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PUBLIC SERVICE
COMMISSION

April 15, 2021

Chairman Michael J. Schmitt
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40502-0615

Re: Kentucky Utilities Co.
Case 2020-00349

Dear Chairman Schmitt:

This communication protests the proposed 2020 rate adjustment application by Kentucky Utilities Co. for reasons as follows:

The Fixed-Charge increase is 15% and the kWh rate increase is 11% which should have made the application unworthy of consideration. Any increase of the Fixed-Charge rate is an additional penalty for low watt usage customers who pay a higher **combined** rate than high users as shown in the orange columns on enclosed chart KU 110-5X. A fixed monthly cost results in low users subsidizing high users.

Further, KU scored an early win in its case that allowed it to practice deceit when the Commission granted its request in 2020 to submit only a partial notice enclosure with bills. The partial enclosure with my bill omitted page one from the official record which would have shown me the numbers for the actual rate differences. Thus, I received only page two which showed percentages, dollars, and text but no real comparative numbers.

But the deceit with that notice was shallow compared to KU's 2016 misleading tactic announcing its rate increase application in that bill enclosure, copy enclosed. It was dishonest by implying that the proposed rate changes would result in 5% savings on bills. The facts are not friendly to KU's enclosure. As shown on enclosed chart KU 105-5, The Devil in The Details turned out to be a ploy to hide the real effect of the proposed 2016 Fixed-Charge.

1. KU created a fictitious example to compare to the true example that used their proposed rates.
2. It had a kWh rate of 9.5 cents which was 10 cents higher than the true example and used the existing Fixed-Charge rate of \$10.75 which was compared to \$22.00 in the true example.
3. So, what was needed to make it work?
4. The example usage for a month was 2,358 kWh which was double the average usage of 1,179.
5. The result found the fictitious user's bill was \$234 and the real example was \$222.
6. Thus, the bill for 2358 kWh was 5% lower, **however**, the bill for the fictitious example using 750 kWh was **5% higher**.
7. The bills for users above the average usage were lower and bills for users below the average were higher. Thus, the misleading KU enclosure causes one to wonder if their pledge "**LG&E and KU have a steadfast and unwavering commitment to the communities they serve**" includes transparency.

The green columns on Chart KU 105-5 and Chart 110-5X show how the Fixed-Charge becomes a larger percentage of the total charges as the level of usage decreases. Additionally, comparisons of the No Fixed-Charge column "C" on Chart 110-5X total charges to columns "A" and "B" show the dollar impact Fixed-Charges have on below average wattage users.

An unhappy KU was not willing to repeat the 2016 case strategy. The lure of guaranteed revenue resulted in a change of tactics for its 2018 case. Rather than follow the years-long custom of allowing fairness and transparency with its customers, KU decided to announce on the Customer Notice the Fixed Charge rate proposal in cents-per-day to avoid putting the monthly dollar amount before the public who might notice the rate nearing \$22.00. KU apparently felt the tactic would produce the desired results and yield two rate increases because the proposal for the Fixed-Charge increase was 31.6% and 5% for the kWh rate.

A surprise was the Commission's decision for the 2018 rate adjustment filing. Stunningly, the Commission agreed on the 31% Fixed-Charge increase which was an unexpected turnaround from two years ago when KU's proposal to raise the \$10.75 rate to \$22.00 was shot down to a \$1.50 increase. Allowing a 31% increase for a major impact rate that favors high usage consumers and penalizes low users is a huge win for the Corporation as it can relax efforts on cost-saving measures while it enjoys a guaranteed revenue stream. That decision was against the public and is simply not in tune with the decision two years earlier. The Commission can do the right thing by cutting back the surprising 31% Fixed-Charge increase.

Thus, this protest points to the proposed Fixed-Charge increase creeping closer to \$22.00 that was proposed in 2016, and which is unfair to low wattage users who pay a higher combined kWh rate than high usage customers, whom therefore, they are subsidizing. And this communication protests the various actions by Kentucky Utilities Company to deceive the public. The Kentucky Public Service Commission is the Public's protector against Kentucky's Public Utilities proposals that are not fair.

Mr. Schmitt, historically, the Commission grants far less than the proposal, thus, KU, by requesting an exorbitant kWh rate, anticipates the Commission will decrease it significantly or totally, and award the Fixed-Charge, thus favoring high wattage users who are subsidized by low kWh users.

Mr. Schmitt, Kentucky Utilities Company gains an advantage because the lack of in-person Public Hearings reduces the impact of public objections.

Best regards,



William H. Wheeler

Encl:

Chart KU 110-5X

Chart KU 105-5

Chart KU 2020-XX - History of KU Rate Filings to KPSC Since 2016

KU 2016 Misleading Bill Enclosure of Proposed Increase of Basic Service Charge

cc: PB, LG, DC

THIS CHART COMPARES 2020 RATE FILING TO CURRENT RATES

CASE 2020-00349

RE: KENTUCKY UTILITIES COMPANY RATE ADJUSTMENT FILING NOVEMBER 25, 2020 WITH KENTUCKY PUBLIC SERVICE COMMISSION

Proposing kWh Rate Increase 11%, and Fixed Rate Increase 15%

SHOWING THE FIXED-CHARGE RATIO OF KU TOTAL CHARGES : COLUMNS H, N

SHOWING COMBINED (kWh RATE + FIXED-CHARGE) USAGE RATE : COLUMNS G,M to COLUMN D

SHOWING THE MONTHLY INCREASE COMPARED TO CURRENT RATES : COLUMNS P, V

(1,120 is AVERAGE MONTH USAGE FOR KU RESIDENTIAL CUSTOMERS for 2020)

D MONTH kWh Usage	*A* CURRENT 2020 KU RATES					*B* Compare to "A" KU PROPOSED NOV 25, 2020						*C* Compare to "A" NO FIXED-CHARGE				
	E	F	G	H	I	K	L	M	N	O	P	R	S	T	U	V
	kWh Cost @ \$.08963	Fixed Charge \$16.12	E + F KU Total Charges \$233	Ratio Column F to G % 7%	Comb- ined Usage Rate \$.096	kWh Cost @ \$.0995	Fixed Charge \$18.55	K + L KU Total Charges \$260	Ratio Column L to M % 7%	Comb- ined Usage Rate \$.108	Month Bill Increase \$27	kWh Cost @ \$.1120	Fixed Charge \$0.00	R + S KU Total Charges \$271	Ratio Column S TO T % 0%	Month Increase or Decrease \$38
2,420	\$217	\$16.12	\$233	7%	\$.096	\$241	\$18.55	\$260	7%	\$.108	\$27	\$271	\$0.00	\$271	0%	\$38
2,080	\$186	\$16.12	\$202	8%	\$.097	\$207	\$18.55	\$226	8%	\$.108	\$24	\$233	\$0.00	\$233	0%	\$31
1,750	\$157	\$16.12	\$173	9%	\$.099	\$174	\$18.55	\$193	10%	\$.110	\$20	\$196	\$0.00	\$196	0%	\$23
1,420	\$127	\$16.12	\$143	11%	\$.101	\$141	\$18.55	\$160	12%	\$.113	\$16	\$159	\$0.00	\$159	0%	\$16
1,120	\$100	\$16.12	\$116	14%	\$.103	\$111	\$18.55	\$130	14%	\$.116	\$14	\$125	\$0.00	\$125	0%	\$10
920	\$82	\$16.12	\$98	17%	\$.106	\$92	\$18.55	\$111	17%	\$.121	\$14	\$103	\$0.00	\$103	0%	\$5
750	\$67	\$16.12	\$83	19%	\$.111	\$75	\$18.55	\$94	20%	\$.126	\$11	\$84	\$0.00	\$84	0%	\$1
580	\$52	\$16.12	\$68	24%	\$.117	\$58	\$18.55	\$77	24%	\$.133	\$9	\$65	\$0.00	\$65	0%	-\$3
150	\$13	\$16.12	\$29	56%	\$.190	\$15	\$18.55	\$34	54%	\$.230	\$6	\$17	\$0.00	\$17	0%	-\$12

The message in this chart is the unfairness of fixed charges on utility bills. Three rate examples are shown : *A* CURRENT rates using the kilowatt (\$.08963) and Fixed-Charge (\$16.12) rates in place. *B* KU 2020 PROPOSED RATES using the kilowatt (\$.0995) and Fixed-Charge (\$18.55) rates. "C" IS THE RATE CHANGE EFFECT IF FIXED-CHARGE IS ZERO. Fixed-Charges result in low kWh users subsidizing high kWh users and are not fair.

The kWh rate, \$.116, used in example "C" is a result of KU's proposed rates applied to the average month usage, 1,120 kWh, as shown in column O. The green columns show the percentage the Fixed-Charge is to total KU charge at different usage levels resulting in low users paying a higher combined rate. The orange columns convert columns G and M into combined rates showing low users paying a higher rate, thus subsidizing high users. Both blue columns P and V compare combined monthly charges to current pricing column G.

THE PROPOSED 2020 FIXED CHARGE CHANGE TO \$18.55 CREEPS CLOSER TO THE 2016 PROPOSED CHANGE TO \$22.00 THAT WAS REDUCED TO \$12.25.

A movement has become active nationwide in recent years as Public Service Commissions are taking responsible action by refusing increases in Fixed-Charges and in some cases reducing earlier-approved rates.

KENTUCKY UTILITIES COMPANY RATE ADJUSTMENT FILING NOV 23, 2016 WITH KENTUCKY PUBLIC SERVICE COMMISSION

KU ENCLOSED A MISLEADING NOTICE WITH CUSTOMERS BILLS

A 2017 BILLING ENCLOSURE ANNOUNCED THAT THE REQUESTED SERVICE CHARGE INCREASE ACTUALLY HAS BENEFITS

EXAMINATION OF THE EXAMPLE ON THE ENCLOSURE REVEALS THE DEVIL IS IN THE DETAILS SHOWN BELOW

(1,179 kWh IS AVERAGE MONTH USAGE FOR KU RESEDENTIAL CUSTOMERS in 2016)

MONTH kWh Usage	CURRENT RATES 2016				KU ENCLOSURE EXAMPLE RATES				KU NOV. 2016 PROPOSED NEW RATES				Month	%
	kWh	Fixed	F + G	Ratio	kWh	Fixed	K + L	Ratio	kWh	Fixed	P + Q	Ratio	Bill	
	Cost @	Charge	KU Total	G TO H	Cost @	Charge	KU Total	L TO M	Cost @	Charge	KU Total	Q TO R	-Decrease	or non-
	\$0.0887	\$10.75	Charges	%	\$0.0995	\$10.75	Charges	%	\$0.08523	\$22.00	Charges	%	Increase	saving
2,358	\$209	\$10.75	\$220	5%	\$224	\$10.75	\$235	4.6%	\$201	\$22	\$223	10%	-\$11.79	5.3%
1,917	\$170	\$10.75	\$181	6%	\$182	\$10.75	\$193	5.6%	\$163	\$22	\$185	12%	-\$7.48	4%
1,500	\$133	\$10.75	\$144	7%	\$143	\$10.75	\$153	7.0%	\$128	\$22	\$150	15%	-\$3.41	2%
1,179	\$105	\$10.75	\$115	9%	\$112	\$10.75	\$123	8.8%	\$100	\$22	\$122	18%	-\$0.27	0%
1,000	\$89	\$10.75	\$99	11%	\$95	\$10.75	\$106	10%	\$85	\$22	\$107	21%	\$1.48	-1%
750	\$67	\$10.75	\$77	14%	\$71	\$10.75	\$82	13%	\$64	\$22	\$86	26%	\$3.92	-5%
583	\$52	\$10.75	\$62	17%	\$55	\$10.75	\$66	16%	\$50	\$22	\$72	31%	\$5.55	-8%

The "Month Bill -Decrease, Increase" column and "% Saving" column compare the two KU enclosure examples.

THE ENCLOSURE CHART COMPARED AN EXAMPLE BILL USING CURRENT FIXED-CHARGE AND HIGHER kWh RATE TO THE PROPOSED RATE BILL.

THE ENCLOSURE HEADLINE ASKED: "A SERVICE CHARGE WITH BENEFITS?"

THE ENCLOSURE SAID: The Service (Fixed) Charge will increase from \$10.75 to \$22.00. A chart on the enclosure showed 5% savings.

WHAT IT MEANT: Customers using 2,358 kilowatt-hours a month (double the average usage of 1,179) will receive 5% comparative savings.

WHAT IT DID NOT SAY: Customers using 1,000 kWh a month will have 1% nonsavings; customers using 750 kWh will have 5% nonsavings

WHAT THE EXAMINATION OF KU'S RATE REQUEST REVEALED: Increase of the Service Charge (a Fixed-Charge on every monthly bill not based on usage) to \$22.00, and a modest kWh reduction from 8.87 cents to 8.523 cents results in comparative saving for above-kWh average users and comparative nonsaving for below-kWh average users.

THUS, THE ANSWER TO THE QUESTION IS: "YES, IF YOU ARE A HIGH WATTAGE USER."

UPDATE

This 2016 KU rate case for extreme Fixed-Charge revenue increase requested Kentucky Public Service Commission to increase the Fixed-Charge (the charge not affected by usage) 104% from \$10.75 to \$22.00. KU lost that vote which increased the rate 14% to \$12.25 instead of \$22.00, and increased the kWh rate 2.6% 8.870 cents to 9.100. Next, a 2018 case asked the Commission to increase the Fixed-Charge rate 31% and won that vote as the Commission, in a turnaround attitude from 2016, approved the requested change from \$12.25 to \$16.12, and reduced the kWh rate 1.5%, 9.100 cents to 8.963. Next, the 2020 KU case, 2020-00349, asks KPSC to increase the Fixed-Charge 15%, \$16.12 to \$18.55, and the kWh rate 11%, 8.963 cents to 9.950. The Fixed-Charge increase awarded to KU in the 2018 case reveals the rate creeping closer to \$22.00 rejected by KPSC four years ago. Will the Commission reduce the Fixed Charge rate?

Kentucky Utilities Company continues to support the unfairness resulting in lower-kWh customers subsidizing higher-kWh customers.

HISTORY OF KENTUCKY UTILITIES CO RATE CHANGE PROPOSALS TO KPSC SINCE 2016

MAJOR FOCUS IS FIXED-CHARGE

	CURRENT RATE	KU PROPOSED	\$ Proposed Change	% Proposed Change	KPSC DECISION	DECISION \$ Difference Current Rate	DECISION % Difference Current Rate	DECISION \$ Difference Proposed New Rate	DECISION % Difference Proposed New Rate	DECISION % Awarded of Proposed Rate Change
2016-00370										
FIXED-CHG	\$10.75	\$22.00	\$11.25	105%	\$12.25	\$1.50	14%	-\$9.75	-44%	13%
Cents-Per-Day	\$0.35 A	\$0.72 A	\$0.37		\$0.40 A	\$0.05			-44%	13%
kWh	\$0.08870	\$0.08523	-\$0.00347	-3.9%	\$0.09100	\$0.00230	2.6%	\$0.00577	7%	-66%
2018-00294										
FIXED-CHG	\$12.25	\$16.12 B	\$3.87	32%	\$16.12 B	\$3.87	32%	\$0.00	0%	100%
Cents-Per-Day	\$0.40 A	\$0.53	\$0.13		\$0.53	\$0.13			0%	100%
kWh	\$0.09100	\$0.09552	\$0.00452	5.0%	\$0.08963	-\$0.00137	-1.5%	-\$0.00589	-6%	-30%
2020-00349										
FIXED-CHG	\$16.12 B	\$18.55 B	\$2.43	15%						
Cents-Per-Day	\$0.53	\$0.61	\$0.08							
kWh	\$0.08963	\$0.09950	\$0.00987	11%						

A: Converted From Monthly Amt B: Converted From Per-Day Amt

KU is creeping closer to the \$22.00 FIXED-CHARGE it proposed in 2016, for which it met vigorous opposition resulting in KPSC granting only \$1.50 of the \$11.25 request.

In 2018 KU developed a new tactic. Instead of requesting a monthly FIXED-CHARGE in dollars, KU converted to cents-per-day – 53 cents vs 40 cents. KPSC in a change of mood granted the \$16.12 Fixed-Charge proposal - a 100% increase vs 13% in 2016. The 61 cent-per-day FIXED-CHARGE proposal converts to \$18.55 per month, \$3.45 less than \$22.00 requested in 2016.

Fixed charges are unfair to low kWh users who pay a larger combined rate than large users.

A SERVICE CHARGE WITH BENEFITS?

Last July, KU and its sister utility LG&E kicked off a \$2.2 billion investment program to improve safety, reduce outage times and enhance service to customers. The program will continue through June of 2018. In November, KU filed a request with the Kentucky Public Service Commission to recover a portion of the costs related to the new technologies and other equipment that will improve safety and reliability. KU requested that this be done through an increase in the Basic Service Charge (BSC) that will minimize the impact of extreme temperatures on energy bills. If approved by the KPSC, new rates would go into effect in July 2017.

How can a basic service charge minimize the impact of extreme temperatures on a residential monthly energy bill?

We all know that extreme temperatures throughout the year can cause energy use and bills to spike. KU's proposal to increase the BSC from \$10.75 a month to \$22 a month, combined with lowering the cents per kilowatt-hour (kWh) energy charge from \$0.089 to \$0.085 – rather than leaving the BSC at \$10.75 a month and raising the cents per kWh energy charge to \$0.095 – means customers will be better protected from wild swings in monthly bills caused by Mother Nature.

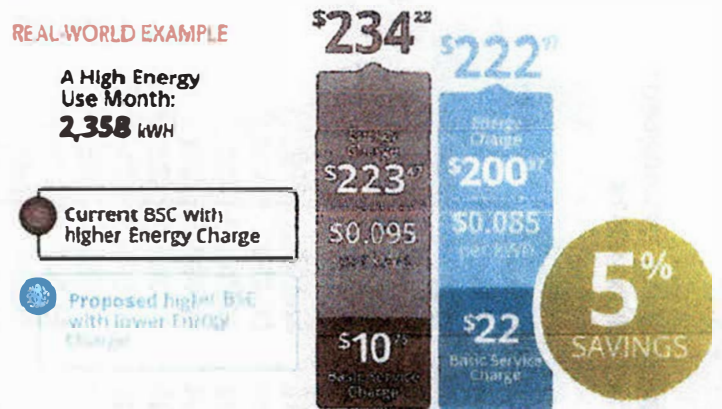
What is a basic service charge?

The BSC is a fixed minimum charge that helps defray some of the monthly administrative and fixed system costs involved in providing service to each customer, regardless of how much or how little energy is used. These costs include, but are not limited to, maintaining the meter (meter rental, reading and processing), service lines, billing and payment processing. For each meter, this charge is a fixed amount per month. The charge becomes effective when each meter is activated.

Real-world example

Let's look at the chart in the following column to see how a proposed

REAL-WORLD EXAMPLE



higher BSC and a lower cents-per-kWh energy charge compares to what a customer would pay under a scenario that keeps the BSC at its current level, with a higher energy charge (\$0.095 per kWh) in a month where a customer's energy use may have doubled due to extreme temperatures.

Lessening the impact

As shown in the graph, KU's proposal would move a portion of the fixed costs (e.g. – expenses related to maintaining meters, service lines, customer service, billing and processing) into the basic service charge from where they are currently – in a customer's energy charge. This move would allow the utility to lower a customer's cents-per-kWh energy charge, which can help mitigate the bill impacts of extreme hot and cold temperatures.

Visit our website at lge-ku.com/rate-adjustment for more information about the investments LG&E and KU are making to improve safety and service.

LOOKING TO THE SUN TO PROVIDE NEW ENERGY OPPORTUNITIES

Although sunlight in Kentucky can't produce power 24/7, at KU and its sister utility LG&E, we have made – and are making – investments in that area to learn more about how solar energy can work in combination with always-available power sources like coal and natural gas.

E.W. Brown Generating Station

Less than a year ago (June 2016) the state's largest universal solar facility – constructed at our E.W. Brown plant near Harrodsburg – became fully operational. With nearly 45,000 solar panels situated on 50 acres, the facility is meeting its expectation of producing 19,000 megawatt-hours a year, enough to provide energy for 1,500 homes using an average of 1,000 kilowatt hours a month.

Solar Share

The Solar Share facility, given the go-ahead by the Kentucky Public Service Commission last fall, will provide residential, business and industrial customers the chance to share in local solar energy and receive credits on their monthly bills.

Solar Share will be located on 35 acres along Interstate 64 in Shelby County in KU's service area. It is large enough to accommodate a four-megawatt field, but it is being built in 500-kilowatt sections

based on customer interest. Construction will begin as soon as the first section is 100-percent subscribed. Solar Share is now accepting enrollments; call 800-356-5467 and press 1,4. Or visit lge-ku.com/solar-share to enroll online.

Industrial and Commercial-Scale Solar

This service is available to business and industrial customers interested in solar energy. KU will build, own and operate individual solar facilities on the properties of interested customers. The company is partnering with Kentucky-based Solar Energy Solutions, LLC, to provide this offering.

Individual customer systems can be ground-based or rooftop arrays and can range from 30 kilowatts to five megawatts. Each customized project must be approved by the Kentucky Public Service Commission.

Visit lge-ku.com to learn more about our investments in solar energy.



THERE'S MORE

Go to lge-ku.com to:

- Watch "Our Energy Matters" videos highlighting our commitment to safe, reliable, low-cost energy.
- Learn about career opportunities for veterans.
- Bookmark our outage map.



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