AARP® Real Possibilities
Kentucky

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RE: AARP Kentucky Comments
AEP KENTUCKY POWER RATE CASE (2017-~~0019)~~ 00179

AARP, with 470,000 members in the Commonwealth and , advocates for fair and affordable utility rates. Around the country we have fought unfair proposals to hike fixed fees, shift costs to residential customers, and impose new fees and surcharges.
Many of our members – especially in this part of the Commonwealth – struggle to make ends meet.
While those on Social Security will be getting a modest 2% COLA increase next year, this nowhere offsets the unexpected jump in energy rates.
AEP Kentucky Power has filed for all of these things as they have in the other jurisdictions where they operate.
Our specific comments are as follows:

<u>INORDINATE UNFAIR INCREASE TO RESIDENTIAL CUSTOMERS</u>
KP's proposal includes a 16% increase to residential customers while other customers are faced with an increase about half the size.
Indeed, half the increase is saddled onto residential customers.
Utilities nationwide are re-doing their cost of service studies and many suddenly claim the residential rates need to go up more than for other customers. However, such studies are more art than science and AARP questions this result.
Most importantly, the rate increase is too high. We urge the PSC to closely scrutinize the burdensome request.
<u>$17.50 before you even turn on the lights</u>

Kentucky Power proposes increasing the monthly basic service charge by $6.50 per month -- from $11 to $17.50.

AARP believes the customer charge should only recover metering and billing costs and not be recalculated to include costs not traditionally recovered this way.
Indeed, the current customer charge is burdensome.

Owing KP $17.50 before you even turn on the lights makes managing your energy bill difficult and harms low users (many of whom are low income).

KP makes reference to a demand charge. AARP opposes institution of such a charge since a customer would not know when their maximum demand is and have nothing to respond to.

The company argues that this higher monthly fixed fees will lessen monthly bill volatility in high-usage months. AARP questions this motive. Having a higher energy bill every month is a solution for a problem that does not exist. A lower customer charge allows consumers to better manage their energy spending.
KP testifies that low-income customers that receive energy assistance will benefit because they have higher energy usage on average (1,392 kWh/month compared to 1,246 kWh per month for all customers). The increase will result in the group subsidizing less of lower-usage customers' fixed costs. However, this difference is very small.

With the increase, KP's residential service charge would be higher than that of both Duke Kentucky and LGE/KU. AARP believes this is a red flag.
KP testifies that the company faces two unique challenges which justify the higher charge. First, KP has fewer customers per line mile (17) than Duke Kentucky (47) and LGE/KU (41), which requires greater distribution plan investments. Secondly, the particular region serviced by KP is more mountainous, which makes installation more difficult and costly. AARP responds that again these costs can continue to be collected through the volumetric per kWh rates as they always have. The customer charge should not be increased despite the mountains.

<u>AARP SUPPORTS VOLUNTARY RATE OPTIONS</u>
KP is also proposing a new optional rate schedule that incorporates a three-part rate structure. The structure would be composed of:

- The monthly service charge of $17.50,
- An on-peak energy charge of 13.747 cents per kWh and off-peak energy charge of 7.418 cents per kWh, and
- An on-peak demand charge of $4.44/kW.

The designated on-peak hours would run from 7 to 11am from October to May and from 4 to 9pm from June to September. The program would be open to 1,000 customers. AARP thanks the company for proposing a pilot tariff rather than a new mandatory rate design. While we question if customers can actually respond to a demand charge, we look forward to seeing the results.

AARP supports voluntary opt in rate time of use rate programs. AARP also supports innovative rate designs if they can save customers money on their energy bill.
<u>OPPOSE INCREASE TO ECONOMIC DEVELOPMENT SURCHARGE</u>
AARP opposes special surcharges of any type. Such flow through spending trackers are single issue ratemaking where there is no opportunity to consider offsetting cost reductions by the PSC.

Accordingly, we oppose the increase to the economic development surcharge.

Ratepayers should not fund such activities which should instead come out of the state general fund if such spending is cost effective in the first place.

Respectfully presented by:
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