

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:	:	
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ELECTRONIC APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES, A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO DEPLOY ADVANCED METERING INFRASTRUCTURE, APPROVAL OF CERTAIN REGULATORY AND ACCOUNTING TREATMENTS, AND ESTABLISHMENT OF A ONE-YEAR SURCREDIT	:	CASE NO. 2020-00349
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IN THE MATTER OF:	:	
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ELECTRONIC APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS RATES, A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO DEPLOY ADVANCED METERING INFRASTRUCTURE, APPROVAL OF CERTAIN REGULATORY AND ACCOUNTING TREATMENTS, AND ESTABLISHMENT OF A ONE-YEAR SURCREDIT	:	CASE NO. 2020-00350
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**RESPONSES OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
TO LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S AND
LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT'S
FIRST REQUEST FOR INFORMATION**

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**COUNSEL FOR KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.**

April 1, 2021

RESPONSES OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
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LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT'S
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**WITNESS / RESPONDENT RESPONSIBLE:
STEPHEN BARON**

QUESTION No. 1

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1. On page 32 of his testimony. Stephen Baron states: "While cost-of-service is an important factor, it is not the only factor. First, there can be legitimate disagreements on the appropriate methodology that should be used to allocate costs to rate classes. Moreover, such factors as gradualism, state economic development goals, the impact on competitiveness of industry, and other policy factors should also be considered by the Commission."
 - a. Please cite and explain any disagreements about allocation methodology that justify any rate class paying 2x-3x the average rate of return, as the Lighting class now does.
 - b. Please explain how gradualism might justify raising rates even further above your calculated cost of service, as Baron proposes for LG&E's LS/RLS tariff.
 - c. Would you agree that the provision of public goods, such as modern, well maintained infrastructure, plays a role in regional economic competitiveness and state economic goals?
 - d. Would you regard public safety, including roadway safety, pedestrian safety and crime prevention benefits provided by street lighting, as a "purpose" for which utility service is used that the Commission may consider when setting rates and classifications of service?
 - e. Should the Commission prioritize industrial competitiveness over public safety when setting rates and classifications?

RESPONSE:

- a. Mr. Baron is not aware of any disagreements about allocation methodology that can explain the rate of return differentials cited in the question.
- b. Mr. Baron does not believe that gradualism, by itself, can justify raising rates for LG&E's LS/RLS tariffs. Notwithstanding this, Mr. Baron believes that his recommendation to eliminate rate subsidies paid by large industrial rate classes that are paying rates above cost, which face national and international competition, is a reasonable and appropriate policy that benefits Kentucky, as discussed in Mr. Baron's testimony. While Mr. Baron believes that all rates should reflect correct cost of service and must comply with Kentucky law, there are many competing policy objectives that prevent that from occurring in a single rate proceeding. Among these objectives are gradualism, the consideration of the economic environment and under

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- c. Kentucky statutes the “nature” and “purpose” for which electricity is used.
- d. Yes.
- e. Yes.
- f. For the reasons discussed in Mr. Baron’s testimony, his proposal focused on the importance of removing subsidies paid by large industrial manufacturing customers who are currently paying rates above cost of service. However, the Commission could consider other “purposes” in its rate setting policy, including public safety.

AFFIDAVIT

STATE OF GEORGIA)

COUNTY OF FULTON)

STEPHEN J. BARON, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.


Stephen J. Baron

Sworn to and subscribed before me on this
1st day of April 2021.


Notary Public

