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SEP 10 2013

PUBLIC SERVICE  
COMMISSION

JACK B. BATES

IRIS G. SKIDMORE

**Via Hand-Delivery**

September 10, 2013

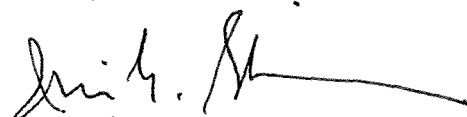
Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

**Re:** Application of Columbia Gas of Kentucky, Inc. for an Adjustment in Rates  
Case No. 2013-00167

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

RECEIVED

SEP 10 2013

PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA )  
GAS OF KENTUCKY, INC. FOR AN )  
ADJUSTMENT OF RATES )

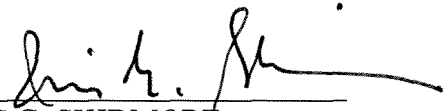
CASE NO. 2013-00167

**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  
Bates and Skidmore  
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Frankfort, KY 40601  
Telephone: (502)-352-2930  
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COUNSEL FOR CAC

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

3  
4 A: My name is Charles D. Lanter and I have served as the Manager for Program  
5 Development at Community Action Council for about 6 years and have worked at the  
6 organization for nearly 9 years. In that capacity I am the lead senior staff member on all matters  
7 involving advocacy for affordable utilities and have provided the research, analysis, program  
8 design and all other necessary support for these activities personally in more than a dozen cases  
9 before the Kentucky Public Service Commission. Additionally, I direct a division of eight (8)  
10 staff members who conduct all program design, resource development, strategic and  
11 organizational planning, marketing/outreach, and volunteer recruitment for the Council. I have a  
12 bachelor's degree in government and print journalism from Western Kentucky University and  
13 have received the national accreditations of Certified Community Action Professional and  
14 Certified Trainer in Results Oriented Management and Accountability.

15  
16 Prior to my current position I served as the Planning and Research Manager at Community  
17 Action Council and as the Community Development Specialist. In both positions I provided  
18 research and writing support for the Council's affordable utilities advocacy. I have also worked  
19 as a newspaper reporter in the former Knight-Ridder chain covering at varying times government  
20 and politics, business (including local utility matters), and the U.S. Air Force.

21  
22 **Q: Please describe the purpose of your testimony.**

23  
24 A: The purpose of my testimony is to urge great caution in the consideration of Columbia  
25 Gas of Kentucky's proposed rate increase, especially the proposal for a Revenue Normalization  
26 Adjustment, at a time when rates in Kentucky continue to rise steadily and significantly. Our  
27 organization respects Columbia's right to a fair and reasonable return on investment but wishes  
28 to ensure that customers with low-income – hit from both sides by economic struggles and cuts  
29 to assistance programs – are able to afford to stay warm in the colder months.

30  
31 My testimony will provide a perspective that represents issues that should be given full  
32 consideration in this case. I am an advocate on behalf of customers with low-incomes.  
33 Community Action Council is a low-income services, development and advocacy organization.

34  
35 **Q: Please describe the organization of Community Action Council and give a brief**  
36 **description of its activities.**

37  
38 A: Community Action Council was established in 1965 as a not-for-profit community action  
39 agency of the Commonwealth of Kentucky. The Council's governance includes a Board of  
40 Directors representing low-income, public and private sectors of the community. Its mission is  
41 to combat poverty.

42  
43 There are approximately 280 employees operating and administering the Council's primary  
44 programs and services including:

- 45  
46
  - self-sufficiency
  - child development
- 47

- 1 • homeless programs
- 2 • volunteer programs
- 3 • youth development
- 4 • transportation services
- 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 extends into Jessamine County. The Columbia Gas Energy Assistance  
15 Program and WarmWise program and Kentucky Utilities’ Home Energy Assistance Program  
16 each provide services throughout the service territory of their respective utilities. The Council  
17 also operates the Kentucky American Water Help to Others (H2O) Program throughout that  
18 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 also an active member and serves on the Board of Directors of Community  
29 Action Kentucky (CAK), a membership organization that represents Kentucky’s 23 community  
30 action agencies throughout the state. While CAK has not intervened in this case, as a member of  
31 the organization the Council is able to communicate regularly and as needed to discuss matters  
32 impacting customers with low-income served by other community action organizations and thus  
33 representing a broader geographic area.

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

37  
38 **A:** The Council invests in human capital and helps people and families work toward greater  
39 economic independence. To that end, the organization operates dozens of publicly and privately  
40 funded programs which serve as tools for our staff members in helping the participants we work  
41 alongside.

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 several **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

1 Services Administration. These projects help homeless families reconstruct their lives by  
2 working with the families to determine and address the causes of homelessness. Another housing  
3 program offered is **Tenant Based Rental Assistance (TBRA)**, which provides rental assistance  
4 to Section 8-eligible households throughout the Council's service area. A homelessness  
5 prevention and rapid re-housing program called **Emergency Solutions Grant** provides  
6 additional resources for families who are homeless or in danger of becoming homeless.

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

13  
14 Other programs include senior volunteerism projects: **Retired and Senior Volunteer Program**  
15 **(RSVP)**, **Senior Medicare Patrol (SMP)** and the **Foster Grandparents Program (FGP)**. The  
16 Council also operates a number of utility assistance programs in partnership with local utilities,  
17 public and private funding sources, and other community action agencies across the state. These  
18 programs are described below.

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

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

37  
38 The Council administers a utility funded energy subsidy program – the **Columbia Gas Energy**  
39 **Assistance Program (EAP)** – serving 2,000 low-income households in partnership with  
40 Columbia Gas and the network of community action agencies serving the company's service  
41 territory.

42  
43 The Council also implemented and administers the **Kentucky Utilities Home Energy**  
44 **Assistance (HEA) Program**, which serves 2,600 KU customers whose primary heat source is  
45 KU electricity by providing regular monthly subsidies throughout the winter and summer peak  
46 usage months.

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

3  
 4 The Council also administers Help to Others (H2O) through contributions from Kentucky  
 5 American Water shareholder funds and customer donations. The funds are available throughout  
 6 the Kentucky American Water service territory for customers with household incomes up to 150  
 7 percent of federal poverty guidelines. Assistance is provided for water service, activation fees  
 8 and reactivation fees. Participants may receive up to \$100 in benefits per fiscal year if they are in  
 9 danger of having their water disconnected. Intake staff provides information to participants about  
 10 saving water and detecting leaks.

11  
 12 **Q. Please describe the low-income population in the Columbia Gas service territory.**

13  
 14 A: Based on 2011 5-year estimates from the American Community Survey – the most recent  
 15 county-level poverty data available – the following chart provides poverty status by county for  
 16 Columbia service counties in Kentucky. The chart is in alphabetical order by county.  
 17

COUNTY	NUMBER OF CUSTOMERS	POVERTY RATE	CUSTOMERS IN POVERTY
BATH	3	29.6%	1
BOURBON	2,680	16.4%	440
BOYD	9,317	19.1%	1780
BRACKEN	120	16.5%	20
CARTER	3	17.8%	1
CLARK	5,614	16.6%	932
CLAY	12	36.5%	4
ESTILL	1,449	27.3%	396
FAYETTE	63,246	17.9%	11321
FLOYD	753	27.3%	206
FRANKLIN	10,068	14.5%	1460
GREENUP	6,495	16.1%	1046
HARRISON	1,606	19.9%	320
JESSAMINE	772	16.3%	126
JOHNSON	28	21.5%	6
KNOTT	176	24.5%	43
LAWRENCE	892	25.8%	230
LEE	4	31.5%	1
LETCHER	1	26.0%	0
LEWIS	76	31.6%	24
MADISON	501	20.3%	102
MARTIN	716	37.6%	269
MASON	2,369	19.1%	452
MONTGOMERY	2,402	23.2%	557

NICHOLAS	25	18.1%	5
OWSLEY	19	39.3%	7
PIKE	540	30.7%	166
ROBERTSON	9	31.7%	3
SCOTT	4,785	13.4%	641
WOODFORD	4,363	13.4%	585
Total	119,044	17.8%	21,142

1  
2 Many of these counties report some of the *highest poverty rates* in Kentucky. *Sixteen counties*  
3 *report poverty rates above 20%*, a rate that the Census Bureau defines as *extremely high*.

4  
5 The Census Bureau uses income and family size as the basis for determining poverty. Poverty  
6 and need affordability illustrates the economic equation of income versus the ability to afford the  
7 basic needs of a family. *By definition, families with incomes at or below the poverty line cannot*  
8 *meet their basic needs*. Additionally, the federal poverty guideline is widely considered  
9 outmoded and no longer effective at adequately capturing the number of individuals actually  
10 living in poverty. Therefore, the number of families in the Columbia Gas service area which are  
11 unable to meet basic needs is likely much higher than the 17.8 percent demonstrated above.

12  
13 Focusing on current energy affordability, thousands of families already cannot meet their basic  
14 energy needs as evidenced by the data below from the energy assistance programs in Lexington-  
15 Fayette, Bourbon, Harrison, and Nicholas counties administered by the Council. Between  
16 November 2012 and March 2013, the Council completed 13,012 energy assistance applications,  
17 paying out \$1,893,161 in energy assistance. During this same time frame, the Council paid  
18 Columbia Gas \$296,849 to help Columbia customers with low-incomes keep electricity coming  
19 into their homes.

20  
21 This data effectively highlights the challenges families with low-incomes already face in meeting  
22 their heating needs. For a senior citizen on a fixed income, utility service is not only a basic  
23 need, it is a survival need. With more money needed for utilities, the less there is for other basic  
24 needs like food, housing, medication, etc. These demands stretch a family's resources beyond  
25 what can be sustained. The energy assistance needs cited above represent the *current situation*  
26 (based on current Columbia Gas rates). With the proposed rate increase, the affordability gap  
27 will widen further.

28  
29  
30 **Q: Please describe how the proposed rate increase will affect people with low-incomes.**

31  
32 A: In response to data requests, Columbia Gas reported 119,044 customers in 30 Kentucky  
33 counties. Using the 2011 5-year estimate poverty rates by county (see above), the Council has  
34 calculated that 21,142 current Columbia customers have poverty level incomes. This represents  
35 17.8 percent of all Columbia customers.

36  
37 As the chart below documents, the cumulative effect of the proposed increase of \$95.76 annually  
38 per household (\$7.98 monthly \* 12 months) is to charge **\$2,024,558 more** each year to  
39 households with incomes at or below the poverty line.

# of <u>Households</u> with <u>Incomes Below the Poverty Line</u>	<u>Proposed Annual Rate Increase Per Household</u>	<u>Cost to Households Living in Poverty</u>
21,142	\$95.76	\$2,024,558

1  
2 It is important to consider the context of these numbers. These 21,142 households have incomes  
3 *below basic survival needs* (housing, food, etc.). These households will now be expected to  
4 collectively find an additional \$2,024,558 to maintain service and keep warm in winter. With  
5 many customers turning to energy assistance programs or simply not able to pay these higher  
6 bills, the Company is likely to see increased disconnections for nonpayment and uncollectible  
7 arrearages, thus impacting the overall costs to all customers.

8  
9 A rate increase as proposed will have a substantial impact on the poor, those with already limited  
10 resources. As the energy affordability gap continues to widen as a result of an outcome of a rate  
11 increase in this case, families will be forced to make further choices about which basic needs  
12 they can afford. Families are already struggling to make ends meet. Many have to make difficult  
13 choices between food, housing, medicine and other necessities. With a rate increase of this  
14 magnitude, the ability of these families to afford their basic needs will significantly deteriorate.  
15 The added stress of further stretching limited resources becomes an increasing barrier to  
16 economic opportunity and self-sufficiency. For those who have made some strides in increasing  
17 their incomes, many will be forced backwards in their efforts to meet the basic needs of their  
18 families. This proposed rate increase is not only devastating for poor households but it will also  
19 overwhelm those energy assistance agencies trying to keep these households from losing their  
20 homes to foreclosure and their apartments to eviction.

21  
22 **Q: Are resources for energy assistance sufficient to meet the needs of the population in**  
23 **the Columbia Gas service territory? Please discuss.**

24  
25 A: No, resources are not sufficient to meet the needs of the population, and current energy  
26 assistance resources will not meet the need resulting from the impact of the proposed rate  
27 increase. Federal LIHEAP funding to the state has been highly variable and Congressional  
28 support varies annually. Federal appropriations for the coming heating season are still unknown  
29 as Congress has failed to pass a budget and the legislative atmosphere is one of sequestration and  
30 major funding reductions. Already the Council's federally funded programs have seen cuts of  
31 more than \$1 million over the past year due largely to sequestration. It is likely that federal funds  
32 for LIHEAP will decrease as compared to prior years, making less money available to help  
33 customers who will have ever higher bill amounts.

34  
35 Additionally, the WinterCare Energy Fund, while a substantial force for assistance, remains  
36 inadequate to bridge the gap between public assistance programs and actual need. According to  
37 the Company's response to data requests, customer contributions to WinterCare have declined at  
38 least each year since 2008 for a total decline of 29.8 percent over the past 5 years.

39  
40 There continues to be a significant gap between the cost of utility service and the ability of the  
41 elderly, the working poor and other low-income households to pay. Current energy assistance  
42 initiatives within the Columbia Gas area do not completely address this gap. Each year,  
43 Community Action Council is forced to turn away hundreds of families who urgently need  
44 energy assistance for lack of available funds.



1  
2 **Q: What is the Council's position regarding the proposed Revenue Normalization**  
3 **Adjustment?**

4  
5 A: While generally supportive of solutions which would reduce the occurrence of rate cases  
6 and lower overall costs, the Council is concerned about any mechanism which would allow a  
7 utility to adjust rates absent the scrutiny applied in a full rate case. The Council remains  
8 unconvinced that a mechanism such as the RNA proposed in this case provides sufficient  
9 advantage to ratepayers, especially ratepayers with low-income, to warrant a change in  
10 ratemaking policy in Kentucky that waters down the role of the Kentucky Public Service  
11 Commission. Adjusting rates based solely on the company's ROE fails to account for  
12 affordability and economic conditions, both of which are relevant factors when considering  
13 whether the company is receiving a fair, just, and reasonable return.  
14

15 **Q: What do you propose as a solution in this case?**

16  
17 A: While the Council would prefer, from the perspective of customers with low-income, that  
18 the Commission reject the Company's request in its entirety, we recognize the Company's right  
19 to receive a fair and reasonable return. Therefore, we acknowledge the likelihood that some level  
20 of increase will be accepted. In that case, the Council asks the Commission to approve the lowest  
21 possible rate increase to maintain the Company's solvency while minimizing additional burden  
22 on families with low-income. As previously established, customers with low-income are already  
23 unable to meet their minimum financial needs and are forced to make choices about necessities  
24 such as food and medicine. Continuing to widen the affordability gap will place thousands of  
25 Kentuckians at risk of illness and death from exposure to extreme temperatures as shutoffs  
26 increase.  
27

28 In order to effectively reduce the burden placed on families with low-income, the Council urges  
29 the Commission and the Company to seek a solution that increases funding available for energy  
30 assistance. It might also be helpful to explore new rate structures and mechanisms, such as low-  
31 income rates, and any legislative remedies necessary to allow them. This would allow those most  
32 vulnerable, including the elderly, those with disabilities, and families with children, access to an  
33 adequate safety net to maintain service in the face of cold temperatures and impossible choices.  
34

35 **Q: In summary, please state your position regarding the Company's proposal for an**  
36 **increase?**

37  
38 A: The rate increase will negatively affect the ability of customers with low-income to pay  
39 for essential service to a significant degree. In order to prevent this situation the Council  
40 proposes a reduction in the amount of the approved increase.  
41

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

43  
44 A: Yes  
45  
46  
47

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 10<sup>th</sup> day of September, 2013.



  
NOTARY PUBLIC  
My commission expires: 12/27/14

**CERTIFICATE OF SERVICE**

I hereby certify that on September 10, 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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