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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATIONS OF LOUISVILLE GAS AND)	Case Nos. 2012-
ELECTRIC AND KU FOR AN ADJUSTMENT)	00221 and 2012-
OF ITS ELECTRIC AND GAS RATES, A)	00222
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY, APPROVAL OF GAS SERVICE)	
LINE AND RISERS, AND A GAS LINE)	
SURCHARGE)	

COMMENTS OF JEFF AUXIER

COMES NOW Jeff Auxier to respectfully file comments with regards to adjustments to residential electric rates in the above-referenced cases:

Residential customers comprise 37% of LG&E's and 31% of KU's overall sales and are the largest class of customers for each utility.^{1 2} With respect to this customer class, the instant cases raise important issues on energy efficiency. Energy efficiency issues are properly addressed in these rate cases.³

The proposed settlement markedly impacts private efficiency and conservation efforts due to the extraordinary increases it places on the residential monthly customer charges. The settlement proposes to place 53% of the overall LG&E residential rate

¹2011 Joint Integrated Resource Plan of LG&E and KU, Case No. 2011-00140, Table 7.(2)(h)-2 at 7-34 (April 21, 2011)

²2011 Joint Integrated Resource Plan of LG&E and KU, Case No. 2011-00140, Table 7.(2)(h)-2 at 7-5 (April 21, 2011)

³ See, e.g., *In the Matter of: Consideration of the New Federal Standards of the Energy Independence and Security Act of 2007*, Case No. 2008-00408, Order at 66 (October 6, 2011); see also Case No. 2008-00408, Testimony of Lonnie Bellar at 3 - 5 (Jan. 11, 2009)

increase and 44% of the overall KU residential increase on the customer charge. Yet the customer charges presently comprises only about 10% of the average monthly customer's bill. A greatly disproportionate amount of the overall increase therefore goes to the customer charge.

This disproportionate increase follows a similar 2010 increase when the monthly charge went up 70%. The presently proposed customer charge increases added to the 2010 customer charge increases sum to over \$53 million per year.⁴ That is \$53 million per year removed from the volumetric price and placed instead on the customer charge, \$53 million per year no longer providing incentive for private investment in efficiency.

\$53 million per year is a lot of lost incentive, and the number will jump to \$70 or \$80 or maybe even \$90 million per year the next time LG&E and KU come back for another increase, if the PSC lets them have their way.

200 or so residential customers commented in direct opposition to the increase in the monthly customer charge. They asked the Commission to instead place any increase on the energy charge. These customers all recognize that an increase on the monthly charge instead of the kWh price:

- 1) Lowers the returns of prior private investors in efficiency;
- 2) Discourages, slows and delays future private investments in efficiency;
- 3) Rewards wasteful users of energy with a lower than average percentage increase in their rates;
- 4) Most impacts those who use energy sparingly (i.e. – the poor, the elderly and the efficiency-minded) by imposing a higher than average percentage increase on their rates, and;

⁴ Exhibit 1, *Efficiency Incentives Lost – KU / LG&E Electric*

- 5) Slows and delays deployment of renewables and distributed generation.

The customers recognize that these effects move Kentucky in the wrong direction. They find these effects unfair, unjust and unreasonable.

The overall increase in the proposed settlement for the average residential LG&E customer is 5.2%, but a “low” user incurs an 8.7% increase while a “high” user has only a 3.8% increase.⁵ For KU, the numbers are a 5.7% average increase with a 9.5% increase for the low user and less than half that (4.7%) for the high user.⁶

Low users are likely folks of limited means or folks who have made efforts and investments to promote the good goal of efficiency. High users might be wasteful users, or are likely folks with bigger homes, more income and more opportunity to cut consumption. It is wrong that low users bear increased burden and subsidize high users.

The negative effects of the service charge increases on future private investment and deployment of renewables arise from basic economic principles operating in a free market. Price by the unit, and one better directs society’s resources to the best use. Expert Glenn Watkins affirms this effect.⁷

Incentivizing efficiency by increasing the energy charge instead of the customer charge is essentially a demand side management program with no overhead and transaction costs. It lets property owners who are most familiar with their property determine the initial best efficiency improvement(s) for that property. Economic

⁵ Exhibit 2, *Effect of LG&E Settlement Electric Rate Increase Structure on Residential Users*

⁶ Exhibit 3, *Effect of KU Settlement Electric Rate Increase Structure on Residential Users*

⁷ Prepared Direct Testimony and Schedules of Glenn A. Watkins, pp. 45 -- 48 (October 3, 2012)

principles tell us raising the energy price works. It is a wonderfully inexpensive and effective means to encourage efficiency. Ratepayers get more savings and better returns from such a “DSM program” than they do by paying the utilities:

- 1) to implement a conventional DSM service such as those discussed in the utilities’ latest DSM case⁸;
- 2) to administer and monitor that DSM service, and;
- 3) for their alleged⁹ lost revenues from that DSM service.

It is better for the ratepayer to invest in his own efficiency measure than to pay the utility three times (implementation, administration and lost revenue recovery) for the same measure. The PSC should incentivize the customer to do so.

Robert Conroy, Director of Rates for LG&E and KU, was asked if raising the service charge instead of the energy charge would send the wrong signal to customers regarding conserving energy.¹⁰ He began his answer by saying, “No,” but then went on to address a whole other issue – the effect of customers’ private efficiency measures on the utilities’ revenue. He implicitly acknowledged that putting the increase on the energy charge would increase private efficiency, which would in turn negatively impact utility revenues.¹¹

⁸ Case No. 2011-00414

⁹ Measurement and verification is a real problem. For instance, LG&E presently pays \$100 to customers who purchase an Energy Star refrigerator and \$75 to those who purchase an Energy Star washer. There is no requirement, however, for showing that an old, inefficient (pre-2001 or -1993 in the case of refrigerators and pre-1998 in the case of washers) is being replaced. In fact, the program might simply be stimulating the purchase of second refrigerators that would otherwise not be bought, especially as each customer account can get two(!) rebates for refrigerators. *See, Exhibit 4.*

¹⁰ Testimony of Robert M. Conroy, p. 48 (June 29, 2012)

¹¹ *Id.*

The effects of raising the customer charge instead of the kWh price are neither fair nor just nor reasonable because an increase to the customer charge is **unnecessary**. LG&E and KU accurately forecast their annual residential electricity sales.¹² Error in the forecasts is less than the unpredictability of weather. From these forecasts, LG&E and KU can price the residential kWh at a level required to generate sufficient revenues.

Decoupling can and should occur through increasing the energy price. A monopoly business with captive customers and a very talented, highly educated management team¹³ can raise sufficient revenues by properly pricing each unit of its product.

Perhaps most disturbing is that these cases seem part of a trend. The Commission appears to be granting disproportionate flat rate increases upon the asking. For instance, the Commission recently approved a flat rate increase for Owen Electric, one that takes its flat customer charge to \$20 per month.¹⁴

If this trend continues in the investor-owned and cooperative utilities across Kentucky, in short time the Commission will allow literally **tens of millions of dollars every month** to be placed on the wrong side of the efficiency incentive equation. Such misallocation greatly hinders free market forces and imposes significant detrimental effect on private efficiency investment. It also significantly delays the inevitable and necessary deployment of renewable and distributed generation resources.

¹² Exhibit 2, *LG&E Residential Sector Electric Sales - Forecasts vs. Actual Sales, 2006 - 2011*; Exhibit 3, *KU Residential Sector Electric Sales - Forecasts vs. Actual Sales, 2006 - 2011*

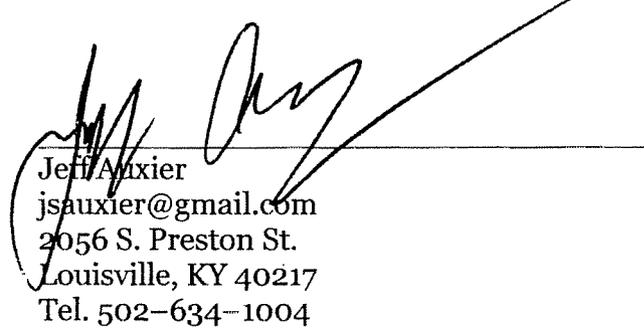
¹³ See, http://www.lge-ku.com/mgmt_team.asp (evidencing decades of experience as well as advanced education and training at Yale, Harvard, Duke, University of Chicago, Kentucky public universities, etc.)

¹⁴ *In the Matter of: Application of Owen Electric for an Order Authorizing a Change in Rate Design*, Case No. 2011-00037, Order (February 29, 2012)

The Commission has recognized the importance and propriety of encouraging energy efficiency.¹⁵ Indeed, it has noted a “strong movement “ in Kentucky toward the greater use of energy efficiency.¹⁶ Kentucky and our nation need to pursue energy efficiency with razor focus. Anything that detracts from that focus, such as the settlement’s proposed disproportionate increases to the monthly charge, require compelling reason to be found fair, just and reasonable. No such reason exists here.

For the foregoing reasons, any rate increase should be placed on the energy price, not the customer charge. If any increases are to be placed on the customer charges, they should be limited by fairness and principles of gradualism to \$.44 for LG&E and \$.48 for KU as explained in Exhibits 5 and 6 attached herein.

Respectfully submitted this 27th day of November, 2012 by



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¹⁵ *In the Matter of: Consideration of the New Federal Standards of the Energy Independence and Security Act of 2007*, Case No. 2008-00408, Order at 20 – 23 (October 6, 2011)

¹⁶ *Id.* at 22 – 23

- 1 -

Efficiency Incentives Lost - KU / LG&E Electric

LG&E	347,834 residential customers per 2011 Annual Report
+ KU	<u>422,858 residential customers per 2011 IRP</u>
Total	770,692 residential customers

2012 increases - electric

770,692 customers x proposed \$2.25 / month customer
charge increase = \$1,734,057.00 / month

X 12 months / year = **\$20,808,684 / year**

2010 increases - electric

770,692 customers x \$3.50 / month flat rate increase
granted in 2010 = \$2,697,422.00 / month

X 12 months / year = **\$32,369,064.00 / year**

Total 2012 + 2010 service charge increases - electric

\$4,431,479.00 / month, **\$53,177,748 / year lost as
incentive** for private investment in efficiency and
conservation



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Effect of LG&E Settlement Electric Rate Increase Structure on Residential Users

Residential User Class in kWh per month ↓	Monthly cost and % increase		
	Present rate and structure <hr/> \$8.50 / month service charge plus 7.242¢ / kWh	Settlement rate and structure <hr/> \$10.75 / month service charge plus 7.439¢ / kWh	Structure w/ proposed increase <u>added to kWh,</u> <u>not to service charge</u> <hr/> \$8.50 / month service charge plus 7.661¢ / kWh
1010 kWh / month “average” user “average user” per LG&E / KU	Monthly Cost: \$81.64	Monthly Cost: \$85.88 5.2 % Increase	Monthly Cost: \$88.89 5.2 % Increase
350 kWh / month “low” user - prior investor in efficiency or RE or - poor / elderly	Monthly Cost: \$33.85	Monthly Cost: \$36.79 8.7 % Increase (good actor hurt by loss of ROI, PLUS those with least get hit the most)	Monthly Cost: \$35.31 4.3 % Increase (good actor rewarded by lower % increase)
2500 kWh / month “high” user - high energy user with high savings potential	Monthly Cost: \$189.55	Monthly Cost: \$196.73 3.8 % Increase (large and / or wasteful users are rewarded w/ lower % rate increase)	Monthly Cost: \$200.03 5.5% Increase (large and or wasteful users more encouraged to save)

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Effect of KU Settlement Electric Rate Structure on Residential Users

Residential User Class in kWh per month ↓	Monthly cost and % increase		
	Present rate and structure \$8.50 / month service charge plus 6.987¢ / kWh	Settlement rate and structure \$10.75 / month service charge plus 7.235¢ / kWh	Structure w/ proposed increase added to kWh, not to service charge \$8.50 / month service charge plus 7.426¢ / kWh
1178 kWh / month “average” user “average user” per LG&E / KU	Monthly Cost: \$90.81	Monthly Cost: \$95.98 5.7 % Increase	Monthly Cost: \$95.98 5.7 % Increase
350 kWh / month “low” user - prior investor in efficiency or RE or - poor / elderly	Monthly Cost: \$32.95	Monthly Cost: \$36.07 9.5 % Increase (good actor hurt by loss of ROI, PLUS those with least get hit the most)	Monthly Cost: \$34.49 4.7 % Increase (good actor rewarded by lower % increase)
2500 kWh / month “high” user - high energy user with high savings potential	Monthly Cost: \$183.18	Monthly Cost: \$191.63 4.6 % Increase (large and / or wasteful users are rewarded w/ lower % rate increase)	Monthly Cost: \$194.15 6.0% Increase (large and or wasteful users more encouraged to save)

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Home Energy Rebates Main

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Home Energy Rebates

When you consider how you use energy at home, up to 70 percent of your energy usage may be attributed to heating, cooling and appliances. If you plan to make upgrades in these areas, we want to help make these largest energy users even more affordable for you.

Our new Home Energy Rebates Program offers monetary rewards ranging from \$50 to \$300 to help LG&E and KU residential electric customers offset the purchasing costs of certain ENERGY STAR[®] qualified appliances, high-efficiency HVAC systems and qualified window film.

Review the rebate eligibility requirements and information.

For a full list of eligible appliances and products, please refer to the chart below.

Home Energy Rebate Details by Category

Category	Rebate amount	Rebates per year per customer account	Total rebates per customer account
ENERGY STAR [®] Qualified Heat Pump Water Heater	\$300	2 per year	4 total
ENERGY STAR [®] Qualified Refrigerator	\$100 per qualified refrigerator at least 7.75 cu. ft. or larger	1 per year	2 total
ENERGY STAR [®] Qualified Clothes Washer	\$75	1 per year	2 total
ENERGY STAR [®] Qualified Freezer	\$50	1 per year	2 total
ENERGY STAR [®] Qualified Dishwasher	\$50	1 per year	2 total
Qualified Window Film	Up to 50 percent of the material costs; A maximum of \$200 per customer account (Labor is not included.)	2 per year	2 total
Central Air Conditioner	\$100, plus an additional \$100 for every SEER unit greater than the federal minimum high-efficiency standard.	2 per year	4 total
Air-source Heat Pump	Split systems must have a SEER rating greater than 14.5. Single-package systems must have a SEER rating greater than 14.	2 per year	4 total



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Home Energy Rebates - How to Apply

Customers may [sign in to My Account](#) to start a rebate application online or call 1-800-356-5467.

Complete your rebate application and submit your proof of purchase, which is a valid store receipt including purchase date, model number and complete purchase information. A paid invoice with complete purchase information is also accepted. Refer to the proof of purchase requirements below.

For qualified central air conditioner and air-source heat pump rebate requests, customers also must provide a copy of the Air-Conditioning, Heating and Refrigeration Institute (AHRI) certificate that includes the model numbers for the condenser unit and evaporator coil. This certificate can be obtained from the HVAC contractor.



Once a rebate application is approved, your rebate check will be mailed within four weeks.

Eligibility Requirements

This program is available to LG&E and KU residential electric customers. Qualified appliances and products purchased after November 9, 2011 that meet the proof of purchase requirements are eligible for rebates.

Customers may apply for a set number of rebates within each category during a 12-month period, and a maximum number of rebates per category will be allowed per customer account. Refrigerators at 7.75 cu. ft. or larger are eligible for rebates.



ENERGY STAR® Qualified Appliances: Customers may apply for one rebate per ENERGY STAR qualified appliance category during a 12-month period. A maximum of two rebates within the same appliance category will be allowed per customer account.

ENERGY STAR® Qualified Heat Pump Water Heaters: Customers may apply for two ENERGY STAR qualified heat pump water heater rebates during a 12-month period. A maximum of four rebates will be allowed per customer account.

Qualified Window Film: Up to \$200 - or 50 percent - of the material costs will qualify for rebates; labor costs are not included. Customers may apply for two window film rebates during a 12-month period. A maximum of two rebates will be allowed per customer account.

HVAC Systems: Customers who purchase qualifying high-efficiency central air conditioners and air-source heat pumps are eligible for a \$100 rebate, as well as an additional \$100 for every SEER (Seasonal Energy Efficiency Ratio) rating greater than the minimum federal high-efficiency SEER standard. Split systems must have a SEER (Seasonal Energy Efficiency Ratio) rating greater than 14.5. Single-package systems must have a SEER (Seasonal Energy Efficiency Ratio) rating greater than 14. Customers also must provide a copy of the [Air-Conditioning, Heating and Refrigeration Institute \(AHRI\) certificate](#) that includes the model numbers for the condenser unit and evaporator coil.

Geothermal and "mini" split systems are not eligible for rebates. Customers may apply for two HVAC system rebates during a 12-month period. A maximum of four rebates will be allowed per customer account.

Visit the [ENERGY STAR® official website](#) to find the complete list of ENERGY STAR® qualified appliances and products.





Proof of Purchase Requirements

Retail purchase receipts must be legible, and must include the following:

- Retailer/contractor name, address and phone number.
- Itemized listing of product(s), including description(s), manufacturer(s), model number(s) or other identifying information. The receipt information must match the product information from the rebate application.
- Product purchase price and proof that full payment has been made.
- Purchase date and date product delivered or installed (if installed by a contractor).

If you have additional questions, **contact us by email** or call 1-800-356-5467.

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Clothes Washers for Consumers

(Are you a partner? [For Partners](#))

See also: [Commercial Clothes Washers](#)

Did You Know?

ENERGY STAR qualified clothes washers use about 30% less energy and half the amount of water used by regular washers.

[ENERGY STAR Qualified Clothes Washers](#)

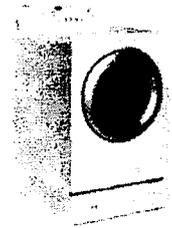
[Overview](#)

[Specifications](#)

[Buying Guidance](#)

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The average American family washes about 300 loads of laundry each year. ENERGY STAR can help families cut their related energy and water costs. ENERGY STAR certified clothes washers use about 20% less energy and 35% less water than regular washers. They also have a greater tub capacity which means you can wash fewer loads to clean the same amount of laundry. They are available in front-load and top-load models. The top-load models look like standard machines on the outside, yet they do not waste water filling up the tub. They clean using sophisticated wash systems to flip or spin clothes through a stream of water. Many have sensors to monitor incoming water levels and temperature. They also rinse clothes with repeated high-pressure spraying instead of soaking them in a full tub of water.



Consider the following:

- **Use less water.** A full-sized ENERGY STAR certified clothes washer uses 15 gallons of water per load, compared to the 23 gallons used by a standard machine. Over the machine's lifetime, that's a savings of 2,500 gallons of water!!
- **Use less energy.** On average, a new ENERGY STAR certified clothes washer uses 270 kWh of electricity and costs \$91 to run, each year.
- **Is your washer over 10 years old?** It's estimated that there are 76 million top-loading washers with agitators, 25 million of which are at least 10 years old, still in use across the country. Washers manufactured before 1998 are significantly less efficient than newer models. Together, these inefficient washers cost consumers \$2.8 billion each year in energy and water.

7/1

If every clothes washer purchased in the U.S. this year earned the ENERGY STAR, we would save 540 million kWh of electricity, 20 billion gallons of water, and 1.4 trillion BTUs of natural gas every year, resulting in energy bill savings of about \$250 million, every year.

Product Finder

Select a Product

Clothes Washers

GET RESULTS

Clothes Washers Resources

- [Find a Store](#)
- [Special Offers](#)
- [Recycling old Clothes Washers](#)
- [Appliance Savings Calculator](#)



Related Products

- [Dehumidifiers](#)
- [Dishwashers](#)
- [Freezers](#)

Table 3. Life expectancy / replacement time of appliances, as reported in the 23rd annual portrait of the U.S. appliance industry.⁽⁴⁾

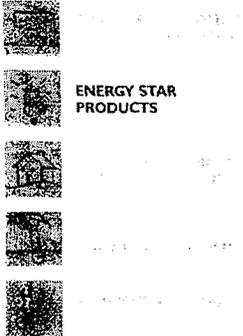
MAJOR HOME APPLIANCES (EXCLUDES COMMERCIAL APPLIANCES)					
	Life Expectancy, years			Units to be replaced in 2001	Units that were shipped in 1999
	Low	High	Average		
Microwaves	5	10	8	8,132,300	11,581,085
Ranges, electric	13	20	16	3,227,700	7,016,939
Ranges, gas	15	23	19	1,367,400	3,136,200
Ranges, hoods	9	19	14	2,595,000	3,000,000
Refrigerators, compact	4	12	8	1,030,000	141,283
Refrigerators, standard	10	18	14	6,972,100	9,098,600
Water heaters, electric	6	21	14	3,396,395	4,281,199
Water heaters, gas	5	13	9	4,241,354	4,933,659
Washers	8	16	12	6,607,500	7,508,200
Dryers, electric	11	18	14	3,381,200	4,864,700
Dryers, gas	11	16	13	1,046,800	1,443,000
Dishwashers	9	16	12	3,668,400	5,711,200
Food waste disposers	10	15	13	4,232,600	5,369,400
Freezers	12	20	16	1,472,800	1,987,200
Water softeners*	-	-	-	-	951,498
Compactors	7	12	11	185,000	114,700
TOTAL				51,556,549	71,138,863

COMFORT CONDITIONING APPLIANCES					
	Life Expectancy, years			Units to be replaced in 2001	Units that were shipped in 1999
	Low	High	Average		
Fans, ceiling	7	18	13	6,400,000	19,100,000
Air conditioners, room	7	16	12	5,091,100	6,113,600
Air conditioners, unitary	8	19	13	3,214,606	5,353,676
Humidifiers	6	13	10	612,000	9,800,000
Furnaces, electric	9	20	14	375,055	-
Furnaces, gas	11	23	17	2,049,335	3,293,646
Furnaces, oil	13	23	18	127,305	125,378
Portable heaters	8	13	11	5,542,900	2,700,000
Heat pumps	6	21	14	918,432	1,293,395
Dehumidifiers	9	13	11	742,500	871,000
Room heaters, vented gas	7	18	13	91,426	35,927
Room heaters, unvented gas	13	23	18	217,566	467,204
Boilers, gas*	-	-	-	-	200,893
Boilers, oil*	-	-	-	-	149,050
TOTAL				25,382,225	49,503,769

*No data available for the life expectancy of water softeners and boilers.



Choosing efficient refrigerators and dishwashers



ENERGY STAR PRODUCTS

Your kitchen is a veritable hot spot of energy use. Refrigerators, microwaves, ranges, stoves, dishwashers and lighting are just some of the equipment that fills a modern kitchen. By far, the most important in terms of energy use, however, are your refrigerator and dishwasher.

REFRIGERATORS

Today's refrigerators are much more efficient than those made in the early 1990s. Federal efficiency standards that became effective in 1993 and 2001 have cut refrigerator energy use in half.

New refrigerators also offer more features and benefits. They chill food faster, offer electronic controls and sport convenient pull-out shelves. Improved defrosters help prevent freezer burn, and more precise temperature control means food stays fresh longer.

ANNUAL OPERATING COST

REFRIGERATORS	TOP FREEZER (AUTO DEFROST)	SIDE-BY-SIDE (AUTO DEFROST)	BOTTOM FREEZER (AUTO DEFROST)
Typical 1970s model	\$331	\$422	\$371
Typical 1980s model	\$211	\$269	\$236
Typical 1990s model	\$90	\$114	\$94
Current federal standard	\$54	\$64	\$58
ENERGY STAR standard	\$45	\$53	\$47

Buying tips

You'll need to balance features, size, type and energy costs when you buy a new refrigerator:

Buy ENERGY STAR. Units marked with the ENERGY STAR are at least 20 percent more efficient than federal standards and provide the same features and benefits as non-qualifying models, like icemakers, side-by-side design and through-the-door water and ice dispensers—while using less energy.

Select size based on practicality and energy costs. Select a unit with sufficient storage space that fits in the available space, with room for air circulation. Bigger units use proportionally more energy, but you'll save if you can get rid of a second refrigerator by purchasing a larger unit that can handle all your needs.



Choose the type of refrigerator carefully. Side-by-side refrigerators use much more energy than comparably sized top-freezer units. Bottom-freezer units use slightly more energy than top-freezers, but much less than side-by-sides.

Get the features that are right for you, but be knowledgeable about energy costs. Automatic icemakers and through-the-door water dispensers can increase operating costs 14 percent to 20 percent. Buying an ENERGY STAR qualified unit can help reduce these costs.

Operating tips

Once you've bought your dream fridge, follow a few simple guidelines so that it saves the energy it was designed to.

- ☒ Keep the unit at reasonable temperatures. Set the refrigerator at 38°F and the freezer at 0–5°F.
- ☒ Maintain the seals.
- ☒ Make sure air can circulate around the coils.
- ☒ Locate the unit away from heat producing appliances such as stoves and dishwashers.

If you have an older refrigerator in your basement or garage, it could be costing you over \$100, per year to keep it running. That is a stiff price to pay to keep extra beverages cool. The U.S. Department of Energy recommends that consumers do one of the following:

- ☒ Retire and recycle pre-1993 refrigerators permanently.
- ☒ If you only need extra food storage around the holidays or special events, you could keep the old refrigerator but only plug it in when needed. Leaving it off for 10 months of the year can save nearly \$85.

For more information call 800.762.7077 or visit focusonenergy.com



FAST FACT

A new ENERGY STAR qualified refrigerator uses less energy in one year than a 75-watt light bulb run continuously.



focus on energy
The power is within you.



-5-

**LG&E Residential Electric Flat Rate
Service Charge Should Go Up Only 44 Cents**

347,834 residential customers
per LG&E 2011 Annual Report to PSC

X \$10.75 - \$8.50 = \$2.25) / month = \$782,626.50 / month
X 12 months / year = \$9,391,518 / year flat rate increase

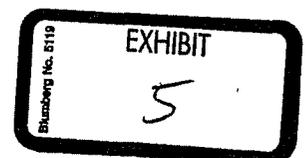
Total Increase = \$17,718,700

\$9,391,518 is 53%

The present \$8.50 flat charge is 10.4% of the present average (1010 kWh / month) customer's bill of \$81.64.

It follows that only 10.4% (\$1,842,745) of the overall \$17,718,518 rise should be applied to the flat monthly service charge.

The monthly service charge should therefore go up no more than \$1,842,745 per year / 347,834 customers = \$5.29 per year / customer, **or only \$.44 / customer per month.**



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**KU Residential Electric Flat Rate
Service Charge Should Go Up Only 48 Cents**

422,858 residential customers

X \$2.25 / month = \$951,431 / month
X 12 months / year = \$11,417,166 / year

The total increase for the residential rate class is represented as \$26,050,168. The flat rate is 44% of the total increase.

\$8.50 is 9.4% of the present average (1178 kWh / month) customer's bill of \$90.81.

So it follows that only 9.4% (\$2,448,716) of the overall rise should be applied to the flat monthly service charge.

The monthly service charge should therefore go up no more than \$2,448,716 per year / 422,858 customers = \$5.79 per year / customer, or only \$.48 / customer per month.

