

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

RE: Case No. 2012-00222 – Opposition to LG & E's Proposed Rate Increases and Improper Structure

Dear Commissioners:

NOT 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 increasing the monthly service charge. LG&E wants to raise the monthly electric service charge by 53% (from \$8.50 to \$13.00) and the kWh price by only 3.7% (from 7.242 cents to 7.513 cents).

It wants to raise the monthly gas service charge by 24% (from \$12.50 to \$15.50) and lower the CCF (hundred cubic feet) price by 6.4% (from \$.62023 to \$.58025).

Any rate increase should be put on the unit of energy ("volumetric pricing"), not the monthly service charge. LG&E already enjoys a monopoly and guaranteed profit. It doesn't need a higher monthly service charge. Increasing the monthly base charge instead of the kWh or CCF price:

- Unfairly and unjustly lowers the returns of prior private investors in efficiency;
- Unreasonably discourages future private 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 structure is bad public policy. It's also unnecessary - a utility with grant of monopoly and guaranteed profit need not employ such a structure. I ask the Commission to deny it, either after hearing or in any proposed settlement.

Very truly yours,

Signature OT Watkins

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