After Jan 1

\$9.33 is your average daily cost for current electric service

**USAGE:**

Meter Number	Service Period	Meter Reading	Metered Usage
533584495	From To	Prev CD Pres CD	
	11/09/10 12/13/10	03723 R 06730 R	1,000
			3007 KWH

CD - Read Code: R = R1 Read 34 Billing Days Next Scheduled Read Date 01/09/11

Month	Usage	Month	Usage	Month	Usage
Dec 09	2,237	Feb 10	2,965	Apr 10	1,324
Jan 10	4,252	Mar 10	2,924	May 10	814
				Jun 10	1,581
				Jul 10	2,371
				Sep 10	1,952
				Oct 10	1,306
				Nov 10	993
<b>Average Monthly Usage: 2090 KWH</b>					
<b>Total Usage (Past 12 Months): 25087 KWH</b>					

# YEAR-TO-YEAR USAGE

12-27

**PREVIOUS CHARGES:**

	<u>Account Balance</u>	<u>Amount Due</u>
Total Amount Due at Last Billing	\$ 99.83	
Payment 11/8/10 - Thank You	99.83 CR	
Previous Balance	.00	\$ .00

**CURRENT KPCo CHARGES (1-800-572-1113):**

1213110 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Bill 19  
 Fuel Adj @ 0.0003260- Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000%  
 School Tax

Current Electric Due \$ 291.76

**Total Amount Due \$ 291.76**  
**Due Dec 29 Add \$14.59 After Jan 14**

\$8.33 is your average daily cost for current electric service

**USAGE:**

<u>Meter Number</u>	533584495	<u>Service Period</u>	11/09/10 - 12/13/10	<u>Meter Reading</u>	03723 R	<u>Pres CD</u>	06730 R	<u>Multplier</u>	1.0000	<u>Metered Usage</u>	3007 KWH
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CD - Head Code: R Read 34 Billing Days Next Scheduled Read Date 01/14/11

<u>Month</u>	<u>Usage</u>	<u>Month</u>	<u>Usage</u>	<u>Month</u>	<u>Usage</u>	<u>Month</u>	<u>Usage</u>
Dec 09	2,237	Feb 10	2,565	Apr 10	1,324	Jun 10	1,591
Jan 10	4,252	Mar 10	2,924	May 10	814	Jul 10	2,371
Average Monthly Usage: 2090 KWH				Total Usage (Past 12 Months): 25087 KWH			
				Aug 10	2,358	Oct 10	1,306
				Sep 10	1,952	Nov 10	993



# YEARLY USAGE

Account Balance	Amount Due
\$ 99.83	
\$ 99.83 CR	
\$ .00	\$ .00

Total Amount Due at Last Billing  
 Payment 11/18/10 - Thank You  
 Previous Balance

## CURRENT KPCo CHARGES (1-800-572-1113):

12/12/10 Tariff 015 - RESIDENTIAL SERVICE  
 Rate Bill 19  
 Fuel Adj @ 0.0003260- Per KWH  
 DSM Adj @ 0.0016120 Per KWH  
 Residential HEAP @ \$0.15  
 Capacity Charge @ 0.0009700 Per KWH  
 Environmental Adj 3.6679000%  
 School Tax

Current Electric Due \$ 291.76

Total Amount Due \$ 291.76  
 Due Dec 29, Add \$ 4.59 After Jan 14

\$8.33 is your average daily cost for current electric service

USAGE:

Meter Number	Service Period From	To	Prev CD	Meter Reading	Pres CD	Multiplier	Metered Usage
533584495	11/09/10	12/13/10	R	03723	R	1.0000	3007 KWH

CD - Read Code: R = Rf Read 34 Billing Days Next Scheduled Read Date 01/14/11

Month	Usage	Month	Usage	Month	Usage
Dec 09	2,237	Feb 10	2,565	Apr 10	1,324
Jan 10	4,252	Mar 10	2,924	May 10	614
Average Monthly Usage: 2090 KWH					
Jun 10	1,591	Aug 10	2,358	Oct 10	1,406
Jul 10	2,371	Sep 10	1,952	Nov 10	993
Total Usage (Past 12 Months): 25087 KWH					

# MONTH-TO-MONTH BILL

Account Balance      Amount Due  
 \$ 99.83  
 \$ 99.83 CR      \$ .00  
 \$ .00

\$ 256.30 CR  
 4.85  
 .15  
 2.92  
 10.02  
 8.50  
 \$ 291.76

Amount Due      \$ 291.76

01 Add \$14.59 After Jan 14

rent electric service

Meter Reading      Metered Usage  
 CD Pres CD Multiplier  
 3 R 06730 R 1.0000      3007 KWH

34 Billing Days      Next Scheduled Read Date 01/14/11

Month	Usage	Month	Usage
Jun 10	1,591	Aug 10	2,358
Jul 10	2,371	Sep 10	1,952
Total Usage (Past 12 Months): 25087 KWH			

1113):

CE      361.22  
 WH      1.21 CR  
 WH      6.63  
 00 Per KWH      .15  
 0%      3.99  
             13.99  
             11.54  
 ic Due      \$ 396.31

Amount Due      \$ 396.31

01 Add \$19.82 After Feb 14

or current electric service

Meter Reading      Metered Usage  
 CD Pres CD Multiplier  
 06730 R 10842 R 1.0000      4112 KWH

32 Billing Days      Next Scheduled Read Date 02/14/11

Month	Usage	Month	Usage
Jul 10	2,371	Sep 10	1,952
Aug 10	2,358	Oct 10	1,308
Total Usage (Past 12 Months): 25857 KWH			

# MONTH-TO-MONTHS BILL

## METER READINGS

\$ 99.83  
 \$ 99.83 CR  
 \$ .00

\$ .00

\$ 266.30  
 4.65  
 .15  
 2.92  
 10.02  
 8.50  
 \$ 291.76

\$ 291.76

Total Amount Due \$291.76  
 Add \$4.59 After Jan 14

Cost for current electric service

Meter Reading  
 Prev CD 06730 R Multiplier 1.0000 Metered Usage 3007 KWH

34 Billing Days Next Scheduled Read Date 01/14/11

Month	Usage	Month	Usage
Jun 10	1,531	Aug 10	2,358
Jul 10	2,371	Sep 10	1,952
Total Usage (Past 12 Months): 25087 KWH		Oct 10	1,306
		Nov 10	993

Account Balance  
 \$ 291.76  
 \$ 291.76 CR  
 \$ .00

Amount Due \$ 396.31

SERVICE \$ 361.22  
 1.21 CR  
 6.63  
 .15  
 3.99  
 13.99  
 11.54  
 \$ 396.31

Total Amount Due \$396.31  
 Add \$19.82 After Feb 14

Cost for current electric service

Meter Reading  
 Prev CD 06730 R 10842 Multiplier 1.0000 Metered Usage 4112 KWH

32 Billing Days Next Scheduled Read Date 02/14/11

Month	Usage	Month	Usage
May 10	614	Jul 10	2,371
Jun 10	1,581	Aug 10	2,358
Total Usage (Past 12 Months): 25857 KWH		Sep 10	1,952
		Oct 10	1,306
		Nov 10	993



# MONTH-TO-MONTH BILL

## BILLING DAYS

ACCOUNT BALANCE      AMOUNT DUE

\$ 99.83  
 \$ 99.83 CR      \$ .00

\$ 266.30 CR  
 4.85  
 .15  
 2.92  
 10.02  
 8.50

\$ 291.76      \$ 291.76

**Amount Due**      **\$ 291.76**  
 19, Add \$14.59 After Jan 14

rent electric service

Meter Reading      Metered Usage  
 CD      Prev CD      Multiplier  
 3 R      06730 R      1.0000      3007 KWH

34 Billing Days      Next Scheduled Read Date 01/14/11

Month	Usage	Month	Usage
Jun 10	1,591	Aug 10	2,358
Jul 10	2,371	Sep 10	1,952
Total Usage (Past 12 Months): 25087 KWH			

Account Balance      Amount Due

\$ 291.76  
 \$ 291.76 CR      \$ .00

2-1113):  
 VICE      \$ 361.22 CR  
 KWH      1.21 CR  
 KWH      6.63  
 .15  
 3.99  
 13.99  
 11.54

Electric Due      \$ 396.31      \$ 396.31

**Amount Due**      **\$ 396.31**  
 Feb 01, Add \$19.82 After Feb 14

for current electric service

Meter Reading      Metered Usage  
 Prev CD      Pres CD      Multiplier  
 06730 R      10842 R      1.0000      4112 KWH

32 Billing Days      Next Scheduled Read Date 02/14/11

Month	Usage	Month	Usage
Jul 10	2,371	Sep 10	1,952
Aug 10	2,358	Oct 10	1,308
1,591		Nov 10	993
Total Usage (Past 12 Months): 25857 KWH			

# MONTH-TO-MONTH BILL COMPARING DAILY USAGE

DSM Adj @ 0.0016120 Per KWH 4.85  
 Residential HEAP @ \$0.15 15  
 Capacity Charge @ 0.0009700 Per KWH 2.92  
 Environmental Adj 3.6679000% 10.02  
 School Tax 8.50  
 Current Electric Due \$ 291.76 \$ 291.76

**Total Amount Due \$ 291.76**  
 Due Dec 29, Add \$14.59 After Jan 14

\$8.33 is your average daily cost for current electric service

USAGE:

DSM Adj @ 0.0016120 Per KWH 6.63  
 Residential HEAP @ \$0.15 15  
 Capacity Charge @ 0.0009700 Per KWH 3.99  
 Environmental Adj 3.7735000% 13.99  
 School Tax 11.54  
 Current Electric Due \$ 396.31 \$ 396.31

**Total Amount Due \$ 396.31**  
 Due Feb 01, Add \$19.82 After Feb 14

\$12.02 is your average daily cost for current electric service

USAGE:

Meter Number	533584495	Service Period	From 12/13/10 To 01/14/11	Meter Reading	Prev CD 06730 R Pres CD 10842 R	Multiplier	1.0000	Metered Usage	4112 KWH
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# MONTH-TO-MONTH BILL THE EFFECT OF TEMPERATURE

## November Degree Days

Jackson	477	(-45)	-9%
Huntington	557	(-3)	0%
Louisville	450	(-77)	-15%

## November to December Degree Days

Jackson	+656	+137%
Huntington	+561	+101%
Louisville	+603	+134%

## December Degree Days

Jackson	1133	(+308)	+37%
Huntington	1118	(+265)	+32%
Louisville	1053	(+215)	+26%

**MONTHLY BILL**  
**EFFECT OF THE JUNE 2010**  
**BASE RATE INCREASE**

	<b>MONTHLY CHARGE</b>	<b>PER KWH RATE</b>
<b>BEFORE RATE INCREASE</b>	\$5.86	\$ .0719 (7.19 cents)
<b>AFTER RATE INCREASE</b>	\$8	\$ .0859 (8.59 cents)
<b>DIFFERENCE</b>	\$2.14	\$ .014 (1.4 cents)

**CALCULATING THE EFFECT OF THE RATE INCREASE**

(Change in monthly charge + electricity consumed times change in KWH rate)  
times environmental surcharge factor equals total impact

$$(\$2.14 + (\text{KWH used} \times .014)) \times 1.037735 = \text{rate increase effect}$$

# MONTHLY BILL EFFECT OF THE JUNE 2010 BASE RATE INCREASE

DSM Adj @ 0.0016120 Per KWH Residential HEAP @ \$0.15 Capacity Charge @ 0.0009700 Per KWH Environmental Adj 3.7735000% School Tax	6.63 0.15 3.99 13.99 11.54 396.31		
Current Electric Due      \$      396.31			
<b>Total Amount Due      \$ 396.31</b> (Effective Feb 01, Add \$19.62 After Feb 14)			
\$12.02 is your average daily cost for current electric service			
<b>USAGE:</b>			
Meter Number 533584495	Service Period From      To 12/13/10      01/14/11	Meter Reading Prev CD      Pres CD      Multiplier 06730 R      10842 R      1.0000	Metered Usage 4112 KWH

## CALCULATING THE EFFECT OF THE RATE INCREASE

$$(\$2.14 + (\text{KWH used} \times 0.014)) \times 1.037735 = \text{rate increase effect}$$

$$(\$2.14 + (4112 \times 0.014)) \times 1.037735 = \text{rate increase effect}$$

$$(\$2.14 + (\$57.57)) \times 1.037735 = \text{rate increase effect}$$

$$(\$59.71) \times 1.037735 = \text{rate increase effect}$$

$$\text{Rate increase effect} = \$61.96$$



**MONTHLY BILL**  
**EFFECT OF THE JUNE 2010**  
**BASE RATE INCREASE**

Total Amount Due \$ 291.76  
Due Dec 29 Add \$ 14.59 After Jan 14

\$8.33 is your average daily cost for current electric service

USAGE:

**RECALCULATED TO OLD RATE \$291.76 - \$45.86 = \$245.90**

Total Amount Due \$ 396.31  
Due Feb 01 Add \$ 9.62 After Feb 14

\$12.02 is your average daily cost for current electric service

USAGE:

**RECALCULATED TO OLD RATE \$396.31 - \$61.96 = \$334.35**

**MONTHLY BILL**  
**EFFECT OF THE JUNE 2010**  
**BASE RATE INCREASE**

**MONTH-TO-MONTH INCREASE – OLD RATE**

**\$334.35 - \$245.90 = \$88.45**

**MONTH-TO-MONTH INCREASE – NEW RATE**

**\$396.31 - \$291.76 = \$104.55**

**MONTH-TO-MONTH INCREASE DUE TO  
RATE CHANGE**

**\$104.55 – 88.45 = \$16.10**

**MONTH-TO-MONTH INCREASE DUE TO  
HIGHER USAGE**


**\$104.55 - \$16.10 = \$88.45**



# ***If you have questions or concerns about your bill:***

1. Contact your utility company's customer service department
2. If you are unable to resolve the issue with your utility, contact the Kentucky Public Service Commission by:
  - Calling the PSC Consumer Services Division at 800-772-4636
  - Sending an e-mail from: <http://psc.ky.gov/cis/inquiry.aspx>

***Reducing  
your electric bill***

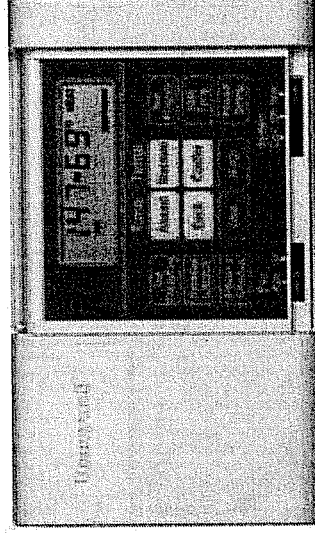


# Home Energy Spending

Heating/Cooling	42%
Lighting/Appliances	36%
Water Heating	14%
Refrigeration	9%

# Conservation

- Turn down thermostat
  - Going from 72 degrees to 68 degrees can save 15% or more on your heating bill





# Efficiency

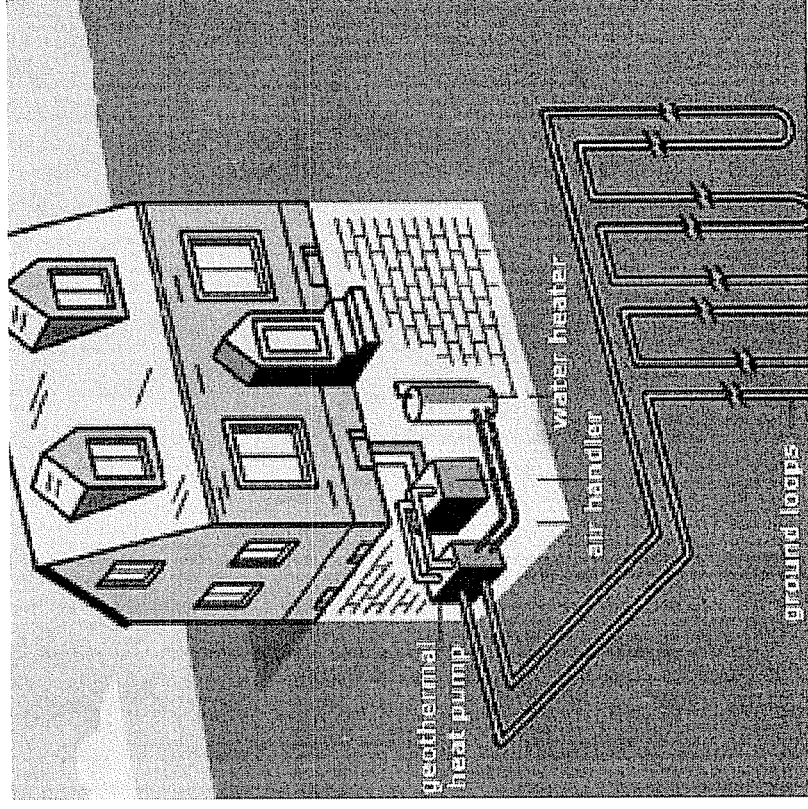
- Replace incandescent bulbs with compact fluorescent (CFL) or light-emitting diode (LED) bulbs
  - use much less energy
  - last much longer
  - more expensive, but pay off more quickly





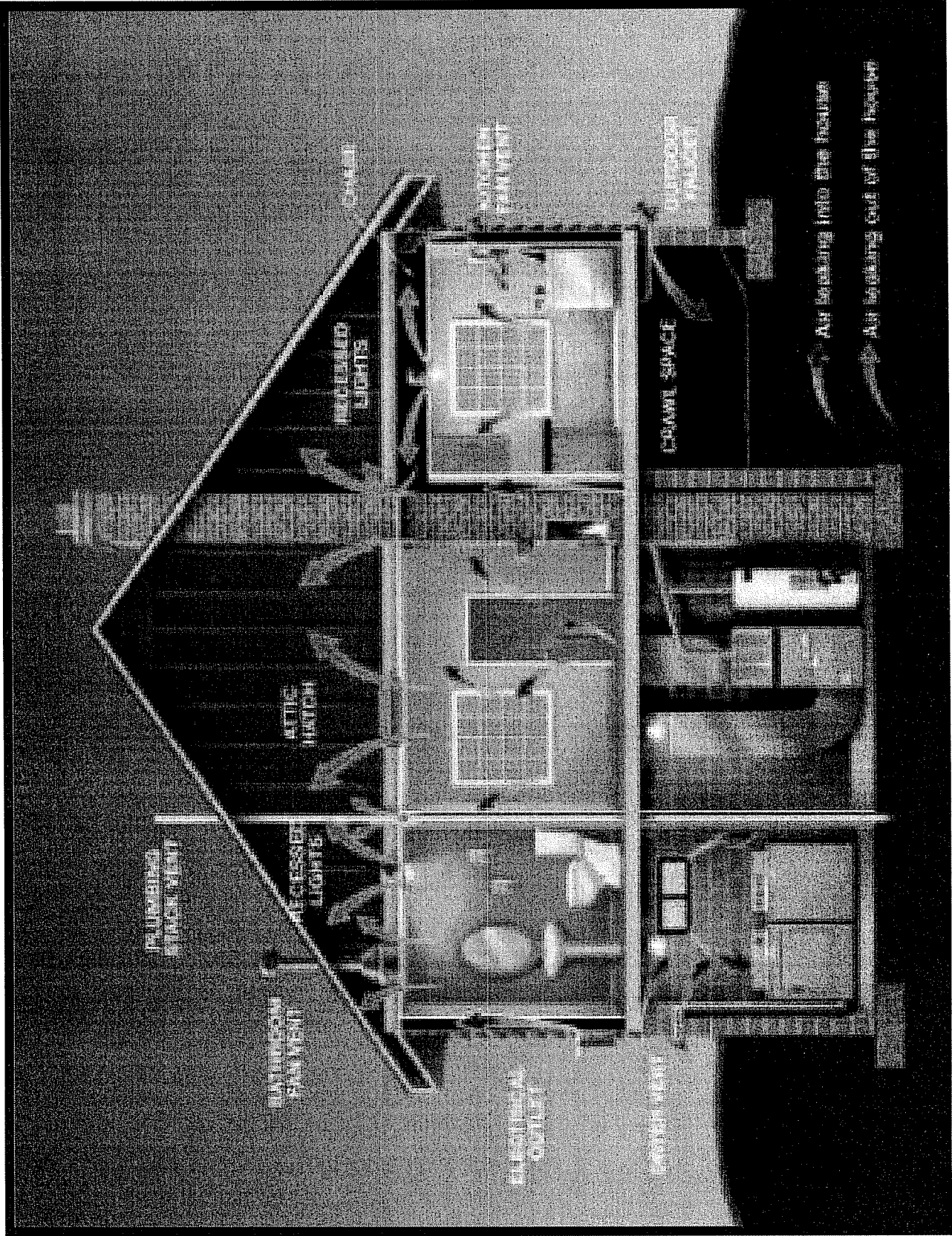
# Efficiency

- Consider switching to more energy-efficient appliances, particularly heating & cooling units, water heaters and refrigerators



# Energy audits

- Identify problem areas
- Suggest corrective actions
- Offered by most major utilities
- Often free or nominal charge



# Weatherization

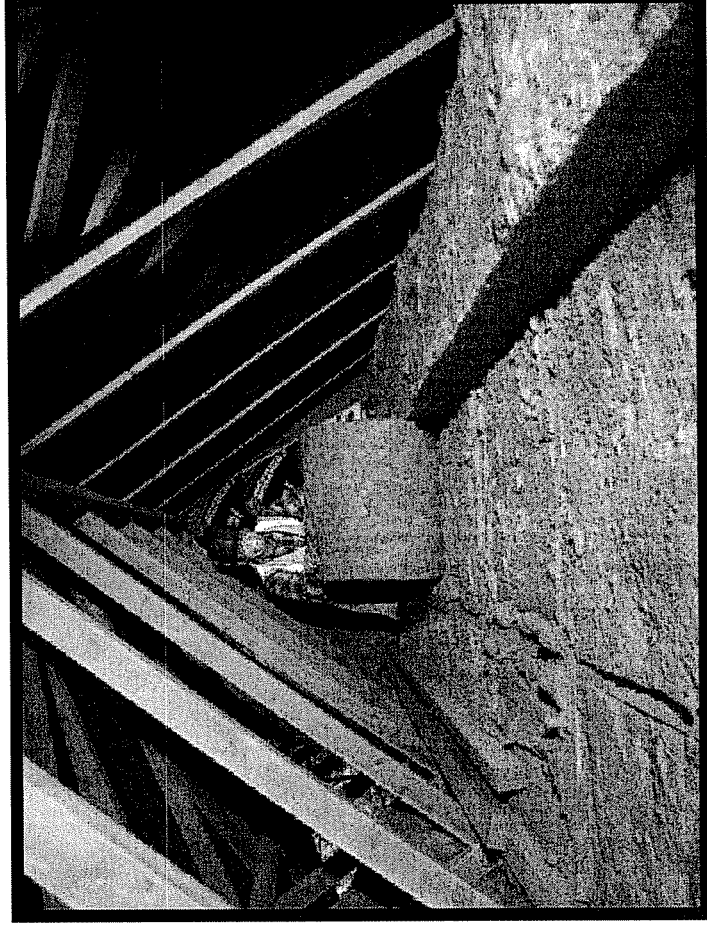
Substantial savings are possible if you:

- Caulk around windows, doors
- Replace worn weather stripping
- Seal openings



# Weatherization

- Install storm windows
- Cover windows with plastic
- Add insulation



***Managing***

***utility costs***

# Budget billing

- Annual averaging of monthly bill
- Removes seasonal fluctuations
- Allows predictable budgeting
- Annual or rolling “true up”
- Does NOT cut costs

# Low-income Assistance

- Administered through Cabinet for Health & Family Services - local Community Action Agencies
- Weatherization assistance - eligibility based on income; many utilities provide matching funds



## **Low-Income Home Energy Assistance Program (LIHEAP)**

- 150,000 households each year
  - Two programs - Subsidy & Crisis
    - Subsidy - Nov.-Dec.
    - Crisis - Jan.-March
- 

**Low-income assistance also is provided by many local non-profit agencies. Utility companies also have low-income assistance programs (Home Energy Assistance Program (HEAP) – Kentucky Power; Winterhelp – LG&E, Atmos Cares, etc)**

# On the Web

Energy efficiency/conservation

<http://energy.ky.gov/efficiency/>

Assistance programs

- Weatherization assistance

<http://www.communityactionky.org/WhatWeDo/EnergyAssistance/Weatherization/tabid/356/Default.aspx>

- LIHEAP information

<http://chfs.ky.gov/dcbs/dfs/LIHEAP.htm>

General information, consumer complaints

<http://psc.ky.gov>

**Contact information:**

**Andrew Melnykovych  
Communications Director  
Kentucky Public Service Commission  
211 Sower Boulevard, Frankfort KY 40602  
502-564-3940 x208  
Andrew.Melnykovych@psc.ky.gov**

# **The PSC ratemaking process**

## **Governed by statute – KRS 278**

- Rates must be “fair, just and reasonable”
- Investors are entitled to an opportunity to earn a return on equity

## **Two-part process**

- Revenue requirement
- Rate design

# **The PSC ratemaking process**

## **Intervenors**

- Kentucky Office of Attorney General has statutory right to intervene to represent ratepayers in general**
- Other parties may be granted intervention upon showing that they are representing unique interests and will contribute evidence that otherwise might not be brought before the PSC**
- PSC may grant limited intervention – those parties do not put on evidence**

# **The PSC ratemaking process**

## **Settlements**

- **Must be unanimous – all full intervenors agree**
- **Settlements typically are “black boxes” – they do not always specify details of trade-offs in areas such as expenses and rates of return**
- **However, resulting rates must still meet the test of “fair, just and reasonable”**

# **The PSC ratemaking process**

## **Revenue requirement**

- Calculated over a “test year” that most often uses actual numbers from a previous 12-month period, but may also be forecasted
- Certain expenses are not allowed – promotional advertising, executive bonuses, etc.
- Unusual or one-time costs or revenue are excluded
- Final revenue requirement is based on a company’s allowable expenses – operations and maintenance, capital costs, etc – and the opportunity to earn a reasonable rate of return



# The PSC ratemaking process

## Rate design

- Allocates revenue over various rate classes – residential, commercial, industrial, etc.
- As part of rate application, utilities must submit a “cost of service” study that determines how much it costs to serve each rate class
- PSC uses cost of service study as a guideline, but rates are not rigidly set to reflect costs
- Some rebalancing of costs and rates typically occurs in every rate case

# **The Kentucky Power Rate case:**

## **Why the increases were not the same for all classes of rate payers**

- All but two classes (both for large industrial customers) had 17% increases- industrials up by either 3.6% or 6.6%, depending on type of service
- Prior to the rate increase, Kentucky Power was losing nearly 3% (based on return on equity) on residential service, and earning 4% or more on other classes of service
- After the rate increase, opportunity for ROE on residential service was set at 1%, and at 8% or more for other rate classes