

**BOEHM, KURTZ & LOWRY**

ATTORNEYS AT LAW  
36 EAST SEVENTH STREET  
SUITE 1510  
CINCINNATI, OHIO 45202  
TELEPHONE (513) 421-2255  
TELECOPIER (513) 421-2764

**Via Electronic Filing and  
Overnight Mail**

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.

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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,



Michael L. Kurtz, Esq.  
Kurt J. Boehm, Esq.  
Jody Kyler Cohn, Esq.  
**BOEHM, KURTZ & LOWRY**

MLKkew  
Attachment

cc: Certificate of Service  
Chairman Michael J. Schmitt  
Vice Chairman Robert Cicero  
Commissioner Daniel E. Logsdon Jr.  
Richard Raff, Esq., General Counsel  
Quang Nyugen, Esq., Assistant General Counsel

## 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.



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

Andrea C Brown  
Lexington-Fayette Urban County Government, Dept. Of Law  
200 East Main Street  
Lexington, KENTUCKY 40507

Honorable Allyson K Sturgeon, Senior Corporate Attorney  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

Honorable Iris G Skidmore  
415 W. Main Street, Suite 2  
Frankfort, KENTUCKY 40601

Barry Alan Naum  
Spilman Thomas & Battle, PLLC  
1100 Brent Creek Blvd., Suite 101  
Mechanicsburg, PENNSYLVANIA 17050

Carrie M Harris  
Spilman Thomas & Battle, PLLC  
1100 Brent Creek Blvd., Suite 101  
Mechanicsburg, PENNSYLVANIA 17050

Carrie A Ross  
Sheppard Mullin Richter & Hampton LLP  
1300 I Street NW, 11th Floor East  
Washington, DISTRICT OF COLUMBIA 20005

Honorable David J. Barberie, Managing Attorney  
Lexington-Fayette Urban County Government, Dept. Of Law  
200 East Main Street  
Lexington, KENTUCKY 40507

Don C A Parker  
Spilman Thomas & Battle, PLLC  
1100 Brent Creek Blvd., Suite 101  
Mechanicsburg, PENNSYLVANIA 17050

Gardner F Gillespie  
Sheppard Mullin Richter & Hampton LLP  
1300 I Street NW, 11th Floor East  
Washington, DISTRICT OF COLUMBIA 20005

James W Gardner  
Sturgill, Turner, Barker & Moloney, PLLC  
333 West Vine Street, Suite 1400  
Lexington, KENTUCKY 40507

Janet M Graham, Commissioner of Law  
Lexington-Fayette Urban County Government, Dept. Of Law  
200 East Main Street  
Lexington, KENTUCKY 40507

Janice Theriot  
Zielke Law Firm PLLC  
1250 Meidinger Tower, 462 South Fourth Avenue  
Louisville, KENTUCKY 40202

Honorable Kendrick R Riggs  
Stoll Keenon Ogden, PLLC  
2000 PNC Plaza, 500 W Jefferson Street  
Louisville, KENTUCKY 40202-2828

Kent Chandler  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue, Suite 20  
Frankfort, KENTUCKY 40601-8204

Lawrence W Cook  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue, Suite 20  
Frankfort, KENTUCKY 40601-8204

Laurence J Zielke  
Zielke Law Firm PLLC  
1250 Meidinger Tower  
462 South Fourth Avenue  
Louisville, KENTUCKY 40202

Paul Werner  
Sheppard Mullin Richter & Hampton LLP  
1300 I Street NW, 11th Floor East  
Washington, DISTRICT OF COLUMBIA 20005

Rebecca W Goodman  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue, Suite 20  
Frankfort, KENTUCKY 40601-8204

Honorable Robert C Moore  
Stites & Harbison  
421 West Main Street, P. O. Box 634  
Frankfort, KENTUCKY 40602-0634

Robert Conroy  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202