

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

In the matter of: : CASE NO. 2017-00321

ELECTRONIC APPLICATION OF DUKE ENERGY :
KENTUCKY, INC. FOR: 1) AN ADJUSTMENT OF :
THE ELECTRONIC RATES; 2) APPROVAL OF AN :
ENVIRONMENTAL COMPLIANCE PLAN AND :
SURCHARGE MECHANISM; 3) APPROVAL OF :
NEW TARIFFS; 4) APPROVAL OF ACCOUNTING :
PRACTICES TO ESTABLISH REGULATORY :
ASSETS AND LIABILITIES, AND 5) ALL OTHER :
REQUIRED APPROVALS AND RELIEF :

**PETITION FOR REHEARING OF KENTUCKY
SCHOOL BOARDS ASSOCIATION**

Pursuant to KRS 278.400, the Kentucky School Boards Association (“KSBA”), by counsel, petitions the Kentucky Public Service Commission (“Commission”) for rehearing of its April 13, 2018 Order (“Order”). KSBA requests that the Commission respectfully modify its treatment of Tariff DS as it pertains to P-12 public and private schools and specifically the 85% demand ratchet. Leaving the demand ratchet at 85% in Tariff DS results in the P-12 public and private schools unfairly subsidizing the other ratepayers on Tariff DS. A memorandum in support of this recommendation follows.

MEMORANDUM IN SUPPORT

In its Order, the Commission indicated, “[it] is not convinced that public school usage characteristics support special treatment compared to other customers served under Rate DS and will not approve KSBA’s recommendation.”¹ Such rationale misunderstands or fails to address the improper subsidy inherent in the current Tariff DS and rehearing will be granted when required

¹ Order at 69.

to address any errors or omissions in the Commission's orders.² And, KSBA is not seeking special treatment here, but fair, just and reasonable treatment for P-12 schools.

The Commission erred here by failing to eliminate an improper subsidy unfairly penalizing the P-12 schools. KSBA Witness Ronald Willhite demonstrated that the P-12 schools with greater than 100 kw annual loads improperly subsidize the other DS ratepayers in annual amount of \$260,000.³ Moreover, Duke Witness Sailors conceded during cross-examination that if a group of customers peak at a different time than the system peak they could subsidize the rest of the ratepayers on that rate.⁴ And, Mr. Willhite established that P-12 schools peak usage occurs in September and Duke conversely peaks in July.⁵ Because July school peak load is significantly less (over 40 percent) than September school peak load Duke requires less capacity cost to serve its system peak load. Yet, the 85% demand ratchet denies schools the benefit of Duke cost avoidance by unfairly providing that benefit to other DS customers.

The only way the current imposition of the 85% demand ratchet on P-12 schools would be equitable would be if the P-12 schools ignored the mandate of KRS § 160.325 "to reduce the rising energy costs that are straining budgets" and operated inefficiently in July at 85% of its September peak (contrary to the statutory mandate of KRS § 160.325) – as it would not change their demand billing thereafter. Such action would then unnecessarily impose the otherwise reduced load and attendant cost on Duke and its customers.

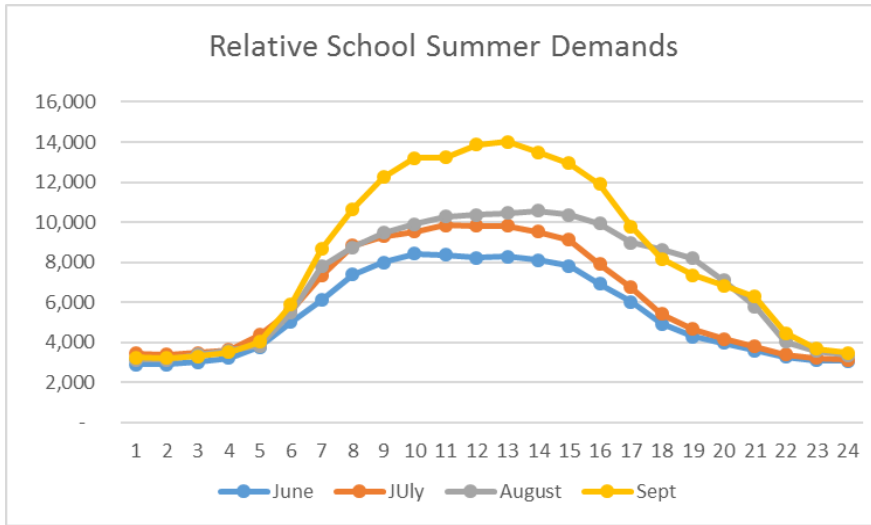
² In the Matter of: Application of Jessamine-South Elkhorn Water District For a Certificate of Public Convenience and Necessity to Construct and Finance A Waterworks Improvement Project Pursuant to KRS 278.020 and 278.300, Case No. 2012-00470 at 11 (January 3, 2014).

³ Testimony of Ronald Willhite, page 4, lines 2-3 (December 29, 2017).

⁴ VR: 3/7/18; 12:30:17-12:31:03

⁵ Corrected Testimony of Ronald Willhite, p. 4 (March 5, 2018); Testimony of Ronald Willhite, p. 4 (December 29, 2017).

In this matter, Mr. Willhite conclusively established that the 85% Demand Ratchet as the primary reason for the \$260,000 annual subsidy to other DS customers occurring here.⁶ Likewise, Mr. Willhite’s testimony (graph below, see fn.7) clearly shows the June, July and August monthly school peaks are significantly lower than the P-12 September peak load.⁷

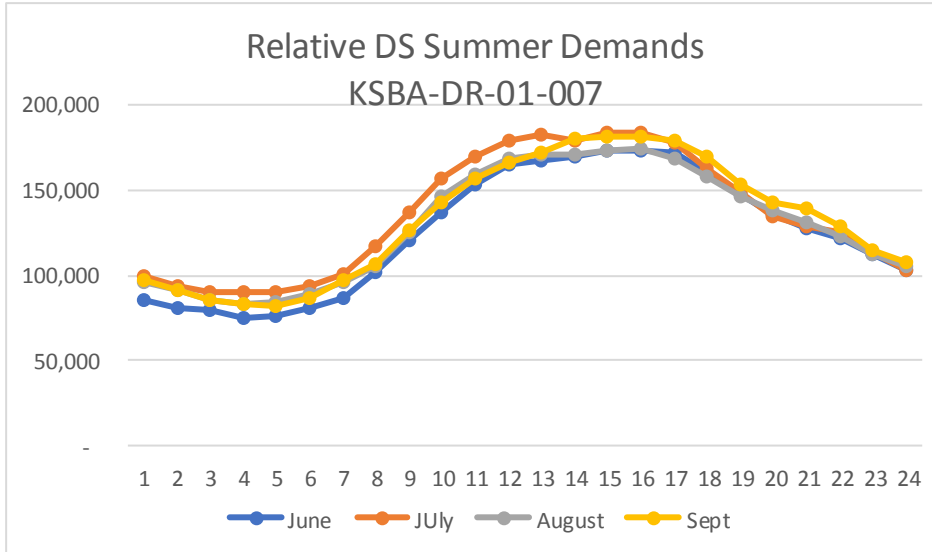


By contrast, examination of the DS class data used by Duke and provided in response to KSBA-DR-01-007 (see chart below on following page and fn. 8) clearly shows the class loads as a whole to be uniform in magnitude across the summer period months – consistent with the inequitable subsidy.⁸

⁶ Testimony of Ronald Willhite, page 5, lines 2-3 (December 29, 2017).

⁷ Testimony of Ronald Willhite, page 4 (December 29, 2017); Relative Summer Demand Graph.

⁸ Duke Response to KSBA DR-01-007 (November 13, 2017).



To a large extent Duke did not contest the testimony or conclusions of Mr. Willhite involving the subsidy. KSBA suggested that the Commission reduce or eliminate the unfair 85% DS Demand Ratchet as it pertains to the P-12 schools.⁹ Likewise, reducing the Demand Ratchet creates consistency with other similar electric utility Demand Ratchets in the Commonwealth.¹⁰ Additionally, KSBA’s request to a large extent would be revenue neutral to Duke as the elimination of the unfair subsidy would merely spread the \$260,000 cost among the other ratepayers on Tariff DS – to the extent private schools created a subsidy beyond the \$260,000 annual amount a regulatory asset could have been created akin to the Commission’s rationale for Rate SP.¹¹

⁹ Kentucky School Boards Association’s Post-Hearing Brief, pgs. 3-5; suggesting this could have been done as a Pilot as well. Even a minimal reduction of the 85% demand ratchet for the P-12 schools to 50% would help strained school budgets.

¹⁰ VR: 3/7/18; 5:04:43-5:04:45; Final Order Tariffs of Kentucky Power Company and LG&E/KU cases (Case No. 2017-00179 (KY Power) and (2016-00370/371 (KU/LG&E))

¹¹ Order at pg. 70.

Accordingly, KSBA recommends that the Commission grant rehearing on this concern and adjust Rate DS Ratchet to reflect the error or omission associated with this unfair subsidy negatively effecting the P-12 schools.

Respectfully submitted,

/s/Matt Malone

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CERTIFICATE OF SERVICE

It is hereby certified, this the 30th day of April 2018, that the above and attached is a true and correct copy of the document being filed in paper medium; that the electronic filing has been transmitted to the Commission on April 30th, 2018; that there are currently no parties that have been excused from participation by electronic service; that an original and six copies of this document are being delivered to the Commission within two (2) business days of electronic filing; and that an electronic notification of the electronic filing will be provided to all counsel listed on the Commission's service list in this proceeding.

/s/Matt Malone

ATTORNEY FOR KSBA