Commonwealth of Kentucky
Before the Public Service Commission

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY	)	
UTILITIES COMPANY FOR AN ADJUSTMENT	)	Case No.
OF ITS ELECTRIC RATES AND FOR CERTIFICATES	)	2016- 00370
OF PUBLIC CONVENIENCE AND NECESSITY	)	

KENTUCKY LEAGUE OF CITIES RESPONSE IN OPPOSITION TO THE KIUC MOTION FOR REHEARING

Comes now the Kentucky League of Cities ("KLC") and for its Response in Opposition to the Petition for Rehearing filed by Kentucky Industrial Utility Authority, Inc. ("KIUC"), states as follows:

Following multiple days of negotiation by all parties to the case at hand, the parties reached a unanimous stipulation and settlement agreement, styled as a "Settlement and Recommendation" (hereinafter "the Agreement") which was filed on April 19, 2017. KIUC was a party to both the negotiations and the Agreement. Despite the Commission's acceptance of the Agreement with only a few reasonable modifications, KIUC now challenges the wisdom of the Commission, seeking to secure both the benefit of the bargain and the full benefit of the Commission's modifications.

As a result of the Commission's modifications to the revenue requirement, additional reductions needed to be made to the revenue allocations agreed upon by all parties. No party to this case has disputed the reasonableness of the Commission's additional reductions to the revenue requirement. However, KIUC now disputes the allocation method used by the Commission.

In considering how best to allocate the additional revenue reductions across the customer classes, the Commission reduced each classes proposed revenue increase "approximately in proportion to the increase set forth in the First Stipulation."[1] This allocation method chosen by the Commission is consistent with the Agreement, which KIUC and all other parties signed. As LG&E and KU witness Steven Seelye noted, "Although the Stipulating Parties had different litigation positions concerning revenue allocations and cost of service, the Stipulating Parties ultimately agreed to revenue allocations shown above and in the Stipulation after considerable negotiations."[2] Indeed, the Agreement itself declares that the allocation method used in the Agreement, and by the Commission, is fair, just and reasonable for all parties and customers of LG&E and KU. Specifically, Provision 4.1 of the settlement agreement, titled "Revenue Allocation," states: "The Parties hereto agree that the allocations of the increases in annual revenues for KU and LG&E electric operations, and that the allocation of the increase in annual revenue for LG&E gas operations, as set forth on the allocation schedules designated Stipulation Exhibit 4 (KU), Stipulation Exhibit 5 (LG&E electric), and Stipulation Exhibit 6 (LG&E gas) attached hereto, are fair, just, and reasonable for the Parties and for all customers of LG&E and KU." Thus, the Commission's decision to follow the allocation agreed upon by all parties is the most logical approach, as well as the most fair, just and reasonable.

In addition, it should be noted that the allocation KIUC now advocates on behalf of is in strict conflict with the Agreement executed by all parties in this case. Provision 6.1.4 of the Agreement states "The Parties hereto agree that this Stipulation is a product of negotiation among all Parties hereto, and no provision of this Stipulation shall be strictly construed in favor of or against any party." The Commission's decision to allocate the additional decrease in revenue across the customer classes was consistent with this provision, as no one party benefitted

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[1] Order at 28.
[2] Stipulation Testimony of Steven Seelye, page 5, lines 5-10.

over another. The Commission should be commended for ordering allocation consistent with the parties Agreement, not attacked as KIUC now contends.

In summary, the allocation method chosen by the Commission when determining how best to allocate the additional reductions in revenue from the Agreement is 1) in accord with the allocations all parties previously agreed upon, 2) fair just and reasonable, 3) well within the Commission's sound discretion.

Respectfully submitted,

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