

RECEIVED

JAN 6 2006

PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENTS IN ELECTRIC) CASE NO.
RATES OF KENTUCKY POWER COMPANY) 2005-00341

TESTIMONY OF THOMAS "KIP" BOWMAR

1. Can you state your name and give the Commission your background.

My name is Thomas "Kip" Bowmar and I have served as the Executive Director of the Kentucky Association for Community Action ("KACA"), located at 101 Burch Court, Frankfort, Kentucky 40601, since 1994. Prior to that I served as the Executive Director of the Kentucky Propane Gas Association from 1991-1994. I have a Bachelors degree from the University of Kentucky and a Masters in Public Administration from Kentucky State University. KACA operates the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program for the state of Kentucky and directly subcontracts to 23 Community Action Agencies and one unit of local government. KACA also supervised two Residential Energy Assistance Challenge Grants that were operated by local Community Action Agencies in the last four years. I have been actively involved in the collaboratives of many demand side management and energy assistance programs since 1994 including programs at American Electric Power, Western Kentucky Gas, Cinergy Union Heat Light & Power, Kentucky Utilities, and Louisville Gas and Electric. I was appointed to and served on the Public Service Commission Taskforce on Natural Gas Unbundling in Kentucky. KACA has also intervened in many rate case and other regulatory proceedings at the PSC.

2. Has KACA worked with American Electric Power on its DSM programs?

Yes, and KACA appreciates what an advocate and supporter of programs that Don Music and AEP have been over the years. The DSM program that works with five Community Action Agencies in Eastern Kentucky has been in operation continuously since 1995. We appreciate that support.

3. What are KACA's concerns with the rate case proposal submitted by AEP?

The first concern is that the size of the rate increase is very large both in the terms of real dollars, \$35,508,669, and the percentage of proposed increase, 27.30%, for the residential sector. That increase for the residential sector of electric customers dwarfs anything that has been proposed to and or approved by the Public Service Commission. I recognize that AEP has not filed for a rate case in twenty years, but it is too large an increase at one time. In the Kentucky Utilities case, the company initially asked for a proposed rate increase of around 14-15% and the actual increase that was approved for residential electric customers was approximately 11%. KU also had not filed for a rate increase in nearly twenty years when they filed for their increase. Another concern is that the increase is much larger for the residential customers (27.30%) than it is for the industrial or commercial customers (12.81-13.31%). The argument that the company may be proposing is that residential customers have been subsidized by industrial and commercial cases. If this was true then why weren't AEP electric rates for residential customers lower than KU's, the only other major all-electric investor-owned utility operating in the state. Another factor to take into consideration is that this will have a disparate impact on low income customers in eastern Kentucky. In 2004 the poverty rate in America was 13.1%, while in Kentucky the poverty rate was 17.4% – a difference of approximately 33% more compared to the national average. In eastern Kentucky counties, where AEP operates, the percentage of people in poverty in 2003 was about 23%¹, which is 32% higher than the state average in 2003 (17.4%) and 81% higher than the national average (12.7%). Low income AEP electric residential customers in those areas simply

¹All poverty statistics are based on 2004 and 2003 Census Data. Eastern Kentucky counties used in this calculation include: Pike, Martin, Floyd, Letcher, Knott, Harlan, Perry, Leslie, Breathitt, Magoffin, Morgan, Johnson, Lawrence, Boyd, Greenup, Carter, and Elliott.

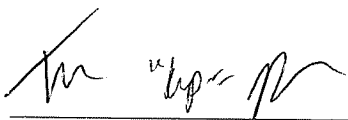
do not have the ability to absorb a 27% increase in base rates. This will lead to greater demand for LIHEAP, which served over 200,000 households last year, and which has been flat funded for the last two years even with other fuel costs surging. Also factoring into this situation is the tremendous increase in gasoline prices in the last year, which will further affect the ability of households to pay such a big increase. Another consequence of this will likely be an increase in shut-offs for low income households, a greater risk of house fires due to households that are heating their homes with unsafe methods because of high electricity costs, and an increase in bad debt for the company, which will ultimately rest on all rate payers.

4. What kinds of things would you suggest to remedy the effects of the proposed increase?

The first thing would be a significant decrease in the proposed rate increase for residential electric customers, and a more fair distribution of the proposed increase among all three rate classes. The second thing would be an expansion of the existing DSM programs, which produces energy savings, and cuts demand. The third thing would be for the creation of an extensive energy assistance program designed to help low income households.

5. Does this conclude your testimony?

Yes it does



THOMAS "KIP" BOWMAR

CERTIFICATE OF SERVICE

I hereby certify that true copies of the foregoing testimony have been served on the following persons:

Honorable Elizabeth E. Blackford
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204
betsy.blackford@law.state.ky.us

Honorable Frank F. Chuppe
Attorney
Wyatt, Tarrant & Combs, LLP
500 West Jefferson Street
Suite 2800
Louisville, KY 40202-2898
fchuppe@wyattfirm.com

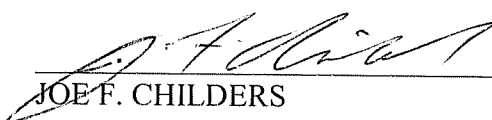
Honorable Mark R. Overstreet
Attorney at Law
Stites & Harbison
421 West Main Street
PO Box 634
Frankfort, KY 40602-0634
moverstreet@stites.com

Honorable David F. Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OH 45202
dboehmlaw@aol.com

Honorable Kevin F. Duffy
Attorney at Law
American Electric Power
Service Corporation
1 Riverside Plaza, 29th Floor
PO Box 16631
Columbus, OH 43216
kfduffy@aep.com

Timothy C. Mosher
President, KY Power
American electric Power
101 A Enterprise Drive
PO Box 5190
Frankfort, KY 40602

on this the 6th day of January, 2006.



JOE F. CHILDERS