

TO: Commissioners
 Kentucky Public Service Commission
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 Frankfort, KY 40601

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PUBLIC SERVICE
 COMMISSION

RE: Case No. 2012-00221 – Opposition to Proposed Rate Increases and Unjust Allocations to Residential Monthly Service Charges

Dear Commissioners:

I am a residential customer of KU. I write to oppose KU's rate increases on electric service.

Present rates are fair, just and reasonable. In these difficult times, KU already enjoys a secure and generous rate of return on its capital. Their approximate guaranteed 16% before tax profit is there, regardless of economic conditions or demographics.

I also understand the current economic situation prohibits the Attorney General's office from engaging experts to challenge the utility companies' rate case. The utility companies have also successfully lobbied our legislature to prohibit a small monthly cost to rate payers to establish a "Self-defense fund" to support the Attorney General during poor economic times. Lobbying costs money and since all costs are passed through to rate payers, we are essentially paying for the utility company to leverage the entire process and severely tilt the negotiations unfairly in their favor.

Additionally, our elected officials are essentially raising utility costs on all state building, guaranteeing increased tax rates for the future. I find this incredibly short sighted.

Any increase to the fixed service charge is a back door process to reduce the effectiveness of renewable energy. KU and Columbia Gas should be held to the same standards of all companies; stay competitive by constant improvement. The current business model for utility companies is archaic by modern standards and changes are required, beginning with full endorsement and acceptance of renewable energy. Renewables have to be part of the future of this state and country.

If any increase is due, I **strongly** oppose increasing the monthly service charges. KU wants to raise the monthly electric service charge by 53% (from \$8.50 to \$13.00) and the kWh rate by only 3.5% (from 6.987 cents to 7.253 cents).

Any rate increase should be put on the unit of energy ("volumetric pricing"), not the monthly service charge. KU already enjoys a monopoly and guaranteed profit. It doesn't need a higher monthly service charge. Increasing the monthly service charge:

- Unfairly and unjustly diminishes the returns of prior investors in efficiency;
- Unreasonably discourages future investments in efficiency;
- Unreasonably rewards wasteful users of energy;
- Unjustly and unfairly impacts those who use energy sparingly (i.e. – the poor, the elderly and the efficiency-minded), and;
- Unreasonably impairs deployment of renewables and distributed generation;

In short, KU's proposed allocation is bad public policy. A public utility with a grant of monopoly and near-certain profit should not employ such a pricing structure. I pray the Commission will not allow it, either after hearing or in any proposed settlement.

Very truly yours,

Signature Mark D. Hurt

(Please print clearly)

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