

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**Application Of Kentucky Power Company For)
A General Adjustment Of Its Rates For Electric)
Service; (2) An Order Approving Its 2014)
Environmental Compliance Plan; (3) An Order) Case No. 2014-00396
Approving Its Tariffs And Riders; And (4) An)
Order Granting All Other Required Approvals)
And Relief)**

**SUBSTITUTE PAGE 41 OF
TESTIMONY
OF
RANIE K. WOHNHAS
IN SUPPORT OF THE SETTLEMENT AGREEMENT**

May 5, 2015

1 **Q. ARE THERE OTHER REASONS TO APPROVE REVISED TARIFF I.G.S.**
2 **(EXHIBIT 16 OF THE SETTLEMENT AGREEMENT)?**

3 A. Although the Company's initial proposal of Tariff I.G.S. was part of the bargained-for
4 consideration for the Mitchell Stipulation, which was approved by the Commission,
5 independent reasons exist for approval of the revised tariff. These are explained in more
6 detail in Mr. Vaughan's rebuttal testimony, but essentially the new I.G.S. Tariff will
7 provide all large commercial and industrial customers with demands of one MW or more
8 with the same rates. The only difference among the customers' rates will be the voltage
9 level at which they take service. It is my understanding from Mr. Vaughan's rebuttal
10 testimony that this is consistent with cost-causation and rate design principles, and that
11 the same sort of design may be found in other utilities' tariffs. Finally, I am informed
12 that Wal-Mart has indicated it will file a statement stating it supports the rate design of
13 revised Tariff I.G.S. (Exhibit 16 of the Settlement Agreement).

14 P. Residential Customer Charge.

15 **Q. WHAT CHANGE DOES THE SETTLEMENT AGREEMENT PROPOSE WITH**
16 **RESPECT TO THE COMPANY'S PROPOSED \$16.00 PER MONTH**
17 **RESIDENTIAL CUSTOMER CHARGE?**

18 A. The agreement provides that the Residential Customer Charge will be increased from the
19 current \$8.00 per month to \$14.00 per month. Although the new charge is less than the
20 \$16.00 monthly charge requested, it is a step towards the fixed cost of providing
21 distribution service. There are several advantages to doing so. As Company Witness
22 Vaughan explains, recovering fixed distribution costs through a fixed charge can help
23 limit monthly volatility and reduce intra-class subsidy. It also may assist lower income

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