

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

In the Matter of:

SANCTUARY CHURCH

COMPLAINANT

V.

LOUISVILLE GAS AND ELECTRIC COMPANY

DEFENDANT

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CASE NO. 2018-00181

**RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY TO THE
SANCTUARY CHURCH'S INITIAL REQUEST FOR INFORMATION
DATED AUGUST 27, 2018**

FILED: SEPTEMBER 10, 2018

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates, for Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of September 2018.



Notary Public

My Commission Expires:
Judy Schooler
Notary Public, ID No. 603967
State at Large, Kentucky
~~**Commission Expires 7/11/2022**~~

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Michael E. Hornung**, being duly sworn, deposes and says that he is Manager of Pricing/Tariffs for LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


Michael E. Hornung

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 10th day of September 2018.


Notary Public

My Commission Expires:
Judy Schooler
Notary Public, ID No. 603967
State at Large, Kentucky
Commission Expires 7/11/2022

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to the Sanctuary Church's Initial Request for Information
Dated August 27, 2018**

Case No. 2018-00181

Question No. 1

Witness: Michael E. Hornung

- Q-1. Provide all bills, including total usage, billing rate and total amount from August 1, 2013 to July 31, 2018 for 930 Mary Street Louisville, KY 40204.
- A-1. Please see the Company's Responses to Commission Staff's First Request for Information, Q. 4 and 5.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to the Sanctuary Church's Initial Request for Information
Dated August 27, 2018**

Case No. 2018-00181

Question No. 2

Witness: Michael E. Hornung

- Q-2. Provide a copy of all correspondence between LG&E and Sanctuary Church related to the account at issue.

- A-2. Please see the Company's Responses to Commission Staff's First Request for Information, Q. 2 and 3.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to the Sanctuary Church's Initial Request for Information
Dated August 27, 2018**

Case No. 2018-00181

Question No. 3

Witness: Robert M. Conroy/ Michael E. Hornung

Q-3. Provide the source documentation for the statements in paragraph (c) of LG&E's Answer related to "grandfathering" policies and procedures.

A-3. LG&E's tariff sets forth the grandfathering limitations associated with each of its rate schedules. Pursuant to its General Service (GS) Rate Schedule at Original Sheet No. 10, service under that rate is limited to customers whose 12-month-average monthly maximum loads do not exceed 50 kW. Only existing customers with 12-month-average maximum monthly loads exceeding 50 kW who received service under P.S.C. Electric No. 6, Fourth Revision of Original Sheet No. 10 as of February 6, 2009, are permitted to continue to be served under the GS rate, at their option.¹ As such, Sanctuary Church, which didn't become a customer of LG&E until April 18, 2016, is not eligible to receive service under the grandfathering provisions contained in Rate Schedule GS.

Sanctuary Church was placed on Rate GS initially because the prior customer had been served under that rate. If a customer takes service under a rate schedule which contains a minimum or maximum demand parameter (as is the case with Rate Schedule GS), LG&E will review the customer's demand and usage data at least once annually to determine the rate schedule under which Customer will take service until the next review and rate determination. This review and rate determination shall be deemed conclusively to be the correct rate determination for the customer for all purposes and for all periods until LG&E conducts its next review and determination for the customer.² Pursuant to its tariff, LG&E conducted rate reviews of Sanctuary Church's account for several months and learned that its average monthly maximum load was well above the 50 kW threshold and therefore did not qualify for Rate GS.

The Commission has consistently described the Filed Rate doctrine as the "bedrock of utility regulation,"³ and that it "demands that a utility strictly adhere to its published rate schedules and not, either by agreement or conduct, depart from them."⁴

¹ This provision was approved by the Commission in *In the Matter of: Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Base Rates*, Case No. 2008-00252, Order of February 5, 2009.

² See Original Sheet No. 101.1 of LG&E's tariff under the heading "Customer Rate Assignment".

³ See e.g., *In the Matter of: North Marshall Water District*, Case No. 95-107, Order at 2 (Ky. PSC Oct. 13, 1995).

⁴ *Id.* (describing the requirements of KRS 278.160(2)).

In addition to several rate case proceedings,⁵ Grandfathering has also been considered by the Public Service Commission in customer complaint proceedings.⁶

Finally, internal documents describing the Company's grandfathering procedure are attached.

⁵ See e.g., Case No. 2003-00433, Case No. 2008-00252, and Case 2009-00549.

⁶ See e.g., *In the Matter of: 271 West Main Street v. Kentucky Utilities Company*, Case No. 2005-00389, Order of October 18, 2006.

RATE GRANDFATHERING GUIDANCE

Grandfathered Definition: A grandfather clause is a provision in which an old rule continues to apply to some existing situations, while a new rule will apply to all future cases. Those exempt from the new rule are said to have grandfather rights or acquired rights. Frequently, the exemption is limited; it may extend for a set period of time, or it may be lost under certain circumstances.

At LG&E, KU and ODP, GS and PS Customers are grandfathered if they were outside the “Availability of Service” of their current rate at the time of grandfathering. The grandfathering refers to the customer at the delivery point (BP/CA/Contract/Installation combination). Termination of grandfathering occurs when the Grandfathered Customer terminates service at the delivery point being grandfathered, or when the Grandfathered Customer moves off the grandfathered rate to another rate for which they qualify, or when the Grandfathered Customer expands their current load requiring new investment from LG&E/KU/ODP and the new load is outside the parameters of their current rate.

<u>Grandfather Dates</u>	
<u>Company</u>	<u>Date</u>
LG&E and KU	February 6, 2009
ODP	April 1, 2010

<u>Grandfathered Rates</u>	
<u>Rate</u>	<u>Availability of Service</u>
GS	0 – 50 kW
PS-S	50 – 250 kW
PS-P	0 – 250 kW

The new commercial rates implemented in 2009 were revised to include a maximum and/or a minimum kW restriction. The primary purpose of the grandfathering status was to ensure that any then current customer on a grandfathered designated rate would not be excessively harmed by the new rates if their load no longer qualified them for the particular rate. It was not intended to provide the customer with a “forever” grandfathered status regardless of any increase in operations.

General Service

If an existing GS customer receiving service under GS as of the 2009 grandfather date, with a load as of the grandfather date that exceeded 50 kW (12 months average), or had annual monthly average kWh of greater than 15,000 usage then customer was designated as grandfathered. GS Customers not meeting the criteria were not grandfathered.

Power Service - Secondary

If an existing PS Secondary customer was receiving service under PS Secondary as of the 2009 grandfather date, with a load as of the grandfather date, less than 50 kW or greater than 250 kW (12 months average), the customer was designated as grandfathered. PS Secondary Customers not meeting the criteria were not grandfathered.

Power Service -Primary

If an existing PS Primary customer was receiving service under PS Primary as of the grandfather date, with a load as of the grandfather date that exceeded 250 kW (12 months average), the customer was designated as grandfathered. PS Primary Customers not meeting the criteria were not grandfathered.

The average kW or kWh relates to the 12 months prior to the grandfather date. When a customer was on a grandfathered rate prior to the grandfathered date but had been on the rate for less than 12 months, data for the months following the grandfathered date will be used to obtain 12 months of data for the purpose of determining grandfathered status.

A database has been created identifying all grandfathered customers.

Grandfathered Account Matrix			
Question		Yes/ Grandfathered	No/ Not Grandfathered/ Grandfathering Terminated
1.	When an account is grandfathered, what is being grandfathered? Is it the service (as defined by meter), is it the customer's load (which is the energy), is the premise (which is the building (and all its features – now and in the future), or is it something else?		
	a.	The combination of the Business Partner/Contract Account/Contract/Installation (Delivery point) is grandfathered.	X
	b.	Is there a list of grandfathered Business Partner/Contract Account/Contract/Installation combinations?	X
	c.	If a customer with a grandfathered account requests a new service is the new service grandfathered?	X
2.	When does grandfather status terminate?		
	a.	Grandfathered Customer terminates service at the delivery point being grandfathered.	X
	b.	Grandfathered Customer moves to another rate for which they qualify for.	X
	c.	Load Changes:	
		<u>Expanded Load Requiring Investment:</u>	
	i.	Grandfathered Customer expands their current load <u>requiring new investment</u> from LG&E/KU/ODP and the new load is <u>outside</u> the parameters of their current rate.	X
	ii.	Grandfathered Customer expands their current load <u>requiring new investment</u> from LG&E/KU/ODP and the new load is <u>within</u> the parameters of their current rate.	X
		<u>Expanded Load NOT Requiring Investment:</u>	

		iii.	Grandfathered Customer expands their current load <i>NOT</i> requiring new investment from LG&E/KU/ODP and the new load is <i>outside</i> the parameters of their current rate.	X	
		iv.	Grandfathered Customer expands their current load <i>NOT</i> requiring new investment from LG&E/KU/ODP and the new load is <i>within</i> the parameters of their current rate.	X	
			<i>Expanded Load where Customer has multiple delivery points mandated by Company</i>		
		v.	If the Customer, prior to the grandfathered date, would have taken or requested a single service, but for our convenience the second delivery is separately metered and the meters are totalized, the totalized load was <i>within</i> parameters of current rate.		X
		vi.	If the Customer, prior to the grandfathered date, would have taken or requested a single service, but for our convenience the second delivery is separately metered and the meters are totalized, the totalized load was <i>NOT within</i> parameters of current rate.	X	

Grandfathered Account Basics

What is a Grandfathered Account?

A grandfather clause is a provision in which an old rule continues to apply to some existing situations, while a new rule will apply to all future cases. Those exempt from the new rule are said to have grandfather rights or acquired rights. Frequently, the exemption is limited; it may extend for a set period of time, or it may be lost under certain circumstances.

Regulatory Issues

Grandfathered customers, by definition, have the choice to remain on their current rate or choose an alternate rate that they qualify for. Moving them to an alternate rate without their permission would be in violation of the Companies tariffs and set and adverse precedent.

Customer Experience

After moving a customer to a new rate, the customer's rate will be re-evaluated after one year. If the customer changes to a lower rate now and one year later they qualify for the rate they were previously on, this may have a negative impact on Customer Experience.

Make known at time of customer contact that rate will be re-evaluated after one year.

Related Topics

Grandfathered Account Process

Revised 9/29/16

The following process occurs when a grandfathered account has been discovered:

Step 1: Customers are identified

1. Customers are identified to receive a letter about potential alternative rate schedule qualification.
2. A letter is sent to the customer about the alternative rate, suggesting they contact LGE/KU. To view a sample letter, click [here](#).
 - A contact about "**grandfather letter sent**" is placed on the contract account.

Step 2: Customer responds

1. Customer contacts the utility to inquire about their alternative rate.
 - A call/email/fax (or any other contact method) is received concerning the letter received by the customer.
2. Review the contacts on the BP and CA to identify if the customer is part of the Grandfather Accounts.
 - If customer is NOT part of the Grandfather Accounts; rep proceeds with a rate compare to see if there is an alternative rate to benefit the customer.
 - - If there are questions concerning the alternative rate request, seek assistance of a BSC specialist or a Major Account representative.
3. Access the [Grandfathering SharePoint](#) site and click the **Master List of Grandfathered Accounts** spreadsheet.
4. Once the spreadsheet has opened, filter on the Business Partner you are communicating with.
5. Scroll to the right to view the following information:
 - Column S = Current Rate for Customer
 - Column T = Alternative Rate for Customer
 - Column U = Estimated Adjustment for the Customer

Step 3: After customer review

If the customer **does NOT** agree to change to the alternative rate schedule:

1. Create a contact (with the class of **RATE** and action of **0010 – Grandfathering Rate Change**) on the account (utilizing the correct department format) stating the customer does not want to change rate from Grandfathered Rate.

REMEMBER per our tariffs we can **NOT** change a customer's grandfathered rate without their permission.

If the customer **does** want to be changed to the alternative rate schedule:

1. Create BPEM case ZRTC; stating customer has selected to change to qualifying alternative rate schedule (name the rate) and will be removed from grandfathered status.
2. Create a contact (with the class of **RATE** and action of **0010 – Grandfathering Rate Change**) on the account (utilizing the correct department format) stating the customer has requested the rate changed for old Grandfathered rate to the new rate.

An effective conversation with the customer would include all of the following:

- Discuss each of the customer's accounts on the "Master List of Grandfathered Accounts" MS Excel spreadsheet.
- Ensure the customer knows
 - - which accounts affect them positively,
 - which accounts affect them negatively and
 - which accounts have no effect on them
- Let the customer know that even though they have accounts that are currently on the correct rate or accounts that would negatively impact them if they moved to the alternate rate, significant changes to their business in the future may place their business in a position to receive a benefit.
- Advise the customer that we do have an alternate rate with potential estimated savings of \$x.xx *IF they continue to operate in the future as they have in the past year*. Explain rate change could take in effect with their next meter reading.
- Explain that their current rate was grandfathered in and that if they choose to change the rate they cannot return to the grandfathered rate. However, the rate will be reviewed after 12 months and could be changed if eligible for a more efficient rate.
- Explain that after the first year we will review quarterly to ensure they are receiving the most beneficial rate.

Grandfather Accounts Frequently Asked Questions

Revised 5/1/14

The following are some frequent questions about grandfather accounts:

▼ **What is the grandfathered status date for LG&E and KU GS and PS rate schedules?**

February 6, 2009

▼ **What was the primary purpose of the grandfathering status?**

This was to ensure our customers would not be excessively harmed by the new rates if their load no longer qualified for the new rate based on the minimum kW restrictions.

▼ **How many customers are included with a grandfathering status rate?**

Currently LG&E and KU have approximately 6000 combined electric grandfathered customers who qualify for an alternative rate.

▼ **May a customer be moved off their grandfathered rate without their permission?**

No, to move a grandfathered customer to an alternative rate without their permission would be a violation of our Company's tariffs.

▼ **Will this change to an alternative rate be evaluated in the future based on their usage? If so, at what time period?**

Yes the customers will be re-evaluated after one year on the alternative rate. At that time if they qualify for a different rate, they will no longer be in grandfathered status and will be changed to the best rate after the year evaluation. **This should be made known to the customer at the time of change to their alternate rate out of grandfather status.**

▼ **How are we going to approach this initiative?**

- Staggered mailings over a 9 month period (approximately 667 customers within each mailing) will be sent to customers who qualify for a benefiting alternative rate schedule.
- A review of grandfathered accounts will be contacted within the 1st week of each month to determine which customers will receive the mailing for that month.
- We will be contacting customers who will benefit most within the first mailings:
 - All accounts for a single BP will be included in the same letter (i.e. All of Ball Home accounts that qualify for the alternate rate would be included in 1 letter.
 - If an account is in grandfather status and the BP has another account in the Basic Service Charge initiative, both accounts will be addressed in the same letter (12 customers).

- The meter changes will be spread over the life of the program -- 9 months or longer depending on the response of the customer.
 - July will start the initiative with LG&E customers, due to current downtown metering projects.
 - A second letter will be mailed if there is no response from the customer in 30. **NOTE: This could double the mailings to approximately 1330 each month.**
 - If no response after the second letter no further mailings will be initiated by LGE/KU.
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▼ **What will I see on an account to indicate the account is part of this process?**

A contact with a Contact Class of "Rate" and a Contact Action of "Grandfathering Letter Sent" will be on the account in Display Contact History, if you have questions proceed as normal with rate questions; contact a BSC specialist or the Major Account Rep.

▼ **When will the customer be placed on their new rate schedule?**

The customer should see the change to their current rate schedule by their next invoice; however, this is based on their scheduled meter reading and the amount of meter work that is needed to process their request.

Make sure to review the reading schedule and if the customer's meter reading is schedule within a 2 week period of their phone call, explain to the customer they may not see their rate change until the next invoice after their scheduled meter metering.

If questions arise concerning the timeframe of the rate change or about crediting the account due to a delay in the rate change, please see your team lead. These cases will be reviewed case by case.

▼ **Will a copy of the letter(s) sent be attached to the contract accounts affected?**

No. A copy of the letters will not be present in CCS but are on file with the department that sent the letters.

▼ **Why are we contacting customers that would not benefit from the change to an alternative rate?**

We are contacting all customers on grandfathered rates that qualify for an alternative rate in order to comply with regulations that ensure all grandfathered customers are notified and therefore treated equally.
