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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY AND KENTUCKY UTILITIES) CASE NO.
COMPANY FOR REVIEW, MODIFICATION, AND) 2011-00134
CONTINUATION OF EXISTNG, AND ADDITION OF NEW)
DEMAND-SIDE MANAGEMENT AND ENERGY-)
EFFICIENCY PROGRAMS)

DIRECT TESTIMONY OF CATHY HINKO ON BEHALF OF METROPOLITAN
HOUSING COALITION

JULY 25, 2011

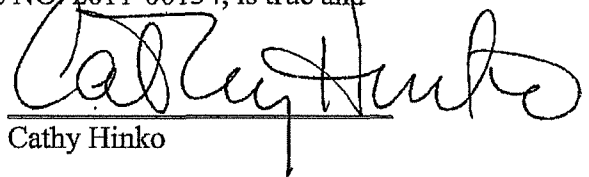
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AFFIDAVIT

I hereby affirm that this prefiled direct testimony in the matter of Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company For Review, Modification, and Continuation of Existing, and Addition of New Demand-Side Management and Energy-efficiency Programs, Case NO. 2011-00134, is true and accurate to the best of my information and belief.


Cathy Hinko

Subscribed and sworn to before me, a notary public in the Commonwealth of Kentucky, by Cathy Hinko, this 25th day of July, 2011.

Douglas M Magee
Notary Public KY state at Large

My commission expires July 9, 2012

1 **Q. Please state your name, business address, and affiliation.**

2 A. Cathy Hinko, P.O. Box 4533, Louisville, KY 40204. I am the Executive Director of the
3 Metropolitan Housing Coalition (MHC).

4 **Q. On whose behalf are you testifying today?**

5 A. My testimony is filed on behalf of MHC.

6 **Q. What is the Metropolitan Housing Coalition?**

7 A. MHC is a nonprofit, nonpartisan membership organization incorporated under the laws of
8 the Commonwealth of Kentucky in 1989 and comprised of over 190 individual members and 200
9 member organizations. MHC members include representatives of low-income households,
10 private and non-profit housing developers, service providers, financial institutions, labor unions,
11 faith-based and neighborhood groups, as well as other advocacy groups, advocating in a united
12 voice for fair, safe, and affordable housing in the Metro Louisville area. For over two decades,
13 the MHC has utilized the public and private resources of the Metro Louisville community to
14 provide equitable, accessible housing choices for all persons through advocacy, public education,
15 and through support for affordable housing providers.

16 **Q. Please briefly describe your qualifications.**

17 A. Since obtaining my law degree in 1979, my career has focused on affordable and fair
18 housing. I left the practice of law to manage the Section 8 Housing Certificate and then Voucher
19 Programs for the city of Louisville and Jefferson County, subsequently becoming Executive
20 Director of the Housing Authority of Jefferson County. During that tenure, I became involved
21 with issues of affordable utilities for low-income people and was on the board of the Affordable
22 Energy Corporation (AEC) as they secured grants to test a modified Percentage of Income Plan.

1 I remain on AEC's board through the present day and AEC's operation of the All Seasons
2 Assurance Program funded through a meter charge approved by the Public Service Commission.

3 In 2005, I became director of MHC, an education and advocacy organization on issues of fair
4 and affordable housing which also operates a lending pool for use by non-profit developers
5 creating or rehabilitating affordable housing. In 2008, MHC published a paper that focused on
6 utility costs as part of affordable housing. I have been the lead MHC staff member in
7 advocating for the recommendations of that report. My work includes convening meetings with
8 the state and local agencies charged with weatherization work and serving on committees
9 convened by LG&E on both community input and on energy efficiency.

10 MHC operates a lending pool of about \$1.2 million that is for use by non-profit developers in
11 creating and rehabilitating units that are affordable to low-income households, with an emphasis
12 on those below 60% of median income. Demand-side management programs are of paramount
13 importance to MHC, as well as payment assistance programs, in order to make shelter
14 affordable.

15 **Q. What is the purpose of your testimony today?**

16 A. I am testifying on behalf of MHC in the case on the amount of Demand Side Management
17 (DSM) Charges and the use of the DSM funds. MHC has an interest not only in affordable cost
18 of utilities and payment assistance programs, but equally in the energy efficient rehabilitation of
19 current units, and demand-side management as a method of making shelter affordable to low-
20 income households. Of equal importance to MHC is that the funds collected from low-income
21 neighborhoods and/or neighborhoods with concentrations of people in protected categories (as
22 defined for fair housing) are returned to those neighborhoods.

23 **Q. How important are energy costs for low-income households?**

1 A. A 1998 national study showed that the average household spends only about 2 percent of
2 their income on electricity whereas low-income households spend about 8 percent of their total
3 income on electricity and very low-income households (those living at less than half of the
4 federal poverty level) spend 23 percent. See Oppenheim, J.(1998). *Access to Utility Service*,
5 National Consumer Law Center, 1998 Supplement, pp.30-31.

6 However, between 2000 and 2007, adjusted for inflation, the median family income in Metro
7 Louisville actually decreased by 2 percent - and this is before the current financial and
8 unemployment crisis. See Metropolitan Housing Coalition. (2008). *State of Metropolitan*
9 *Housing Report 2008*.

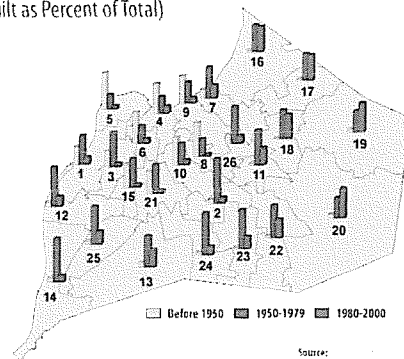
10 In Louisville in 1998, the utility gas cost per 70 Ccf was \$38.56 compared to the \$134.78 cost
11 for the same 70 Ccf in 2008. The customer charge went from \$4.48 to \$8.50. The distribution
12 cost per Ccf went from \$7.77 to \$10.83. The Gas Supply Cost went from \$24.92 to \$11.61. The
13 DSM cost reduced from \$1.39 to \$.75 and the Home Energy Assistance cost went from \$0 to
14 \$.10. During the same time period, the cost per 1,000 kWh went from \$68.25 5 to \$74.92. The
15 costs have varied since that time, but this gives a pretty sound picture of the straits that not only
16 low and very low-income people are in, but the problems that middle-income people now face in
17 paying their bills.

18 On July 25, 2010, the Courier Journal published an article, *Louisville Paychecks Falling*
19 *Behind Rising Utility Rates*, which stated that LG&E's "gas bills for a typical home have risen
20 54% since July 2000, while the utility's electric bills have gone up 34%." The article goes on to
21 say that Louisville's "overall incomes haven't kept up...[t]he utility increases have also
22 outstripped another yardstick, the U.S. inflation rate." These numbers reflect clearly that

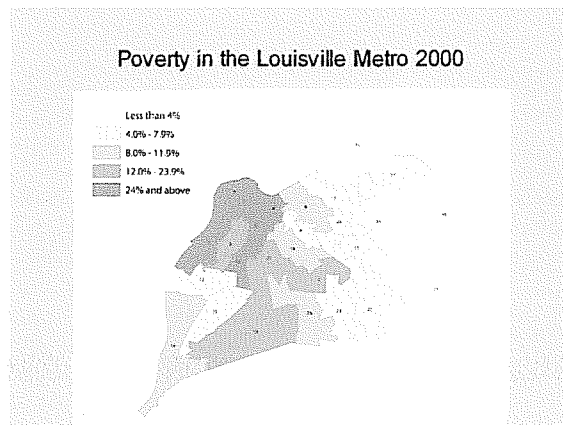
1 programs that keep utilities affordable for both low-income and middle-income households are
2 more needed than ever before.

3 Most of the homes in Louisville, approximately 240,000, were built before the 1980s when
4 insulation became a requirement in the local building code. About 75,000 of these were built
5 before 1950 and may still have original single pane windows, lighting, and older appliances.
6 Another 165,000 were built before 1979 and the requirement of insulation.

7
8 Age of Homes by Louisville Metro Council District
(Year Built as Percent of Total)



13 As can be seen in the map below, the location of older homes coincides closely with the location
14 of poverty in Louisville.



21 Most homes in Louisville (74% or 212,265 units) use gas for heat (U.S. Census, 2000). Only
22 23.4%, or 67,210 units heat their homes with electricity. Air conditioning is powered by
23 electricity, and it is the homes in low-income areas that primarily use window units. This fact

1 makes them ineligible for some of the DSM programs - particularly the more expensive
2 programs – yet they are even more in need of energy-efficient weatherization as well as newer
3 and more efficient appliances.

4 **Q. The Commission’s review of the proposed increase in DSM charges and the use of the**
5 **funds is focused on whether and on what terms approval of the proposals will be**
6 **“consistent with the public interest.” Are there specific areas that could be addressed by**
7 **the Commission that would, in your view, make the plan more consistent with the public**
8 **interest?**

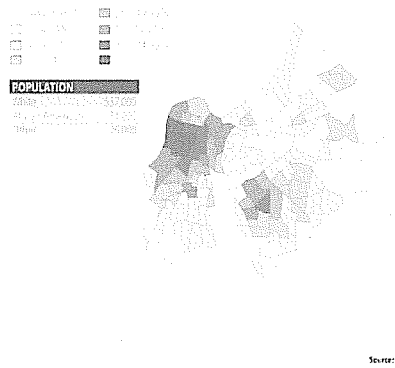
9 A. Yes. First of all, any charge that is volumetric will have a disproportionate effect on low-
10 income households. The amount of electricity used is not less because of their modest incomes,
11 but in fact may be more because appliances are old, the homes do not have new HVAC, but may
12 have old air conditioning window units, and the homes are not energy efficient and are harder to
13 cool and heat. A volumetric charge will use up an even higher percentage of income for low-
14 income households.

15 Using a rational basis that allows DSM funds to be spent proportional to DSM fees collected
16 by LG&E/KU by census tracts (using the 2010 census) would improve return for dollar for at
17 least two reasons: this is the low-hanging fruit for yielding savings in usage, since as leaky
18 homes and inefficient appliances are remedied, it will make payment of bills easier and reduce
19 ancillary charges associated with late payments and cut-offs. The studies from the All Seasons
20 Assurance Program have proven that if bills are affordable to low-income households, they will
21 pay them.

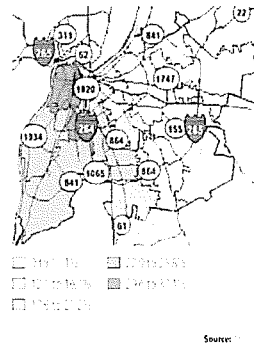
22 People in protected classes under the Fair Housing Act disproportionately live in low-income
23 areas.

- 1 The following charts show important pieces of information that should be reflected in how the
- 2 DSM funds are distributed:

African American Population, Louisville Metro, 2000

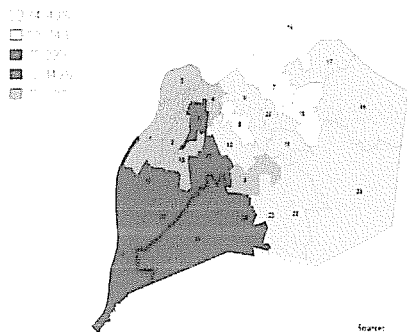


Percentage of Population Aged 21-64 with a Disability



3

Only percent of eighth graders in Louisville in past five years met criteria (2007)



Homeless Students



4

5

6

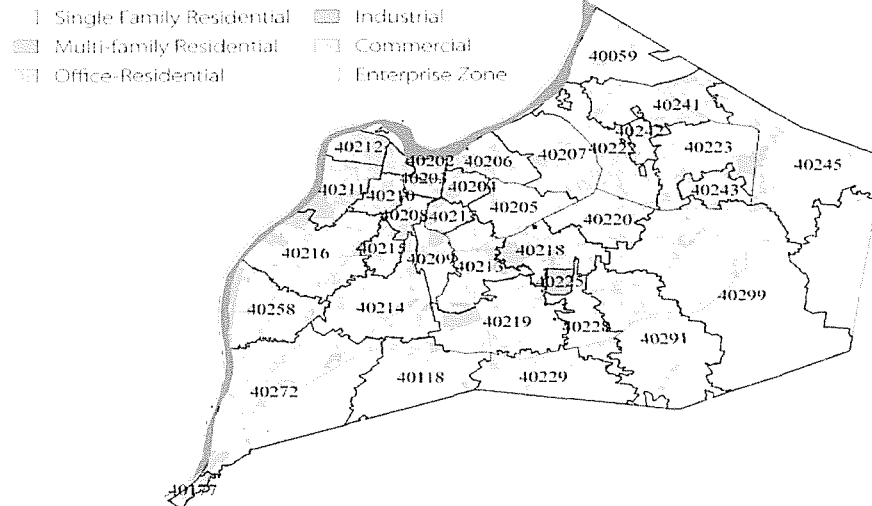
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9

10

Zoning Classifications in Jefferson County



Source: IOP

1

2 The above maps and charts tell a story. Neighborhoods that have large numbers of multi-family
3 housing tend to be low-income and are not only racially concentrated, but are concentrations of
4 people in other protected classes. Since these neighborhoods have smaller lot sizes, they also are
5 concentrations of residential users, each paying for utilities. The earlier maps show that low-
6 income neighborhoods are also where older housing exists with less energy efficient
7 rehabilitation of homes. So there are a lot of people paying and with high volume usage.

8 Perhaps an example will illustrate. From the chart below we see that zip code 40242 had a
9 median household income of \$52,406 and was 95% white as compared to zip code 40211, which
10 had a median household income of \$21,906 and was 95% African American. A volumetric
11 increase would take more than twice the percentage of a family's income in the 40211 zip code,
12 so that the amount of money spent in 40211 should be twice what is spent in 40242. Certainly, a

1 discussion of proportionality is imperative.

**Income, African-American Population, and Residential Land Use:
Louisville Metro's West End Neighborhood by Zip-Codes**

Zip-code	Median Household Income	Percentage of African-American Residents	Percentage of Land Zoned Multi-Family	Percentage of Land Zoned Single-Family
40203	\$13,458	63%	25%	3%
40208	\$24,041	26%	17%	14%
40210	\$20,722	91%	24%	28%
40211	\$21,906	95%	20%	31%
40212	\$23,240	55%	34%	42%

**Income, African-American Population, and Residential Land Use:
Louisville Metro's East End Neighborhood by Zip-Codes**

Zip-code	Median Household Income	Percentage of African-American Residents	Percentage of Land Zoned Multi-Family	Percentage of Land Zoned Single-Family
40207	\$54,050	2%	7%	77%
40222	\$52,259	5%	8%	75%
40242	\$52,406	5%	10%	87%
40245	\$80,634	4%	4%	81%
40059	\$98,316	4%	3%	89%

2

3 LG&E, in response to MHC's Supplemental Request for Information estimated the DSM
4 average annual bill impact for 2009-2010. In the 40211 zip code, the impact was \$35.61 for
5 9,589 customers, or \$341,464.29. In zip code 40242, the impact was \$38.04 for 4,768
6 customers, or \$181,374.72. This proves both that areas with lower-income and protected classes
7 are more populous and pay more, and that the impact is a larger portion of their more limited
8 income. The maps below demonstrating where DSM programs are being used, shows that many
9 of the programs have low usage in 40211. It seems that low-income people may be subsidizing
10 work in higher income areas and that people in protected classes may be subsidizing areas that
11 are not as integrated.

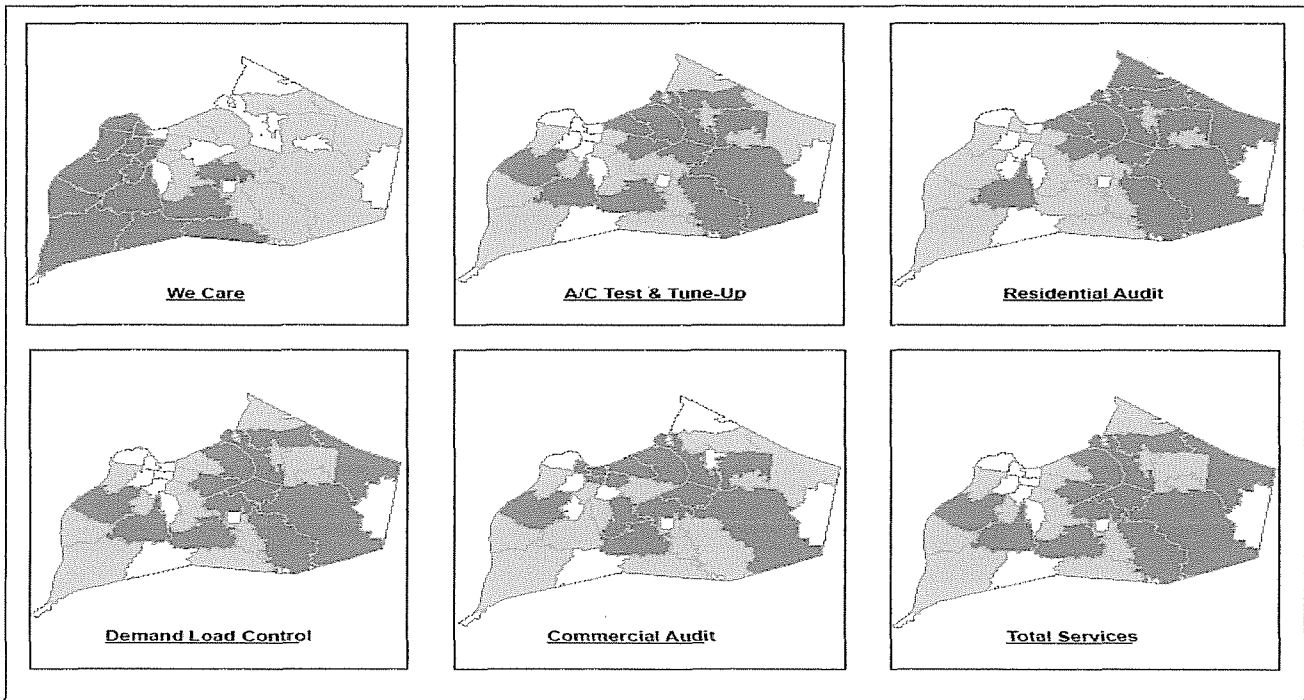
12 **How can this concern be addressed?**

13 MHC believes that distribution of DSM funds should be proportional to the impact on the
14 neighborhood expressed as a percentage of DSM program income received from the
15 neighborhood. More households, each paying the DSM charge, are in low-income

1 neighborhoods. Yet the least amount of energy savings programs are implemented there. And
2 the most expensive program, Demand Load Control (\$88,474,000 is allocated for Residential
3 and Commercial Load Control/Demand Conservation Program in LG&E/KU DSM proposal
4 submitted on April 14, 2011, or 42% of the total proposed DSM budget), is focused on higher
5 income areas, as analyzed using LG&E's Energy Enrollment Programs by zip code, 2001-2010
6 in the paper *Louisville Gas and Electric Energy Enrollment Programs* written by Chelsea Adams
7 in 2011 and previously referred to in MHC's Supplemental Request for Information.

8

9 *Louisville Gas and Electric Demand Side Management Program Usage: 2001-2010*



10

11

12 MHC believes that an assessment should be done to determine the amount of money coming
13 from low-income neighborhoods in DSM charges with a concomitant study on where the DSM

1 money is spent. At the least, the public utility should be cognizant of delivering funds in a
2 manner that does not have a disparate impact on minorities, people who are disabled and female
3 headed households with children. That LG&E has stated in its reply to MHC's Request for
4 Information that it cannot do this assessment is unsettling. That expensive programs are
5 delivered in predominantly higher income and white neighborhoods is equally unsettling.

6 **Q. Are there other issues of concern regarding the rate change and distribution of**
7 **funds and programming?**

8 A. Yes. Also pending before the Commission is a proposed substantial increase in utility
9 costs in the environmental surcharge case, Case No 2011-00162, filed by LG&E. This case asks
10 for increases that will raise the ratepayers' costs by up to 19%. We have here, with the
11 administration of the DSM funds, an obvious opportunity to create energy savings and to prepare
12 low-income people for future rate increases such as the pending environmental surcharge. While
13 LG&E may compartmentalize these cases, it is all one big utility bill to low-income people.
14 MHC suggests better planning that recognizes the future in all areas of utility costs as we
15 determine how DSM funds should be spent.

16 MHC has repeatedly advocated that the governance of the Demand Side Management (DSM)
17 programs be revamped. The current program is funded by an approved charge on ratepayers, yet
18 the sole decision-maker on the program is LG&E. This has led to ineffective and incomplete
19 programs and a perplexing set of choices for the consumer. While LG&E has, commendably,
20 begun discussing coordination of the DSM with local programs, this has not yet produced any
21 results. The DSM program should be under the control of a board which has representation from
22 the utility company but which is not controlled by the utility company. DSM can be used to
23 enhance already-existing programs that are supported by local government and local non-profits.

1 An area of concern is that of energy audits. The weatherization stimulus funding is producing
2 a number of people and agencies with the capacity to do energy audits, making the LG&E
3 service called Residential Conservation /Home Energy Performance Program less useful than
4 before. MHC believes new and more innovative services should be offered by LG&E.

5 Another concern of MHC is that the Residential Incentive Program proposed by LG&E will
6 not provide benefits to low and moderate-income homeowners and ratepayers. As proposed, the
7 program will only provide cash incentives to those homeowners and landlords that can document
8 the purchase of new energy efficient equipment, HVAC systems, or window films. Yet LG&E is
9 not proposing to provide financing to allow low- and moderate- income ratepayers to make such
10 purchases, nor (as currently proposed), will LG&E reimburse non-profit agencies that purchase
11 such equipment for low-income homeowners. In effect, the high up-front costs of such
12 purchases prevent low- and moderate- income homeowners from reaping the benefit of this DSM
13 program, despite the fact that they *pay for this program* through the DSM surcharge.

14 **Q. How could this concern be addressed?**

15 A. MHC believes that the company should alter this proposal to include financing of low-
16 and moderate- income customer purchases of such equipment, and to reimburse or underwrite
17 the purchase of such equipment by agencies that provide energy efficiency services and
18 equipment to low-income residents.

19 **Q. Does that conclude your testimony?**

20 A. Yes.

CERTIFICATE OF SERVICE

I certify that, in accordance with the Commission's May 20, 2011 Procedural Order, an original and six (6) copies of the Direct Testimony of Cathy Hinko on behalf of the Metropolitan Housing Coalition was filed with the Docket Clerk, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601 and that a true and accurate copy of the foregoing was mailed via first class U.S. Mail, postage prepaid, this 25th day of July, 2011, to the following:

David Jeffrey Barberie, Esq.
Lexington-Fayette Urban County Govt
Department Of Law
200 East Main Street
Lexington, KY 40507

Lonnie E Bellar
E.ON U.S. LLC
220 West Main Street
Louisville, KY 40202

David Brown, Esq.
Stites & Harbison, PLLC
1800 Providian Center
400 West Market Street
Louisville, KY 40202

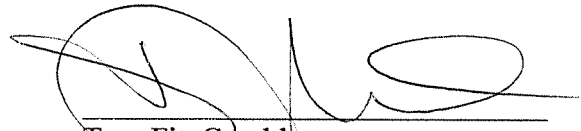
Dennis Howard, Esq.
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY 40601

Eileen L. Ordover
Lisa Kilkelly, Esq.
Legal Aid Society
416 West Muhammad Ali Blvd., Ste. 300
Louisville, Kentucky 40202

Kendrick R Riggs, Esq.
Stoll Keenon Ogden, PLLC
2000 PNC Plaza
500 W Jefferson Street
Louisville, KY 40202-2828

Iris G Skidmore, Esq.
415 W. Main Street, Suite 2
Frankfort, KY 40601

Allyson K. Sturgeon, Esq.
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202



Tom FitzGerald