



Appalachia – Science in the Public Interest
50 Lair St., Mount Vernon, KY 40456
606-256-0077 www.Appalachia-SPI.org

November 13, 2012

RECEIVED

NOV 15 2012

PUBLIC SERVICE
COMMISSION

TO: Commissioners
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601
Fax 502-564-3460

RE: Case No. 2012-00221 – Opposition to Proposed Increases to KU Monthly Service Charges and Support for Progressive Rate Structures

Dear Commissioners:

I am the Director of the Kentucky Solar Partnership, a project of the 501(c)3 non-profit organization Appalachia – Science in the Public Interest (ASPI). ASPI is a commercial customer of KU at our Mount Vernon office and I am submitting these comments on ASPI's behalf. I write to oppose KU's request to increase their monthly service charge by 53%, while increasing the kWh rate by only 3.5%.

If the Commission finds that a rate increase is warranted, all of the increase should be applied to the kWh rate or demand charges, rather than the monthly service charge. The rate structure is a fundamental tool for influencing customer energy use and it should be used to encourage conservation, energy efficiency and renewable energy. Raising the monthly service charge does the opposite, by increasing a fixed cost that cannot be influenced by any degree of conservation or renewable energy investment.

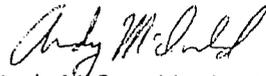
Energy efficiency and conservation are the cheapest, cleanest, and lowest risk sources of energy available to us. I urge the Commission to follow a policy that prioritizes efficiency and conservation and direct the state's utilities to enact rate structures that do the same.

We are also concerned about the impacts that rising energy costs have on lower income families and the elderly. Raising the fixed monthly service charge is a regressive rate policy which disproportionately impacts the poor. In contrast to this I recommend the Commission explore the use of progressive, inclining block rate structures. Under such a rate structure, the per-kWh rate would

increase as one's usage increases. The first tier (for example, the first 0 – 300 kWh consumed in a billing cycle) could be priced at a below-cost rate. As customers consume more electricity, the rates would increase. Such a system would provide increasing returns on efficiency, conservation, and renewable energy investments as the customer's usage declines. By pricing the first tier at the lowest rate, the system recognizes that there is a minimum amount of energy needed to meet people's basic needs and helps people meet those needs by charging less for those first units consumed. By increasing rates as consumption increases, the system actively encourages efficiency and conservation.

Please reject KU's request to increase the monthly service charge and enact rate structures that will support and encourage customer investments in energy efficiency, conservation, and renewable energy.

Sincerely,



Andy McDonald, Director

Kentucky Solar Partnership, ASPI

306 W. Main St., Third Floor

Frankfort, KY 40601

502-227-4562

andyboeke@yahoo.com