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JAN 28 2013

PUBLIC SERVICE
COMMISSION

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IRIS G. SKIDMORE

Via Hand-Delivery

January 28, 2013


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

**Re: Case No. 2012-00428: Consideration of the Implementation of Smart Grid
and Smart Meter Technologies**

Dear Mr. Derouen:

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

Sincerely,


Iris G. Skidmore

Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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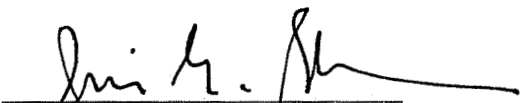
In the Matter of:

CONSIDERATION OF THE IMPLEMENTATION)
OF SMART GRID AND SMART METER) CASE NO.
TECHNOLOGIES) 2012-00428

DIRECT TESTIMONY OF CHARLES D. LANTER 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 Charles D. Lanter in support of its position in this matter:

Respectfully submitted,


IRIS G. SKIDMORE
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COUNSEL FOR CAC

1
2 **Q: Please indicate your name, address and describe your current position and**
3 **professional background.**
4

5 A: My name is Charles D. Lanter and I have served as the Manager for Program
6 Development at Community Action Council for 6 years and have worked at the organization for
7 a total of 8 years. In that capacity I am the lead senior staff member on all matters involving
8 advocacy for affordable utilities and have provided the research, analysis, program design and all
9 other necessary support for these activities personally in more than a dozen cases before the
10 Kentucky Public Service Commission. Additionally, I direct a division that conducts all program
11 design, resource development, strategic and organizational planning, marketing/outreach, and
12 volunteer recruitment for the Council. I have a bachelor's degree in government and print
13 journalism from Western Kentucky University and have received the national accreditations of
14 Certified Community Action Professional and Certified Trainer in Results Oriented Management
15 and Accountability.
16

17 Prior to my current position I served as the Planning and Research Manager at Community
18 Action Council and as the Community Development Specialist. In both positions I provided
19 research and writing support for the Council's affordable utilities advocacy. I have also worked
20 as a newspaper reporter in the former Knight-Ridder chain covering at varying times government
21 and politics, business (including local utility matters), and the U.S. Air Force.
22

23 **Q: Please describe the purpose of your testimony.**
24

25 A: The purpose of my testimony is to urge the Commissioners to approach "Smart Grid"
26 technologies carefully due to the potentially substantial impact on affordability at a time when
27 rates in Kentucky are already rising significantly. Any advancement in this area must consider
28 the impact on customers with low-income and should always provide cost benefits to consumers
29 which offset the initial and long-term capital investments by utilities. I am especially concerned
30 about the impact of Smart Grid technologies in the areas of affordability, Time of Use (TOU)
31 Rates, and customer protections.
32

33 My testimony will provide a perspective that represents issues that should be given full
34 consideration in this case. I am an advocate on behalf of customers with low-incomes.
35 Community Action Council is a low-income services, development and advocacy organization.
36

37 **Q: Please describe the organization of Community Action Council and give a brief**
38 **description of its activities.**
39

40 A: Community Action Council was established in 1965 as a not-for-profit community action
41 agency of the Commonwealth of Kentucky. The Council's governance includes a Board of
42 Directors representing low-income, public and private sectors of the community. Its mission is
43 to combat poverty.
44

45 There are approximately 280 employees operating and administering the Council's primary
46 programs and services including:
47

- 48 ● self-sufficiency
- 49 ● child development
- 50 ● homeless programs

- 1 • volunteer programs
- 2 • youth development
- 3 • transportation services
- 4 • clothing bank
- 5 • housing
- 6 • energy assistance and conservation programs
- 7 • emergency assistance
- 8 • community outreach and referrals.

9
10 Although the Council's core service territory includes Lexington-Fayette, Bourbon, Harrison and
11 Nicholas counties, the Council also provides services in other Kentucky counties. For example,
12 the Council administers the WinterCare Energy Fund providing services across most of the state;
13 child development services extend into Scott and Madison counties; the Retired and Senior
14 Volunteer Program extend into Jessamine County. The Columbia Gas Energy Assistance
15 Program and WarmWise Program and Kentucky Utilities' Home Energy Assistance Program
16 and WeCare program provide services throughout the service territory of their respective
17 utilities. The Council also operates the Kentucky American Water Help to Others (H2O) Program
18 throughout the utility's service area.

19
20 The Council is uniquely positioned to speak on behalf of low-income populations with utility-
21 related problems as staff members have extensive contact with and knowledge of this population.
22 Additionally, Council staff members are able to help participants access other Council assistance
23 programs as well as other community resources to address the multiple obstacles and barriers
24 that most households with low-income face. This comprehensive approach provides greater
25 stability and self-sufficiency to these households, supporting a family's ability to afford
26 necessities such as utility service.

27
28 The Council is a member of Community Action Kentucky (CAK), a membership organization
29 that represents Kentucky's 23 community action agencies throughout the state. While CAK has
30 not intervened in this case, as a member of the organization the Council is able to communicate
31 regularly and as needed to discuss matters impacting customers with low-income served by other
32 community action organizations and thus representing a broader geographic area.

33
34 **Q: Please describe in detail the Council's programs and services, especially those which**
35 **partner with public utilities.**

36
37 A: The Council creates opportunities for individuals and families to become self-sufficient
38 members of the community. Created in 1965, the Council is the designated community action
39 agency for Lexington-Fayette, Bourbon, Harrison, and Nicholas counties in Central Kentucky
40 and serves the low-income population through advocacy, service delivery and community
41 involvement.

42
43 The Council operates **Head Start, Early Head Start and Migrant Head Start** child
44 development programs that have been recognized nationally. The organization also operates
45 several housing programs, including two **Continuum of Care** projects funded by the
46 Department for Housing and Urban Development and a supportive housing and substance
47 abuse/mental health treatment program funded by the Substance Abuse and Mental Health
48 Services Administration. These projects help homeless families reconstruct their lives by
49 working with the families to determine and address the causes of homelessness. Another housing
50 program offered is **Tenant Based Rental Assistance (TBRA)**, which provides rental assistance

1
2 to Section 8-eligible households throughout the Council's service area. A homelessness
3 prevention and rapid re-housing program called **Emergency Solutions Grant** provides
4 additional resources for families who are homeless or in danger of becoming homeless.

5
6 To support economic independence, the Council offers a **Financial Fitness** consumer education
7 program that provides training on financial management and offers families the chance to save
8 for a home, small business or higher education. Also, each year the Council provides tax
9 preparation and education for thousands of households on the **Earned Income Tax Credit**
10 **(EITC)** and how to obtain the benefit.

11
12 Other programs include senior volunteerism projects such as **Retired and Senior Volunteer**
13 **Program (RSVP)**, **Senior Medicare Patrol (SMP)** and the **Foster Grandparents Program**
14 **(FGP)**.

15
16 In 1983, Community Action Council initiated, with Kentucky Utilities, the establishment of the
17 **WinterCare Energy Fund**. The Council has provided administrative services, financial
18 management and marketing support for the Fund since that time. The Council has also managed
19 the federal **LIHEAP** program (Low-Income Home Energy Assistance Program) serving
20 customers with low-income in Fayette, Bourbon, Harrison and Nicholas counties since its
21 inception.

22
23 Since 1978, the Council has operated the Federal **Weatherization Assistance Program**
24 designed to help individuals and families with low-income conserve energy. Weatherization
25 services include caulking, weather-stripping, replacement of thresholds and door sweeps, re-
26 glazing windows and replacing broken glass, outside wall repair, minor roof repair, attic
27 insulating, repairing and replacing skirting around the foundation, under-floor insulation
28 including wrapping pipes and insulating heat ducts, venting the attic and crawl spaces, and
29 repairing or replacing heating equipment and venting systems. The Council operates several
30 additional weatherization and furnace replacement programs including Kentucky Utilities'
31 **WeCare** and Columbia Gas of Kentucky's **WarmWise** high-efficiency furnace replacement
32 program for their customers with low-income.

33
34 The Council administers a utility funded energy subsidy program serving 2,000 low-income
35 households in partnership with **Columbia Gas of Kentucky** and the network of community
36 action agencies serving the Columbia Gas service territory.

37
38 The Council implemented and administers the **Kentucky Utilities Home Energy Assistance**
39 **(HEA) Program**, which serves 2,600 KU customers whose primary heat source is KU electricity
40 by providing regular monthly subsidies throughout the winter and summer peak usage months.

41
42 The Council's **Summer Cooling** program serves customers with a serious illness and those with
43 a disability with the provision and installation of air conditioners.

44
45 The Council also administers **Help to Others (H2O)** through contributions from Kentucky
46 American Water shareholder funds and customer donations. The funds are available throughout
47 the Kentucky American Water service territory for customers with household incomes up to 150
48 percent of federal poverty guidelines. Assistance is provided for water service, activation fees
49 and reactivation fees.

50
51 **Q: Who should bear the cost of Smart Grid investments?**

1
2 A: Ratepayers should not be asked to bear the costs of what are essentially capital
3 improvements in the utilities' infrastructure which have been deferred for decades on both
4 regulatory and profit-motive basis. The average age of transformers in the United States, for
5 example, is known to be more than 40 years. Utilities must bear at least some of the costs and
6 risk associated with their own deferred maintenance and replacement failures. Regulated utilities
7 are guaranteed and receive a reasonable return on their book of business while taking on little or
8 no risk for shareholders when compared to the risks in an unregulated market. If utilities choose
9 to move forward with Smart Grid investments, then they must assume the risks involved with
10 deployment of essentially untested and sometimes unproven advancements.

11
12 I would urge the Commissioners to especially consider these matters given the substantial cost
13 savings which may be achieved due to implementation of Smart Grid technologies if they
14 perform as promoted. The Commissioners should insist that every dollar saved by the
15 implementation of Smart Grid devices and systems is returned to the ratepayers after the utilities
16 have recovered reasonable capital expenses. However, I suggest that utilities should not be
17 allowed to essentially earn a profit on maintenance and replacement items which should not have
18 taken decades to implement. Such failures would not be tolerated by the market in a truly
19 competitive, unregulated environment and so should not be protected by regulators in this case.

20
21 **Q: Can you explain the potential impact of Time of Use (TOU) Rates on customers with**
22 **low-incomes?**

23
24 A: Time of Use Rates may have benefits for some very specific elements of a utility's
25 customer base, most notably the more affluent customers and large users who have an ability
26 through technology investments and lifestyle changes to alter their usage patterns. However, for
27 a significant percentage of the population with low-incomes, this is not possible. Customers with
28 low-income are disproportionately elderly and/or have a disability and work/sleep in varying
29 cycles, such as those employed in overnight shifts, which limits their ability to regulate their own
30 usage. For the elderly and people with a disability, the need to utilize electricity for a medical
31 device cannot be shifted to a time with lower rates just as, for working families, laundry or
32 dishes must be done at the times most amenable to their work schedule. These families cannot
33 simply alter their usage patterns to offset higher rates at peak demand. This rate structure would,
34 in effect, discriminate against ratepayers within the same class based on their usage patterns.

35
36 And, since Smart Grid investments rely in part on Time of Use rate structures to recoup
37 investment costs, limiting TOU raises broader questions about the benefits of the Smart Grid. I
38 would urge the Commissioners to limit implementation of TOU rates and, therefore, because the
39 two are inextricably linked, to exercise great caution in approving any significant Smart Grid
40 investments that rely on TOU rates to recapture the utility's investment.

41
42 **Q: Should Time of Use (TOU) Rates ever be mandatory for utility customers?**

43
44 A: Absolutely not. Such rate structures should be purely voluntary and their use should not
45 be allowed to affect the balance of the rate base.

46
47
48 **Q: What other concerns do you have about the Smart Grid?**

49
50 A: Perhaps the greatest threat to customers with low-incomes from the rollout of Smart Grid
51 investments and associated technologies is the inevitable loss of customer protections currently

1 in place. The ability to remotely disconnect a customer for non-payment, while generating some
2 substantial savings for the utility, could substantially increase the number of shutoffs among
3 customers who struggle to keep their heat on in winter or their air conditioning on in the summer.
4 This is a life or death matter for vulnerable populations such as the elderly and those with certain
5 illnesses. Removing the human element of the disconnect process would end the protection of a
6 few extra days that these families sometimes use to gather additional assistance and keep their
7 accounts active. Such a shift could essentially turn utility accounts into “prepaid meters” which
8 presents an entirely new set of problems for customers.

9
10 Families with low-income will improvise – sometimes dangerously – when faced with the
11 challenge to keep themselves and their children warm after a disconnection from their primary
12 heat source. This can lead to injury and death and unfortunately has done so in Kentucky as
13 families turn to using dangerous elements like ovens and indoor grills to heat their homes. I
14 would strongly urge the commissioners to establish that any rollout of Smart Grid technologies,
15 including smart metering, expressly prohibits the use of such technologies to require pre-paid
16 metering or that makes billing cycle changes which would have the same effects.

17
18 **Q: What other options do the Commission and Utilities have for achieving the same**
19 **results without the substantial costs and risk of the Smart Grid?**

20
21 A: First, the Commission and Kentucky’s utilities should turn to energy efficiency and
22 demand side management programs which have proven a cost effective means for reducing
23 consumption and slowing load growth. Expansion of EE/DSM initiatives is a good use of
24 ratepayer and shareholder funds and has yielded measurable results whereas Time of Use rates
25 and other Smart Grid mechanisms remain untested in this environment. For example, there is still
26 room for substantial expansion of load control devices by coupling their installation with
27 enrollment in energy assistance or low-income weatherization programs.

28
29 The Commission and Utilities could also curtail consumption and slow load growth by ending
30 the current slow shifting of rate structures to higher fixed customer charges and lower energy
31 charges. While this model creates more stability for the companies, it disincentivizes the
32 consumer from conservation and increasingly renders EE/DSM programs ineffective. This is
33 especially true when actual, and not engineered savings, are used to measure the effectiveness of
34 EE/DSM programs. The greatest way to encourage consumers to consume less of any product is
35 to increase the cost of that product. By shifting a greater percentage of the bill into the customer
36 charge, customers lose their incentive to conserve and customers with low-income lose their
37 ability to control the size of their bill.

38
39 **Q: Can you summarize your position?**

40
41 A: I would urge the Commissioners and Kentucky’s utilities to proceed cautiously with
42 Smart Grid investments in order to minimize costs and risk and to avoid mistakes made in other
43 jurisdictions. Also, it is important that customers not bear the costs of any capital investments
44 which should have been made as part of responsible planning for maintenance and replacement
45 of infrastructure. Where costs cannot be avoided, companies should be allowed to recover only
46 the reasonable capital expenses and any savings generated by the upgrades must be passed on to
47 consumers.

48
49 Also, the Commissioners should protect customers with low-incomes from the inequities and
50 risk associated with Time of Use rates and the effects of Smart Grid technologies on existing

1 customer protections. Any changes that would result in prepaid metering or increased
2 disconnections among vulnerable populations should be soundly rejected.

3

4 **Q: Does this end your testimony?**

5 **A: Yes**

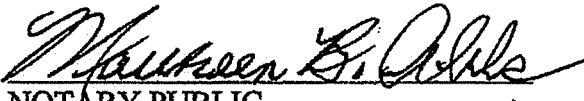
VERIFICATION

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


CHARLES D. LANTER

COMMONWEALTH OF KENTUCKY)
COUNTY OF FAYETTE)

Subscribed to and sworn to before me by Charles D. Lanter on the 28th day of January, 2013.


NOTARY PUBLIC
My commission expires: 6/25/2013

CERTIFICATE OF SERVICE

I hereby certify that on January 28, 2013, a true and accurate copy of the foregoing Direct Testimony of Charles D. Lanter was served by United States mail, postage prepaid, to the following:

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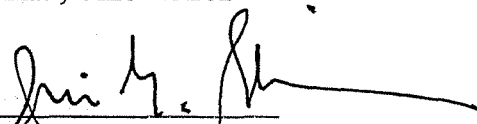
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