June 2, 2017

Ms. Talina R. Matthews, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case Nos. 2016-00370 and 2016-00371

Dear Ms. Matthews:

During the May 10, 2017 evidentiary hearing, Chairman Schmitt asked parties to indicate whether they would object if the Commission offered the optional pilot rates for certain public schools set forth in Section 4.11 of the April 19, 2017 Stipulation and Recommendation (“Stipulation”) to non-public schools as well. Kentucky Industrial Utility Customers, Inc. (“KIUC”) submits this letter to confirm that it would not object to such a modification to the Stipulation.

While there is no cost-of-service justification for the $1.5 million annual school rate reduction proposed in Section 4.11 of the Stipulation, cost-of-service is not the only factor the Commission should consider in setting rates. Equally important are policy considerations. Given that the $1.5 million school rate reduction would be funded by all customers, including non-public schools, expansion of the pilot to non-public schools is an acceptable approach. Further, because the energy usage information collected from non-public schools will likely be just as helpful when designing future rates as the energy usage information collected from public schools, it is reasonable to expand the entities eligible for the school rate reduction.

If the Commission makes this modification, however, then it should explain how the $1.5 million annual rate reduction should be allocated between the public and non-public schools. The Commission should also describe the process whereby individual schools would be chosen for a portion of the rate reduction. To avoid claims of undue discrimination and favoritism, it is important that the Commission be involved in this process.
KIUC would also recommend that if the Commission decides to end the school rate reduction prior to the next base rate case, then the Commission should order that the funds no longer dedicated to the school rate reduction be allocated equally to the residential and industrial (Time of Day Primary, Retail Transmission Service, and Fluctuating Load Service) rate schedules until the effective date of new base rates. This is a reasonable approach given that residential customers will be paying an above-average rate increase under the Stipulation and that competitive electric rates are critical to the continued success of large manufacturers in Kentucky. Allocating any incremental revenue decrease equally to the residential and industrial customers is consistent with the position taken by KIUC in its May 31, 2017 Brief in this proceeding. If the $1.5 million is not reallocated to customers, then it will be retained by the utilities, effectively granting them larger rate increases than those agreed to in the Stipulation.

Very Truly Yours,

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CERTIFICATE OF SERVICE

This is to certify that the foregoing copy of the foregoing is a true and accurate copy of the documents being filed in paper medium; that the electronic filing was transmitted to the Commission on June 2, 2017; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a copy of the filing in paper medium is being overnighted to the Commission on June 2, 2017.

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