

TO: Commissioners
Kentucky Public Service Commission
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OCT 25 2012

PUBLIC SERVICE
COMMISSION

RE: Case No. 2012-00222 – Opposition to Proposed Rate Increases and Unjust Allocations to Residential Monthly Service Charges

Dear Commissioners:

I am a residential customer of LG&E. I write to oppose LG&E's rate increases on electric and gas service. Present rates are fair, just and reasonable. In these difficult times, LG&E already enjoys a secure and generous rate of return on its capital.

If any increase is due, I oppose the allocation of the increase to the monthly service charges. LG&E wants to raise the monthly electric service charge by 53% (from \$8.50 to \$13.00) and the kWh rate by only 3.7% (from 7.242 cents to 7.513 cents). It seeks to raise the monthly gas service charge by 24% (from \$12.50 to \$15.50) and to **lower** the CCF price by 6.4% (from \$.62023 to \$.58025).

This proposed rate system violates fundamental rules of free market economics. Any rate increase should be allocated to the unit of energy ("volumetric pricing"), not to the monthly service charge. LG&E already enjoys a monopoly. Allocating this (or any) rate increase to 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, LG&E's proposed allocation is terrible public policy. A public utility with a grant of monopoly 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,

surprising to see a rate
increase in a deflationary
environment when coal
and gas are historically
low.

Signature



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