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BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

AN INVESTIGATION OF THE)
ENERGY AND REGULATORY)
ISSUES IN SECTION 50 OF) CASE NO. 2007-00477
KENTUCKY'S 2007 ENERGY ACT)

TESTIMONY OF THOMAS "KIP" BOWMAR

- 1. Please indicate your name, address and describe your current position and professional background.**

My name is Thomas "Kip" Bowmar and I have served as Executive Director of Community Action Kentucky (formerly known as the Kentucky Association for Community Action, Inc. (hereinafter "CAK") since 1994. CAK's administrative offices are located at 101 Burch Court in Frankfort, Kentucky and its 23 member Community Action Agencies provide direct services to low income households in all 120 counties of the state. One of the 23 CAK member Community Action Agencies is Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (hereinafter "CAC"), P O. Box 11610, Lexington, KY 40576, which joins in this testimony.

I am an honors program graduate from the University of Kentucky with a major in journalism and I earned a Masters degree in Public Administration from Kentucky State University. I have worked with DSM/Energy assistance collaboratives with American Electric Power, West Kentucky Gas, Synergy, Louisville Gas and Electric, and Kentucky Utilities over the years. I also served on the Public Service Commission's natural gas unbundling task force and recently participated with the Commission's DSM proceedings initiated in response to House Bill One, which is looking at barriers to increased use of renewable energy.

- 2. Please describe the purpose of your testimony.**

The purpose of my testimony is to state the position of CAK and CAC in regards to the proceeding launched by the Public Service Commission exploring increased usage of renewable fuel sources and energy efficiency programs as it relates to House Bill 1

3. Please describe the organization description of its activities with a particular emphasis on energy related programs.

Both CAK and CAC are 501(c)3 not for profit organizations domiciled in the Commonwealth of Kentucky. CAK represents the 23 Community Action Agencies which provide social services to nearly 500,000 low income individuals in all 120 counties every year through a variety of programs.

CAK operates the federally funded Low Income Home Energy Assistance Program (LIHEAP) from the beginning of November until the end of March, or until funds are exhausted, through its network of Community Action Agencies. In two recent heating seasons (2005-2006 and 2006-2007), we have helped prevent shutoffs and reduced crisis situations to over 220,000 households with approximately \$32 million in benefits each year. In the 2008 heating season CAK was only able to serve 175, 000 households with approximately \$24 million in benefits. The program assisted households in all 120 counties of the state. LIHEAP is an important program because it assists a large number of senior citizens, disabled persons, and families with children under the age of six. Without LIHEAP services, many of our most vulnerable residents would be at a far greater health risk. The Program is funded by the Federal Department of Health and Human Services and in 2006 was also funded by the Kentucky General Assembly for the first time. Legislation in the 2008 General Assembly has been stalled to date.

CAK also operates the federally funded Weatherization Assistance Program from the Department of Energy. CAK operates the program statewide through a network of 22 Community Action Agencies and one unit of local government. The Weatherization program provides a wide variety of energy conservation measures including furnace repair, attic insulation, stopping air infiltration, wall insulation, repairing ducts and vents, furnace replacement, floor insulation, hot water heater wraps, refrigerator replacement (in limited cases), installation of compact fluorescent light bulbs, and more. The program also includes energy education for the households. In the 2006-2007 year, the Weatherization program in Kentucky provided these comprehensive services to over 2,500 households in all 120 counties of the state. The Weatherization Program is extremely important because it reduces energy usage over the long term as opposed to providing a one time benefit, such as LIHEAP assistance.

Under CAK's adept management, these program have worked very closely. Federal LIHEAP regulations allow a 15% transfer from LIHEAP to Weatherization on an annual basis. We have worked with the Commonwealth of Kentucky annually to see that such a transfer occurs because Weatherization plays a large part in the long term solution for energy unaffordabilty for low income households. One of the other reasons that the federal Weatherization program is necessary is that it is only able to serve a little over one percent of the population that is served by LIHEAP. To put this in perspective, under current funding it

would take over 80 years to weatherize the homes that were served in LIHEAP in 2006-2007 alone

CAK has also overseen and worked with two Residential Energy Assistance Challenge (REACH) grants, one with CAC in Lexington and one with Louisville Metro Community Action Partnership. Both sought to combine extensive energy conservation services with more extensive energy education to reduce energy cost burdens on low income households.

CAK also operates a demand side management program (DSM) with a contract from the Cabinet for Health and Family Services (CHFS) that seeks to create additional energy conservation and energy assistance services for low income households. As part of these efforts, both CAK and CAC have intervened in rate cases and other regulatory proceedings and offered testimony to help support those efforts. Because of this work and the work of other low income advocates, there are presently utility and ratepayer funded energy assistance and energy conservation programs in place with Kentucky Utilities, Louisville Gas and Electric, Duke Power, American Electric Power, Columbia Gas, Delta Natural Gas, and Atmos.

CAK operates the Rural Community Assistance Program (RCAP), which seeks to provide low income communities with solutions to water, waste water, and community development problems. CAK's RCAP program has helped numerous communities leverage millions of dollars in water and sewer utility improvements through its training and technical assistance program.

CAK operates a housing program in conjunction with the Kentucky Housing Corporation (KHC) which assists local Community Action agencies in providing more services in rehabilitating existing housing stock. Likewise, CAC operates housing assistance programs benefiting low income households in Fayette and surrounding counties.

CAK and 22 of its member agencies utilize the Castanet computerized software intake and information management system. The system is also able to incorporate data from the IRIS system that CAC utilizes. The data system is able to help CAK track necessary information from the households that we serve and to be able to generate the necessary reports for funding sources as well as data for our annual report and other documents.

4. Are there programs through which CAK partners with utility companies? Please discuss.

CAK has a contract with Kentucky Utilities to operate the home energy assistance program through the KU service area that serves 1,300 households annually. CAK works very closely with CAC and KU on this program. In addition, CAK assists with the Louisville Gas and Electric home energy assistance program as the

applicants for this program apply through CAK's Low Income Home Energy Assistance Program (LIHEAP).

In addition, CAK has a contract with American Electric Power (AEP) to operate a home energy assistance program in eastern Kentucky that will provide services to approximately 800 households on an annual basis. CAK assists five Community Action agencies in eastern Kentucky that provide services in approximately 20 AEP served counties

5. What is your organization's position in regards to the possibility of increased use of renewable fuel sources for residential home energy needs? Please explain.

This is an issue that the members of Community Action Kentucky are aware of because of the societal impacts of global warming. A recent study led by Mark Jacobson of Stanford University that was published in this month's journal *Geophysical Research Letters* has estimated that increased carbon dioxide in the atmosphere could lead to the deaths of 22,000 people a year. This coincides with research that shows that as the polar ice caps melt and sea levels rise, there will be increased flooding around the world. In addition, it is estimated that global warming caused by increased carbon dioxide in the atmosphere is contributing to stronger and more frequent hurricanes that are also having a devastating effect on many communities.

As we seek to reduce the carbon footprint, one of the obvious places that we must examine is the production of electricity from coal plants, from which nearly all of Kentucky's residential electricity supply emanates. According to information from the Energy Information Administration (EIA) and the Natural Resources Defense Council, 39.8% of carbon dioxide emissions come from the generation of electricity.

While the Bush administration eliminated funding for the FutureGen clean coal plant experiments are underway to try to find ways to capture carbon emissions with the process of chilled ammonia that captures 85% to 90% of the carbon dioxide. Some in the utility industry believe this process will likely be available in the next 10-15 years.

While renewable sources of power such as hydro, wind, and solar represent more immediate solutions and are by nature "green" alternatives, the question becomes at what cost do we utilize these sources and who pays for it.

Community Action Kentucky met with the consultants engaged by the Public Service Commission in December, 2007 and shared these views and concerns. There is widespread doubt as to whether the renewable sources of energy of solar, hydro, and wind could generate enough energy to meet the needs of a significant

percentage of the population and there is also a belief that the power generated would be significantly more expensive.

We must be careful not to increase the burden on our most vulnerable citizens – the low income population – by shifting significant new energy costs to them.

6. What is your organization's position in regards to the possibility of increased use of energy efficiency programs for residential home energy needs? Please explain.

CAK and CAC believe that many of these programs can be good for many households, but not necessarily all households. For example with the smart meter pilot program currently available for customers of Louisville Gas and Electric and Kentucky Utilities can help middle income and high income households more closely observe energy usage patterns in real time and help them save energy and reduce consumption. This is not as viable an option for low income households for a variety of reasons. The first is that they tend to have smaller houses and fewer discretionary appliances. Their ability to save significant amounts of energy through just conservation alone is limited. Low income households tend to live in older, draftier dwellings that are less energy efficient. These households can frequently benefit from the federally funded Department of Energy Weatherization Program and utility funded energy conservation programs.

Similarly KU and LG&E have a home energy audit where an inspector will go through and make various energy saving recommendations. This is a very good program for middle and upper income households because they have the discretionary income to implement the recommendations in a way that low income households do not.

The companies also have a time of day pricing pilot where the rates range from 3.9 cents a kilowatt hour to 30.9 cents a kilowatt hour during super peak timeframes. This can be a good thing for middle and upper income households because they are going to have more discretionary appliances and energy usage.

For any of these three programs to work for low income households, the subsidy would have to be so large it is unlikely that the programs would pass cost effectiveness tests that are required. This does not mean that CAK and CAC think believe these programs are without merit. However, they should not be marketed to or required for low income households for the reasons detailed above.

7. What are your concerns and what safeguards would your organization like to see if Kentucky were to see a significant increase in renewable fuel sources as part of its electricity generating portfolio or a significant increase in energy efficiency pilots for residential households?

One of the core issues with a significant increase in the amount of renewable energy sources in the electricity generating portfolio is the significant increase in cost that is likely to result. Kentucky has one of the lowest prices per kilowatt of electricity of any of the states. There are places in the country where the cost of renewable energy sources have been close to the retail price that consumers were already paying for electricity. In those regions consumers were paying more for their electricity to start with so the incremental gap between what residential customers were already paying and what the renewable energy sources were going to cost was not all that shocking. That is not the case in Kentucky where we have an abundance of cheap electricity. Also, certain areas have much larger sources of renewable energy that can give a project the economies of scale that they need to be cost competitive. For example, there are places in the Pacific Northwest with abundant rivers that support generation of electricity from hydro-electric dams at a very cost competitive rate. There are places in the plains where there is abundance of wind power that can be harvested for a significant source of energy. Likewise, in the desert southwest solar can be a viable option. Unfortunately none of those renewable sources exist in enough abundance in Kentucky for those renewable energy sources to be cost competitive for extensive residential electricity generation, particularly given the low cost that Kentucky residential customers pay for electricity in comparison to the national average.

We would recommend a couple of safeguards to protect low income and vulnerable households if the Public Service Commission were to move in a direction that would significantly increase the amount of renewable energy sources for electricity generation in Kentucky and raise residential per kilowatt prices. The first would be to offer a discount rate for households that are at or below 200% of the federal poverty guidelines. The discount should be tied to current per kilowatt rates they are paying to their electric utility and then adjusted as necessary by rate cases that have been reviewed and approved by the Public Service Commission.

This is in effect a “hold harmless” provision for low income and working poor families. This is important because Kentucky should not be forced to choose between low electricity rates and increasing the amount of renewable energy sources. Rather, we should choose to increase the use of renewable energy sources and at the same time protect our most vulnerable citizens from price increases that could significantly increase the risk of disconnection for those households.

The second provision that we would like to see would be an expansion of energy conservation programs that piggyback the federal weatherization program. These programs will also help reduce Kentucky’s carbon footprint and help make utility bills more affordable for low income households.

8 What benefits would derive from these changes?

There would be a variety of key benefits of offering low income discounts and expanded low income energy conservation effort. First, reducing carbon dioxide emissions from our coal fired plants, which according to the Energy Information Authority (EIA) and the National Resources Defense Council, account for 39.8% of the carbon dioxide emissions in the United States, can help combat global warming.

The second benefit is that it would help reduce bad debt for the utilities. If there is an increase in retail electricity kilowatt per hour prices without provisions to help low income households, there will likely be an increase in residential disconnections and bad debt. Those costs are then borne by all ratepayers. Additionally, households which have had their utilities disconnected are more likely to use unsafe methods of heating their homes, which can increase health and safety risks and fire hazards.

The third benefit is that low income households would not be subsidizing the energy efficiency pilot programs which are designed to benefit middle and upper income households. These energy efficiency programs have lost revenue implications for the utility that all households pay for, but which disproportionately hit low income households. The Public Service Commission has long held the belief and tenet that there should not be cross subsidization in these pilot programs. By insuring discount programs and expanded low income energy conservation programs, poor families do not end up subsidizing energy efficiency programs that predominantly benefit middle and upper income households.

The fourth benefit is that Kentucky can be a leader and set an example for other low cost electricity states that are driven by coal fired plants. Kentucky can show that renewable energy sources and energy efficiency programs can both expand while protecting the state's most vulnerable citizens.

9. Would existing programs and resources offer enough protections and safeguards for low income households?

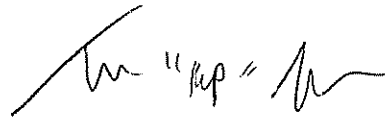
Unfortunately not. One of the things that the 23 Community Action Agencies have seen this year is the significant need for energy assistance dollars and energy conservation dollars, even though Kentucky has among the cheapest residential electricity prices in the country. For the first time in over 15 years every Community Action Agency in the state expended 100% of their LIHEAP funds before the end of February. More than 50% of the agencies in the state were closed by the first week of February. There are a number of factors driving this. The first is that gasoline costs have increased dramatically. This has also had the effect of significantly increasing grocery costs and other consumer goods for low income households. Many agencies reported this winter that they have seen more new households sign up for LIHEAP assistance than ever before. These were households that were barely getting by previously, but with the significant

increase in gas prices and other consumer goods, they are no longer able to make ends meet. Given the significant difficulties low income households are having making ends meet now, anything that will increase the price of residential electricity in Kentucky will be devastating to low income ratepayers. There will have to be an increase in the resources to help low income people maintain their utility service if this happens.

Furthermore, there is a high prevalence of poverty in Kentucky. LIHEAP does not reach 100% of the eligible population. According to the 2000 census over 15% of Kentucky's population, more than 600,000 people, were below the federal poverty level. According to 2003 Census estimates, that percentage increased to 16%, which would increase the poverty population in Kentucky to approximately 640,000. Using an average household size of 2.2, approximately 300,000 households are below the federal poverty guidelines in Kentucky according to the 2003 Census estimates. Keeping in mind that LIHEAP serves households only to 130% of the federal poverty level, there are tens of thousands of eligible, yet unserved households in Kentucky.

10. Does this end your direct testimony?

Yes



THOMAS "KIP" BOWMAR



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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing document has been served on the following persons by United States mail:

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on this the 29th day of February, 2008.



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