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JUL 25 2011

PUBLIC SERVICE
COMMISSION

JACK B. BATES

IRIS G. SKIDMORE

Via Hand-Delivery

July 25, 2011

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Case No. 2011-00134: The 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

Dear Mr. Derouen:

Enclosed for filing in the above styled action are an original and ten copies of Testimony of Jack E. Burch on Behalf of the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc.

Sincerely,


Iris G. Skidmore

Enclosure

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JUL 25 2011

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

In the Matter of:

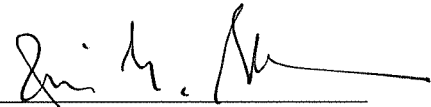
THE JOINT APPLICATION OF)	
LOUISVILLE GAS AND ELECTRIC)	CASE NO.
COMPANY AND KENTUCKY UTILITIES)	2011-00134
COMPANY FOR REVIEW, MODIFICATION,)	
AND CONTINUATION OF EXISTING, AND)	
ADDITION OF NEW DEMAND-SIDE)	
MANAGEMENT AND ENERGY-EFFICIENCY)	
PROGRAMS)	

DIRECT TESTIMONY OF JACK E. BURCH ON BEHALF OF CAC

* * * * *

Comes the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (CAC), by counsel, and hereby tenders the pre-filed written direct testimony of Jack E. Burch in support of its position in this matter:

Respectfully submitted,



IRIS G. SKIDMORE
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COUNSEL FOR CAC

1 **Q: Please indicate your name, address and describe your current position and**
2 **professional background.**

3 A: My name is Jack E. Burch and I have served as Executive Director of Community Action
4 Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties since 1979. The
5 Council operates more than 24 neighborhood and community centers and child development
6 centers in six counties and its Administrative and Support Services offices are located at 710 W.
7 High Street in Lexington, Ky.

8 I graduated from Vanderbilt University with a Masters degree in economics and hold a Bachelors
9 degree from Rhodes College. I am also the founder and President of the WinterCare Energy
10 Fund.

11 **Q: Please describe the purpose of your testimony.**

12 A: The purpose of my testimony is to state the position of Community Action Council with
13 respect to the proposed Residential Low Income Weatherization Program, or WeCare, as
14 currently operated and proposed to be operated by Louisville Gas & Electric Company and
15 Kentucky Utilities Company. As an advocate on behalf of low-income customers, I wish to
16 ensure the program and elements of the DSM portfolio are both approved and will be operated
17 efficiently to best serve the interests of the intended beneficiaries as well as ratepayers.
18 Community Action Council is a low-income advocacy and services organization.

19 **Q: Please describe the organization of Community Action Council and give a brief**
20 **description of its activities.**

21 A. Community Action Council was established in 1965 as a not-for-profit community action
22 agency of the Commonwealth of Kentucky. The Council's governance includes a Board of
23 Directors representing low-income, public and private sectors of the community. Its mission is
24 to combat poverty.

1 There are approximately 280 employees operating and administering the Council's primary
2 programs and services including:

- 3 • self-sufficiency
- 4 • child development
- 5 • homeless programs
- 6 • volunteer programs
- 7 • youth development
- 8 • transportation services
- 9 • clothing banks
- 10 • housing
- 11 • energy assistance and conservation programs
- 12 • emergency assistance
- 13 • community outreach and referrals.

14 Although the Council's core service territory includes Lexington-Fayette, Bourbon, Harrison and
15 Nicholas counties, the Council also provides services in other Kentucky counties. For example,
16 the Council administers the WinterCare Energy Fund providing services across most of the state;
17 child development services extend into Scott and Madison counties; the Retired and Senior
18 Volunteer Program extends into Jessamine County. The Columbia Gas Energy Assistance
19 Program and WarmWise program and Kentucky Utilities' Home Energy Assistance Program
20 each provide services throughout the service territory of their respective utilities. The Council
21 also operates the Kentucky American Water Help to Others (H2O) Program throughout the
22 utility's service area.

23 The Council is uniquely positioned to speak on behalf of low-income populations with utility-
24 related problems as staff members have extensive contact with and knowledge of this population.

1 Additionally, Council staff is able to help participants access other Council assistance programs
2 as well as other community resources to address the multiple obstacles and barriers that most
3 low-income households face. This comprehensive approach provides greater stability and self-
4 sufficiency to these households, supporting a family's ability to afford necessities such as utility
5 service.

6 The Council is also a member of Community Action Kentucky (CAK), a membership
7 organization which represents Kentucky's 23 community action agencies throughout the state.
8 While CAK has not intervened in this case, as a member of the organization the Council is able
9 to communicate regularly and as needed to discuss matters impacting low-income customers
10 served by other organizations and thus representing a broader geographic area.

11 **Q: Please describe in detail the Council's programs and services, especially those which**
12 **partner with public utilities.**

13 A: The Council creates opportunities for individuals and families to become self-sufficient
14 members of the community. Created in 1965, the Council is the designated community action
15 agency for Lexington-Fayette, Bourbon, Harrison, and Nicholas counties in Central Kentucky
16 and serves the low-income population through advocacy, service delivery and community
17 involvement. The mission of the Council is to combat poverty.

18 The Council operates **Head Start**, **Early Head Start** and **Migrant Head Start** child
19 development programs that have been recognized nationally. The organization also operates
20 several housing programs, including two **Continuum of Care** projects funded by the
21 Department for Housing and Urban Development and a supportive housing and substance
22 abuse/mental health treatment program funded by the Substance Abuse and Mental Health
23 Services Administration. These projects help homeless families reconstruct their lives by
24 working with the families to determine and address the causes of homelessness. Another housing

1 program offered is **Tenant Based Rental Assistance (TBRA)**, which provides assistance to
2 Section 8-eligible households throughout the Council’s service area. A homelessness prevention
3 and rapid re-housing program called **Kentucky HEARTH** provides additional resources for
4 families who are homeless or in danger of becoming homeless.

5 Other programs include senior volunteerism projects **Retired and Senior Volunteer Program**
6 **(RSVP)** and the **Foster Grandparents Program (FGP)** and an **AmeriCorps** program targeted
7 to energy education and community gardening. To support economic independence, the Council
8 offers a **Financial Fitness** consumer education program that provides training on financial
9 management and offers families the chance to save for a home, small business or higher
10 education. Also, the Council works each year with community partners to provide tax
11 preparation and education on the **Earned Income Tax Credit (EITC)** and how to apply.

12 The Council also operates a number of utility assistance programs in partnership with local
13 utilities, public and private funding sources, and other community action agencies across the
14 state. These programs are described below.

15 The Council has managed the federal **LIHEAP** program (Low-Income Home Energy Assistance
16 Program) serving low-income customers in Fayette, Bourbon, Harrison and Nicholas counties
17 since its inception.

18 Since 1978, the Council has operated a **Weatherization Assistance Program** designed to help
19 low-income individuals and families conserve energy. Weatherization services include caulking,
20 weather-stripping, replacement of thresholds and door sweeps, re-glazing windows and replacing
21 broken glass, outside wall repair, minor roof repair, attic insulating, repairing and replacing
22 skirting around the foundation, under-floor insulation including wrapping pipes and insulating
23 heat ducts, venting the attic and crawl spaces, and repairing or replacing heating equipment and
24 venting system. The Council operates several additional weatherization and furnace replacement

1 programs including the **Kentucky Clean Energy Corps** project and Columbia Gas of
2 Kentucky's **WarmWise** high-efficiency furnace replacement program for its low-income
3 customers.

4 The Council currently administers a utility funded energy subsidy program serving 850 low-
5 income households in partnership with **Columbia Gas of Kentucky** and the network of
6 community action agencies serving the Columbia Gas service territory. Also, in cooperation
7 with Columbia Gas, the Council formerly operated a "Buyers Club" for the purchase of natural
8 gas, aggregating low-income and other customers for collective buying power within the
9 Columbia Gas Choice Program.

10 The Council's **Summer Cooling** program serves seriously ill and disabled customers with the
11 provision and installation of air conditioners.

12 Beginning in 2003 through 2005, the Council operated a demand-side management program
13 through the Department of Health and Human Services, Office for Community Services, called
14 REACH (Residential Energy Assistance Challenge). Also in 2003, the Council contracted with
15 Honeywell to assist in carrying out the Kentucky Utilities We Care demand side management
16 program in its four core counties. That partnership continued through 2004, though the Council
17 continues to provide energy conservation services, such as furnace replacement, through its
18 Weatherization programming and again contracted with Honeywell in 2010.

19 The Council also administers **Help to Others (H2O)** through contributions from Kentucky
20 American Water shareholder funds and customer donations. The funds are available throughout
21 the Kentucky American Water service territory for customers with household incomes up to 150
22 percent of federal poverty guidelines. Assistance is provided for water service, activation fees
23 and reactivation fees. Participants may receive up to \$100 in benefits per fiscal year if they are in

1 danger of having their water disconnected. Intake staff provides information to participants about
2 saving water and detecting leaks.

3 **Q: Are there initiatives in which Community Action Council partners with KU or**
4 **LG&E? Please discuss.**

5 A: The Council has served as lead agency in a network of Kentucky community action
6 agencies that conduct intakes and energy audits for the **WeCare** demand side management
7 program for low-income residential customers. Beginning in summer 2011 the Council will
8 become the sole provider of WeCare in its core counties providing intake, energy audits and
9 installation of weatherization measures.

10 In 1983, Community Action Council initiated, with Kentucky Utilities, the establishment of the
11 **WinterCare Energy Fund**. The Council has provided administrative services, financial
12 management and marketing support for the Fund since that time. The Council administers
13 contributions from the KU customers and matching corporate funds from KU for WinterCare.
14 The funds are available throughout the KU service territory through the community action
15 network.

16 The Council implemented and administers the **Kentucky Utilities Home Energy Assistance**
17 **(HEA) Program**, which serves 2,600 KU customers whose primary heat source is KU electricity
18 by providing regular monthly subsidies throughout the winter and summer peak usage months.

19 Also, the Council and Kentucky Utilities annually co-sponsor the **Winterblitz** event in
20 Lexington, which provides minimal weatherization measures in low-income homes. The
21 Winterblitz program recruits and trains volunteers who then install low-impact weatherization
22 measures for low-income individuals and families. The annual event is modeled after Project
23 Warm in Louisville, Ky. It was first held in Lexington in 2005 and continues to be held
24 annually.

1 **Q: Please describe the low-income population in the Kentucky Utilities service**
 2 **territory.**

3 **A:** Based on 2009 Census data – the most recent county-level poverty data available – the
 4 following chart provides poverty status by county for KU service counties in Kentucky. The
 5 chart is in descending order from most impoverished counties to least.

6

County	County Poverty Rate	County	County Poverty Rate	County	County Poverty Rate
Clay	43.3%	Breckinridge	20.8%	Bracken	16.7%
Knox	38.6%	Edmonson	20.8%	Grant	16.7%
Lee	36.8%	Hopkins	20.7%	Henderson	16.7%
Bell	36.0%	Marion	20.6%	Union	16.7%
McCreary	35.4%	Boyle	19.8%	Washington	16.6%
Harlan	33.4%	Barren	19.7%	McLean	16.4%
Whitley	33.3%	Harrison	19.7%	Nelson	15.8%
Breathitt	32.0%	Pulaski	19.5%	Carlisle	15.7%
Letcher	30.6%	Gallatin	19.3%	Trimble	15.7%
Estill	28.0%	Madison	19.2%	McCracken	15.5%
Fulton	27.8%	Muhlenberg	19.2%	Pendleton	15.4%
Menifee	27.7%	Nicholas	19.1%	Daviess	15.2%
Rowan	26.6%	Christian	19.0%	Ballard	14.9%
Casey	25.8%	Crittenden	19.0%	Hardin	14.7%
Hart	25.3%	Mason	18.8%	Livingston	14.7%
Russell	25.3%	Hickman	18.6%	Clark	14.5%
Bath	25.1%	Lyon	18.4%	Mercer	14.5%
Rockcastle	25.0%	Owen	17.7%	Jessamine	14.1%
Lincoln	24.2%	Caldwell	17.4%	Franklin	14.0%
Adair	24.0%	Fayette	17.4%	Scott	13.1%
Green	23.5%	Ohio	17.4%	Shelby	12.4%
Taylor	22.4%	Carroll	17.3%	Campbell	11.1%
Robertson	22.2%	Garrard	17.2%	Anderson	11.0%
Laurel	21.5%	Bourbon	17.1%	Bullitt	10.7%
Fleming	21.3%	Webster	17.1%	Woodford	10.1%
Montgomery	21.1%	Henry	16.8%	Spencer	9.6%
Grayson	21.0%	Larue	16.8%	Oldham	5.9%

7

8

9 Many of these counties report some of the *highest poverty rates* in Kentucky. *Thirty counties*
 10 *report poverty rates above 20%*, a rate that the Census Bureau defines as *extremely high*. Clay
 11 County, with a poverty rate of 43.3% is the most impoverished county in Kentucky according to
 12 these definitions.

1 The Census Bureau uses income and family size as the basis for determining poverty. Poverty
2 and need affordability illustrates the economic equation of income versus the ability to afford the
3 basic needs of a family. *By definition, families with incomes at or below the poverty line cannot*
4 *meet their basic needs.*

5 **Q: Do you and your organization support or object to the Company's proposed**
6 **Residential Low-Income Weatherization Program as proposed? Please explain.**

7 A: Community Action Council has worked extensively with KU staff members over the past
8 several years to implement and refine the WeCare Residential Low-Income Weatherization
9 Program into a more efficient and effective model for reducing the energy usage of low-income
10 customers. The Council has previously opposed the Companies' service delivery model because
11 it did not effectively coordinate with other low-income weatherization programs, most notably
12 the Federal Weatherization Assistance Program operated by Kentucky's community action
13 agencies. However, since 2009 the Council has coordinated all intakes and energy audits for
14 WeCare utilizing the community action network within the Company's service areas. The
15 Council and its partner organizations have conducted program intake and energy audits then
16 referred all weatherization work on low-income homes to the appropriate program – whether that
17 is WeCare, Weatherization Assistance Program, or other opportunities. While this model has not
18 been ideal, it has improved coordination of the program among existing weatherization
19 programming for low-income households.

20 Beginning on or about August 1, 2011 (final contracts have been negotiated but not yet signed)
21 the Council will take over all installation of weatherization measures for WeCare within the
22 Council's core counties of Lexington-Fayette, Bourbon, Harrison, and Nicholas. This will
23 essentially place all program operations within the Council where WeCare can be effectively and
24 thoroughly coordinated with existing programs. This makes sense because the Council is the

1 largest provider of weatherization programming within its core service counties. That is the ideal
2 model for WeCare, and the Company is to be commended for this move toward greater
3 efficiency in order to ensure the most effective program for low-income residents and the
4 greatest impact for all ratepayers. KU staff members are working with the Council to develop a
5 similar model of contracting directly with community action agencies throughout the KU service
6 area. The Council stands ready to assist KU with this effort and will serve as a convener of the
7 parties where appropriate.

8 In summary, the Council is very supportive of the WeCare Residential Low-Income
9 Weatherization Program as filed by KU, including the proposed expansion of the program.
10 Demand Side Management is the least cost alternative for meeting electrical load needs now and
11 into the immediate future. The Council is increasingly concerned about the rapid increase in all
12 utility rates and its impact on low-income households who are disproportionately affected due to
13 variables such as an older housing stock and lack of available capital for home energy
14 improvements that would reduce consumption. The Companies' current proposal, for example,
15 in Case No. 2011-00161, to substantially increase the Environmental Cost Recovery mechanism
16 makes it even more important – regardless of the outcome of that case – to provide opportunities
17 for low-income households to reduce consumption as that remains their most effective means of
18 controlling costs.

19 **Q. Can low-income families afford the increased expense associated with the**
20 **Companies' proposal?**

21 A: No. Unfortunately rising costs for all necessities from electricity to medicine combined
22 with high unemployment and stagnant wages have placed many low-income families in an
23 impossible situation. While the average anticipated bill impact for this program is only \$2.66,

1 which seems low to most, low-income families must protect every dollar of their income when
2 even a good month finds the family budget still in the red.

3 However, when faced with the alternative of higher rates for generation, operations and
4 environmental compliance, demand side management programming is the most cost effective
5 alternative for both the utility and the low-income customer. If there has to be an expense – and
6 there does – then DSM programming is the easiest pill to swallow for low-income households.

7 As rates continue to rise along with cost recovery mechanisms such as DSM and the
8 Environmental Cost Recovery, I would encourage the Commission and all stakeholders to
9 consider alternative solutions. In some states, for example, cost recovery charges are waived on
10 the accounts of low-income customers. The Council would be glad to participate in an
11 exploration of alternatives for low-income customers.

12 **Q: In the absence of a Residential Low-Income Weatherization Program, what options**
13 **are available for low-income households to manage consumption and make bills more**
14 **affordable?**

15 A: While low-income households eligible for WeCare may also be eligible for the federal
16 Weatherization program, the federal program will soon return to insufficient funding levels that
17 existed prior to the American Reinvestment and Recovery Act (ARRA). While ARRA funds
18 allowed a temporary and significant expansion of the federal program, those funds will be
19 exhausted in early 2012. Prior to ARRA, federal Weatherization funding faced many years of
20 stagnant or reduced levels and that is likely to continue as the federal government wrestles with
21 its own budget deficit and numerous – in some cases catastrophic – proposed spending cuts.
22 Current proposals in the U.S. Congress would reduce federal Weatherization funding levels
23 below even the inadequate levels that existed prior to ARRA. This is why it is especially

1 important to ensure coordination between the two programs. Neither program – separately or
2 combined – can serve all eligible households and meet community needs.

3 In the absence of WeCare and the federal Weatherization program, there are only small programs
4 that come and go through the years or that provide only minimal services, such as the Winterblitz
5 event in Lexington. While those programs are important and valuable, WeCare and
6 Weatherization are the best hope for low-income households to realize energy savings.

7 **Q: How is the low-income program different from other components of the Companies’**
8 **overall demand side management proposal?**

9 The low-income program is substantially different from the balance of the Companies’ demand
10 side management proposal in the population that it serves. Low-income households, like all
11 households, may benefit from an energy audit. However, low-income households – where
12 decisions are regularly made between necessities such as food versus prescription drugs – could
13 never afford installation of recommended measures.

14 By providing the recommended measures, the WeCare program is able to create energy savings
15 that low-income households would otherwise never receive. Since low-income households face
16 the greatest challenge in being able to pay their energy costs, the intervention also makes their
17 utility bills more manageable. This reduces their dependence on assistance programs and reduces
18 shutoffs and arrearages, therefore improving health and safety for low-income households and
19 creating savings for ratepayers who otherwise carry the burden of write-offs due to non-payment.
20 Without the provision of direct assistance, low-income people will not install recommended
21 measures. This means no savings of energy or costs and no purpose for the low-income demand
22 side management program as there would be no demand side management.

23 **Q: Do you and your organization support or object to the Company’s proposed**
24 **Residential Incentives Program?**

1 A: As I've explained previously, low-income households lack the up-front capital to take
2 advantage of the Residential Incentives Program. Many low-income homes utilize older and
3 inefficient appliances because those households are unable to afford new equipment, much less
4 pay the higher costs associated with the most efficient appliances. Therefore, it is unlikely that
5 low-income households will benefit directly from this program.

6 The Companies have generously agreed to allow third party organizations – such as providers of
7 low-income home weatherization measures like the Council – to access the rebates associated
8 with this program when they purchase new appliances for customers with programmatic funds.
9 This step will benefit other low-income weatherization programs by allowing non-profit
10 organizations to recoup some of the cost of installing Energy Star rated appliances in low-income
11 homes.

12 Still, those customers not receiving low-income weatherization (it has been established that need
13 exceeds capacity) and those whose income exceeds current eligibility levels could be trapped
14 between the two programs. These customers would be unable to benefit from the WeCare
15 program but still lack the up front capital to purchase more efficient appliances. These
16 customers, then, would be able to receive only indirect benefit from the DSM portfolio.

17 The Council would urge the Companies and the Commission to consider viable alternatives for
18 these customers caught in the middle. Potential solutions utilized elsewhere include providing
19 on-bill financing for low- and moderate-income customers or providing funds to third party
20 organizations such as the Council so that they may grant money to customers who are then able
21 to make a purchase they may otherwise have not have afforded. The Council stands ready to
22 work with all parties on the development of a solution.

23 **Q: Has KU been inclusive in the development of its DSM program and did Company**
24 **staff members adequately seek stakeholder input on program design?**

1 A: The Companies should be commended for conducting a program development process
2 that was open and transparent and that adequately involved many partners from various
3 stakeholder groups. The Council has noted marked improvement in the Companies'
4 communications with its partners in the development, implementation and refinement of DSM
5 programming. This has resulted in a better product for the ratepayers and a portfolio of programs
6 more likely to attain the Companies' goals.

7 **Q: In summary, please state your position regarding the Companies' proposed Demand**
8 **Side Management portfolio?**

9 Overall the Companies have presented a package of programs that the Council can support.
10 Improvements to the Low Income Residential Weatherization Program – WeCare – are
11 substantial and have and will result in a more efficient, effective program. While the Council has
12 some concerns about the direct benefit of the Residential Incentive Program, we feel these
13 concerns could be best addressed through an ongoing conversation with the Companies (and
14 other stakeholders as desired) about potential solutions for those customers identified as unable
15 to benefit.

16 In summary, I would urge the Commissioners to approve the Demand Side Management
17 portfolio as filed.

18 **Q: Does this end your direct testimony?**

19 A: Yes

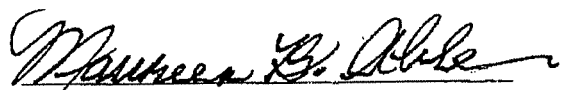
VERIFICATION

I have read the above questions and answers and I affirm that they are correct to the best of my information and belief.


JACK E. BURCH

COMMONWEALTH OF KENTUCKY)
COUNTY OF FAYETTE)

Subscribed to and sworn to before me by Jack E. Burch on the 25th day of July, 2011.


NOTARY PUBLIC
My commission expires: 6/25/2013

CERTIFICATE OF SERVICE

I hereby certify that on July 25, 2011, a true and accurate copy of the foregoing Direct Testimony of Jack E. Burch was served by United States mail, postage prepaid, to the following:

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