

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

AN ADJUSTMENT OF THE GAS)
AND ELECTRIC RATES, TERMS)
AND CONDITIONS OF LOUISVILLE)
GAS AND ELECTRIC COMPANY)

CASE NO: 2003-00433

TESTIMONY OF
KEITH VALADE

EXECUTIVE DIRECTOR
METRO HUMAN NEEDS ALLIANCE

March 23, 2004

Filed: March 23, 2004

1 **Q. Please state your name and address.**

2 **A.** My name is Keith Valade and my business address is 1113 South Fourth
3 Street, Louisville, Kentucky 40203.
4

5 **Q. For whom have you prepared testimony?**

6 **A.** Metro Human Needs Alliance (MHNA) and POWER.
7

8 **Q. Please describe MHNA.**

9 **A.** Metro Human Needs Alliance (MHNA) was first organized in 1974 as a
10 federation of several church social agencies. In 1988, it became the Metro
11 Human Needs Alliance with a membership that is open to all community
12 nonprofit and governmental agencies serving low-income households and
13 individuals in the Louisville Metro (Jefferson County) area. Today, 35
14 organizations are MHNA members. Member agencies provide or are
15 associated with emergency financial assistance, transitional housing, and
16 case management services. They share a commitment to advocacy on
17 issues affecting low-income people and prevention of homelessness.
18 Affordable utility service is one of the three priority issues.
19

20 Nineteen MHNA agencies are engaged in the Homeless Families Prevention
21 Project (HFPP), and have assisted 10,000 Jefferson County households to
22 date with financial assistance, food, and clothing. These agencies are
23 working to identify barriers and gaps in community services for families at risk
24 of homelessness. The U.S. Department of Health and Human Services, the
25 National Association of Counties, and the National Association of
26 Homelessness have recognized this project and its risk assessment process
27 as a national model.
28

29 **Q. What is your role with MHNA?**

30 **A.** As Executive Director, I am responsible for coordinating the work of all of
31 MHNA's projects related to the needs of low-income families, and for
32 representing MHNA member agencies and their issues of concern.
33

34 **Q. What is the purpose of your testimony?**

35 **A.** I offer this testimony to show the impact of the proposed rate increase on low-
36 income residential customers. The proposed rate increase places the larger
37 burden unfairly on residential customers in general. It exacerbates the
38 difficulty low-income customers face in their ability to afford utility service.
39 Furthermore, cost increases always magnify problems residential customers
40 encounter in billing and payment that can be disastrous if the customer is also
41 low-income.
42

43 **Q. What is your relationship to Louisville Gas and Electric Company?**

44 **A.** Ms. Laura Douglas, director of external communications, has described
45 MHNA as one of LG&E's community partners. We would agree. MHNA
46 meets with LG&E staff each month to discuss credit and collection matters.

1 There is a high degree of cooperation between our members and the LG&E
2 credit counselor. MHNA and LG&E participate together on the Community
3 Winterhelp board of directors. LG&E and MHNA partnered on the design of a
4 Home Energy Assistance program, modeled on the All Seasons Assurance
5 Plan ("ASAP").
6

7 **Q. Describe the utility assistance services with which you are connected.**

8 **A.** Nineteen of our member agencies provide utility assistance year round. Their
9 funding is from donations and local governments grants. These agencies
10 also distribute Community Winterhelp funds from January through April each
11 year.
12

13 MHNA is an organizational member of the Community Winterhelp, Inc. board
14 of directors. Winterhelp, as it is often called in documents of this case, is a
15 registered non-profit 501(c)3 organization, separate from LG&E.
16

17 MHNA is the repository of records for the All Seasons Assistance Plan
18 (ASAP). The ASAP provides a monthly utility subsidy to eligible households
19 that reduces the utility expense to 10% of the household budget. MHNA
20 funded ASAP with settlement funds from the previous Trimble County rate
21 case beginning in 1997 through to the conclusion of the program in 2001. We
22 also funded two independent evaluations of the program that were conducted
23 in 2001 and 2002, the latter of the four month pilot as Home Energy
24 Assistance. The evaluator was Dr. David Cross of The RETEC Group, Inc.
25

26 MHNA utility assistance providers routinely refer customers to the federal
27 LIHEAP program when it is in operation. MHNA also submits an annual
28 report to the state stating the number of households served and the total
29 dollar amount of financial assistance. This amount is separate from
30 Community Winterhelp funds.
31
32

33 **Q. Do low-income customers have difficulty paying their utility bills?**

34 **A.** Yes, for a variety of reasons. From the ASAP customer caseload, which
35 consisted of 1857 households, we know that:

- 36 1. 84% have no savings.
- 37 2. 21.9% have experienced a sudden reduction in income at the time
38 of assistance.
- 39 3. 37% pay rent that is more than 40% of their monthly income.
- 40 4. 13.9% have recently been in alternative housing, e.g., shelter,
41 hospital.
- 42 5. 56.6% have a monthly combined utility bill (heating/cooling/water)
43 over 20% of their monthly income.
- 44 6. 46.9% have an LG&E bill that is over \$200.
- 45 7. 27.1% are unemployed.

1 Low-income customers are unable to pay their utility bills because household
2 financial resources are inadequate.

3
4 Furthermore, as stated by Mr. Cockerill in his response to the Supplemental
5 Data Request of the Attorney General, question 9, "the general slow down in
6 the economy has resulted in higher numbers of customers who have not paid
7 their bills.

8
9 **Q. What share of the additional rate revenue is sought from residential
10 customers?**

11 **A.** As calculated from the cost of service study filed in this case, the residential
12 customers are being asked to pay the greatest share of the increase.
13 Residential customers will pay over 41% of the increase in electric revenues
14 and over 90% of the increase in gas revenues. This is an unfair burden on
15 residential customers.

16
17 **Q. What impact will the proposed increases have on the bills of low-income
18 customers?**

19 **A.** As reported in the testimony of Mr. Staffieri, page 10, line 6, residential bills
20 for combined service will be approximately \$11.50 per month. This is an
21 increase of \$138 per year.

22
23 **Q. Who will pay the increased cost of the proposed rate increase for low-
24 income customers in crisis?**

25 **A.** We do not know. Our most recent LIHEAP Leveraging Report for the period
26 10/01/02 through 9/30/03 reported assistance to 8476 low-income
27 households at 150% of poverty (the LIHEAP eligibility ceiling). See
28 Attachment A. These households are served once during the year beyond the
29 assistance provided directly through LIHEAP and Community Winterhelp.
30 The level of assistance per household ranging from \$5 to \$750 is still often
31 insufficient to meet the entire need of a household in crisis.

32
33 The proposed monthly rate increase of \$11.50 for the same number of
34 households will increase the assistance need by \$97,474. This is reduced by
35 the leveraged LIHEAP funds that this year are \$16,125. Still, the financial
36 assistance resources are at best constant, certainly not increasing at a rate
37 sufficient to bear this extra burden.

38
39 **Q. Has the rate for cut-off of utility service increased?**

40 **A.** Yes. The number has increased from 13,649 in 1993 to 45,384 in 2003 as
41 reported by Mr. Cockerill in his response to the Attorney General's First Data
42 request, question 246. We are particularly troubled by the large increases in
43 these numbers since 2001. The greatest number of disconnects occur in the
44 zip codes served by LG&E that also have the highest rate of poverty.
45

1 **Q. What do we know about the poverty levels in the zip codes with high**
2 **rates of disconnections and reconnections?**

3 **A.** The tables provided by LG&E in response to MHNA and POWER's First Data
4 request, number 9, are merged on Attachment B. The resulting table includes
5 the percentage poverty rate for each zip code in Jefferson County. An
6 examination of these data reveals that 8 of the 10 zip codes with highest poverty
7 also are highest in disconnect and reconnect rates for each of the three years
8 reported.

9
10 **Q. What do we know about the numbers of disconnections for LIHEAP**
11 **recipients?**

12 **A.** According to the information supplied by LG&E in Response to MHNA and
13 POWER's First Data Request number 5, just over 4% of LG&E's residential
14 customers are LIHEAP recipients. Yet, the information provided in response to
15 MHNA and POWER First Data Request number 9 suggests that LIHEAP
16 recipients experienced over 20% of the total disconnects and reconnects for
17 2002 and 2003.

18
19 **Q. Are your emergency financial assistance member agencies reporting**
20 **that customers are experiencing new problems with disconnects and**
21 **making payments and keeping their service connected.**

22 **A.** Yes, These include:

- 23 a. The policy change requiring the full deposit at the time of reconnect
24 if a deposit is necessary, prevents assistance agencies from being
25 able to help. The amount is too high as a single payment.
26 Previously, a deposit could be paid over three months.
27 b. Clients continue to face a significant barrier in having difficulty
28 arranging an affordable payment plan. This is despite the valued
29 efforts of the LG&E credit counselor.
30

31 **Q. Are there other changes proposed in this case that will add to low-**
32 **income customers' difficulty in maintaining uninterrupted service.**

33 **A.** Yes. LG&E is requesting an increase in the Disconnect/Reconnect fee from
34 \$18.50 to \$23.18, which is a 20% increase. Even this relatively modest
35 increase is a significant burden for low-income household budgets. In low-
36 income households where there is not enough money to manage, budgeting
37 becomes a process of exchanging one *necessity* for another. In this case the
38 reconnect fee could mean the loss of bus fare for transportation to work,
39 medication, children's school fees, not paying the water bill, etc.
40

41 **Q. Are there means to ameliorate some of the difficulties posed by this rate**
42 **case for low-income customer?**

43 **A.** Yes, the principal one being the reopening of the All Seasons Assurance Plan
44 program. The ASAP offers the following benefits:

- 45 1. ASAP participation has proven that the average number of
46 disconnection notices can be reduced by 60% and at an annualized

- 1 rate of 2.5 notices per participant per year. This indicates more timely
2 payment and less fear and disruption for customers.
- 3 2. Customers participating in an ASAP program have almost no
4 terminations for nonpayment.
- 5 3. Participants in an ASAP program have reduced account closure rates
6 and household transience, supporting a more stable community.
7 Compared to non-participants, ASAP accounts are 16%-20% more
8 likely to remain active accounts at the same account number one year
9 later.
- 10 (From the Summary, Evaluation of Spring 2002 Four-Month Pilot
11 Program.)
- 12
13

14 **Q. What is your conclusion ?**

15 **A.** The amount of the proposed increase will add a substantial financial burden
16 on low-income and all residential customers. This will be compounded by the
17 proposed increase in non-recurring fees. Placing 41% of the increase in electric
18 and 90% of the increase in gas revenues on residential clients is not fair. The
19 increased burden on low-income customers will lead to financial distress,
20 instability and increasing risk of more homeless families.

21

ATTACHMENT A

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM
LIHEAP LEVERAGING REPORT
RESOURCE/BENEFIT DESCRIPTION PAGES

Complete this form for each separate leveraged resource/benefit that the grantee proposes to count for this base period. Only resources/benefits that are provided to low income households (as defined in 45 CFR 96.87(b)(6)) may be counted.

Grantee: Kentucky (Metro Human Needs Alliance) Base period 10/01/02 - 09/30/03
Month/Day/Year - Month/Day/Year

1. Resource # 1

A. Resource/benefit name: Emergency financial assistance

B. Gross value of countable benefits provided by resource during this base period: \$ 389,391.96

C. Amount of grantee's own funds used to leverage this resource (not including funds from grantee's Federal LIHEAP allotment): \$ -0-

D. Costs and charges to low income households to participate/receive these benefits: \$ -0-

E. Net value of countable benefits provided by resource during this base period (To calculate item E, subtract items C and D from item B): \$ 389,391.96

2. Type of resource: X Cash Discount/waiver In-kind contribution
If more than one type of resource is claimed: Gross value of countable benefits provided by each type of resource:

3. Source of resource: Private donations, church donations, local government, contributions from civic organizations

4. Brief description of resource: Cash, in local funds, paid to the local utility in the range of \$5 to \$750.

5. Brief description of benefit(s) provided to low income households by this resource (if benefits are different from resource as described in item 4, or if more information is needed): N/A

6. Geographical area in which benefits were provided: Jefferson County, Kentucky

7. Month(s) and year(s) when benefits were provided to recipients during this base period: October 2002 through September 2003

8. Number of low income households to whom benefits were provided in this base period: 8476

9. Eligibility standard(s) for low income households to whom benefits were provided:

- X Income at or below 150% of the poverty level
Income at or below 60% of State median income
Other--Specify:

ATTACHMENT B

	A	B	C	D	E	F	G	H	I	J
1	LGE Rate Case-Data by Poverty Rate/Zip Code									
2	Zip Code	# D+R 2001	Customers 2001	D+R/Customers 2001		# D+R 2002	Customers 2002	D+R/Customers 2002		# D+R 2003
3	40018	1	24	4.17		3	23	13.04		2
4	40027	1	185	0.54		9	175	5.14		10
5	40202	20	605	3.3		69	603	11.44		75
6	40203	607	7274	8.34		1376	7206	19.1		1403
7	40210	664	6320	10.51		1303	6292	20.71		1392
8	40209	12	235	5.11		39	228	17.1		33
9	40211	1046	10247	10.21		2204	10283	21.43		2475
10	40212	702	8311	8.45		1822	8215	22.18		1742
11	40215	660	9548	6.91		1416	9511	14.89		1490
12	40208	410	6093	6.73		797	6118	13.03		917
13	40177	39	655	5.95		71	640	11.09		95
14	40218	630	13472	4.68		1511	13567	11.13		1732
15	40204	283	8133	3.48		682	8129	8.4		734
16	40217	284	6324	4.49		501	6303	7.94		548
17	40118	149	3783	3.94		458	3800	12.05		566
18	40206	274	10156	2.7		695	10267	6.77		691
19	40214	573	19232	2.98		1682	19220	8.75		1886
20	40213	312	7641	4.08		730	7598	9.61		879
21	40219	707	15462	4.57		1826	15333	11.91		1690
22	40216	679	17968	3.78		1992	18019	11.05		1946
23	40229	430	11500	3.74		1230	11851	10.38		1333
24	40272	621	13999	4.44		1483	14081	10.53		1631
25	40258	408	10153	4.02		843	10309	8.18		1084
26	40220	276	15246	1.81		799	15267	5.23		846
27	40222	142	10153	1.39		543	10210	5.32		457
28	40207	185	14827	1.24		419	14852	2.82		506
29	40205	161	10758	1.5		354	10751	3.29		406
30	40228	99	4915	2.01		270	5092	5.3		349
31	40299	183	13349	1.37		587	13695	4.29		780
32	40291	288	12641	2.28		665	12964	5.13		857
33	40223	150	9527	1.57		385	9601	4.01		436
34	40241	174	10680	1.63		463	11152	4.15		440
35	40243	64	4154	1.54		145	4165	3.48		203
36	40245	95	7099	1.34		240	7755	3.09		308
37	40242	82	4645	1.76		285	4664	6.11		225
38	40059	29	5449	0.53		108	5710	1.89		105
39	40023	0	530	0		6	545	1.1		6

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Testimony of Keith Valade was served on the following persons on the 23rd day of March, 2004, United States mail, postage prepaid.

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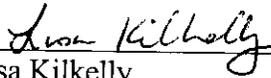
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