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Case: 2017-00179 Kentucky Power Company

COMMENTS:

In college Economics 101, I learned that higher prices cause lower demand. Though electricity usage is somewhat inelastic, meaning that demand may not fall in proportion to increasing prices, Kentucky Power Company's attempt to replace falling revenue by raising prices may be doomed to failure and may lead to a cycle of increasing prices and falling revenue. As a residential customer, my own response to a higher electric bill is to look for ways to cut usage. I understand that commercial customers are even more effective at cutting usage than residential customers. Many of these commercial customers have ample flat roof space. When will rate increases cause commercial customers such as WalMart to place solar panels on their roofs?

Kentucky Power Company (KPC) says that residential rates are being subsidizing by commercial rates. Though I would like to have low residential rates, I recognize the value of low commercial and industrial rates in attracting businesses and thereby jobs to eastern Kentucky. More better-paying jobs enable individuals to pay higher residential rates. I am suggesting that costs could be better allocated among their respective rate categories.

Also, I understand that KPC is billing some fixed costs as variable costs. Although this practice may produce lower bills for small users, it causes accounting issues. How can a business determine where costs can be cut, when the fixed and variable costs are not clearly delineated?

KPC residential bills give a due date and a two-week grace period after which a 5% penalty is added for late payment. Commercial bills have no grace period for the 5% penalty. I feel that small business owners should have the same two-week grace period as residential customers.