

income customers. Community Action Council is a low-income advocacy organization.

3. Please describe the organization of the Community Action Council and give brief description of its activities.

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

There are approximately 250 employees operating and administering the Council=s main programs and services including:

self-sufficiency

child development

homeless programs

volunteer programs

youth development

transportation services

clothing banks

housing

energy assistance and conservation programs

emergency assistance

community outreach and referrals.

Although the Council=s core service territory includes Lexington-Fayette, Bourbon, Harrison and Nicholas counties, the Council also provides services in other counties and statewide. For example, the Council staffs the WinterCare Energy Fund providing services across most of the state; child development services extend into Scott County; and the Retired and Senior Volunteer Program extends into Jessamine County.

The Council is uniquely positioned to serve low-income populations with energy and utility related problems as staff has extensive contact with and knowledge of this population. Additionally, Council staff is able to help participants access other Council assistance programs and other community resources to address the multiple obstacles and barriers that most low-income households face. This comprehensive approach provides greater stability and self-sufficiency to these households, supporting a family=s ability to afford necessities such as utility service.

4. Please describe in more detail the energy and utility assistance activities in which the Community Action Council is currently involved.

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

Since 1978, the Council has operated a Weatherization Assistance Program designed to help low-income individuals and families conserve energy. Weatherization services include caulking, weather-stripping, replacement of thresholds and door sweeps,

re-glazing windows and replacing broken glass, outside wall repair, minor roof repair, attic insulating, repairing and replacing skirting around the foundation, under-floor insulation including wrapping pipes and insulating heat ducts, venting the attic and crawl spaces, and repairing or replacing heating equipment and venting system.

The Council currently administers a utility funded energy subsidy program serving approximately 850 low-income households in partnership with Columbia Gas of Kentucky and the network of community action agencies serving the Columbia Gas service territory.

In collaboration with Kentucky Utilities, the Council coordinates services for the WeCare program. The program is funded by Kentucky Utilities and provides home weatherization services for low income KU customers.

Additionally, the Council's Summer Cooling program served 46 seriously ill and disabled Kentucky Utilities customers in 2003 with the provision and installation of air conditioners.

During the past year, the Council has been granted funding to pursue a demand side management program through the Department of Health and Human Services, Office for Community Services, called REACH (Residential Energy Assistance Challenge). Since 2000, the Council has operated the Water for Life program that is funded by Kentucky American Water Company and its customers.

In the near future, pending approval from the Kentucky Public Service Commission, the Council will coordinate a low income energy assistance subsidy program funded by Kentucky Utilities. The program is a result of the recent Kentucky Utilities rate case before the Commission.

5. Please describe the low-income population in the Kentucky American Water

Company service territory.

Based on 2000 Census data, the following chart provides poverty status by county for the Kentucky American Water Company service counties.

County	Population	Persons in Poverty	Poverty Rate
Bourbon County	19,360	2,670	13.79%
Clark County	33,144	3,476	10.49%
Harrison County	17,983	2,115	11.76%
Fayette County	260,512	31,963	12.27%
Scott County	33,061	2,764	8.36%
Woodford County	23,208	1,661	7.16%
Tri-Village and Elk Lake regions (Owen, Grant and Gallatin counties)	40,050	5,080	12.56%
Total	427,718	49,729	12.11%

The following table provides a projection of low-income Kentucky American Water Company customers based on the number of residential meters and the poverty rates for each county(ies).

County	Number of Residential Meters	Poverty Rate	Projected Number of Low-Income Residential Customers
Bourbon County	717	13.79%	99
Clark County	1,349	10.49%	141
Harrison County	92	11.76%	11

Fayette County	90,689	12.27%	11,127
Scott County	3,379	8.36%	282
Woodford County	193	7.16%	14
Tri-Village and Elk Lake regions (Owen, Grant and Gallatin counties)	2,155	12.56%	271
Total	98,574	12.11%	11,945

Census Data for 2000 indicates that there are approximately 11,945 KAWC customers in poverty throughout its service territory.

The percent of KAWC customers who are in poverty, according to these estimates, is at least 12.11% of the total customer base of 98,574.

The Census Bureau uses income and family size as the basis for determining poverty. Poverty and need affordability is an economic equation of income versus basic needs of a family depending on the size of a family. Families in poverty, based on the limits of their income, cannot meet their basic needs.

According to the Council's data on the Water for Life program, 122 families applied for Water for Life from July 1, 2003 through June 30, 2004. The Council was able to assist 87 families with an average benefit of \$65.76. For families that applied and were not assisted due to fund limitation, the average need at application was \$67.85. 35 families applied for assistance, but were unable to be served at the time of application due to fund limitations.

This data effectively illustrates the utility affordability aspect of the economic equation for low-income families who cannot meet basic needs. For a senior citizen on a fixed income, utility service is not only a basic need, it is a survival need. This does not

include an assessment of other basic needs that household requires like food, shelter, medication, among others. The stress of these demands stretches a family=s resources beyond what it can sustain. This information is based on data at the current KAWC rates, with a rate increase, the affordability gap will further widen.

6. Please describe how the proposed rate and fee increases will affect low-income people.

Using the 2000 Census as a basis for estimating the number of low-income KAWC customers as described above, the impact is estimated to be approximately an additional \$472,035 out of the already insufficient incomes of low-income customers.

Low-Income Customers	Total Customers	% Low-Income	Proposed Residential Revenue Increase	Impact on Low-Income
11,945	98,574	12.11%	\$3,897,902	\$472,035

If the utility affordability gap continues to widen as a result of the outcome of this case, families will be forced to make choices about which basic needs they will attempt to satisfy. Families have to do this now at current rates. With a rate increase, the magnitude of having to negotiate basic needs will increase. The stress of stretching resources will continue to act as a barrier to increasing opportunity and reaching self-sufficiency. For those who have made strides in increasing their incomes, they will have to step backwards.

The rate increase is not the only issue that surfaces as a result of this case for low-income people. The \$24 reactivation fee is also a major affordability issue for low-

income people. For those on limited incomes, disconnect/reconnect is always a reality in the fine balancing act of utility affordability. Circumstances present themselves that might have the customer making a choice that results in an unpaid bill. Some may experience having to wait for back income to roll in. Others may have had some recent medical procedures or medications and the choice had to be made over which bill could be paid. The former situation is common among the elderly.

7. What do you propose the solution in this case?

Consistent with KAWC filing, the Council supports the company=s proposed 25% discount for low-income households. Providing this discount helps create a safety net to bridge affordability gaps experienced by low-income families.

8. Please describe how utility initiatives help low-income people and the utility company.

Utility assistance initiatives provide a safety net for the low-income customer and help close the affordability gap. The safety net helps keep vital utility service turned on and makes it more affordable to the low-income customer. Utility assistance programs help companies experience less bad debt write offs and save on the costs associated with disconnects and reconnects.

9. Is Community Action Council experienced in helping to determine eligibility and provide enrollment for utility assistance initiatives either currently or in the past? Please describe.

The Council has provided intake and disbursement for the KAWC Water for Life program since 2000.

The Columbia Gas of Kentucky Customer Assistance Program was initiated by Columbia Gas of Kentucky in 1995 out of a collaborative effort of the Attorney General, Lexington-Fayette Urban County Government, Kentucky Legal Services, and Community Action Council. The purpose was to offer low-income gas customers an affordable gas utility bill payment based on their incomes. The Council worked closely with Columbia Gas to design and implement the program with the best interests of the persons who would be served in mind. The Council has operated the program at capacity since its inception. In 2003, as part of the Columbia Gas of Kentucky rate case, the number of beneficiaries was increased and the program expanded to the entire Columbia Gas service territory. The Council played a significant part in the re-design of the model that was developed, and is implementing the program for Columbia Gas.

In 2004, the Public Service Commission provisionally approved the development of a final proposal for a Kentucky Utilities Customer Assistance Program that would operate similarly to the Columbia Gas program throughout the KU service territory. The Council has been involved in the development of the filed proposal currently under review.

10. Is the actual utility discount the only benefit of a utility assistance program?

No, but when a program is established in strong collaboration with a comprehensive service delivery system the benefits are expanded. Once enrolled in the program, customers have access to a wide-variety of both short and long-term service programs that help them strive toward self-sufficiency. Staff is able to help participants access other assistance programs as well as other community resources to address the multiple obstacles and barriers that most low income households face. This comprehensive approach is intended to provide greater stability and self-sufficiency to

these households, promoting more consistency in utility payments.

11. Is it KAWC=s responsibility to contribute to impacting the lives of low-income people for the positive?

As a public utility, KAWC has an obligation to its low-income customers.

KAWC is the only choice for water service. Customers cannot shop around for a better deal.

12. How could a KAWC low income discount initiative work?

The Council would provide intake and screening for potential customers of the program. Income guidelines would determine eligibility. Enrollment in the program would be done in the Council=s automated database (IRIS) and information exchanged with KAWC for the discounts to be applied to approved customers. Customers would be income re-verified annually for the program.

It is also particularly important to be able to continue the Water for Life program. This program could be transitioned to provide assistance to help pay reactivation fees for low-income households whose service is discontinued.

13. Is there any evidence that this type of program could be successful?

At the end of March 1999, a third party evaluation of the pilot of the Columbia Gas Energy Assistance Program was completed. Following is a summary of those findings for the first three years of the program:

People Served B average of 484 customers enrolled each month; average monthly incomes were approximately 60% of the federal poverty level.
Shutoffs Avoided B it is estimate that the EAP program resulted in 738 fewer shutoff orders executed during year 3 of the pilot.

More Consistent Payment B approximately 83% of EAP customers had arrearages in the year prior to the EAP program, by the third year this number decreased to approximately 10%.

Energy Use B no significant increases in energy use were reported, compared to the pre-EAP period; all participants were referred for weatherization services.

Affordability B gas bills approximately 12% of monthly income in the pre-EAP period, reduced to 5.5% with monthly EAP payments.

14. **In summary, please state your position regarding KAWC proposal for increases to rates and reactivations fees for water service.**

The rate and fee increases, themselves are too high and will significantly impact the ability of low-income customers to pay for essential service. The proposed low-income discount and continuation of the Water for Life program should mitigate the proposed increases.

15. **Does this conclude your direct testimony?**

Yes

/s/ Joe F. Childers
JOE F. CHILDERS
201 W. Short Street
Suite 310
Lexington, KY. 40507
(859) 253-9824

**ATTORNEY FOR COMMUNITY
ACTION COUNCIL FOR
LEXINGTON-FAYETTE,
BOURBON, HARRISON AND
NICHOLAS COUNTIES, INC.**

CERTIFICATE OF SERVICE

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

Coleman D. Bush
Director Business Development
Kentucky-American Water Co.
2300 Richmond Road
Lexington, KY 40502

Roy L. Ferrell
W.Va.-American Water Co.
1600 Pennsylvania Avenue
Charleston, WV 25302

Lindsey W. Ingram, III, Esq.
Stoll, Keenon & Park
300 W. Vine Street
Suite 2100
Lexington, KY 40507

Lindsey W. Ingram, Jr., Esq.
Stoll, Keenon & Park
300 W. Vine Street
Suite 2100
Lexington, KY 40507

Michael A. Miller
W.Va.-American Water Co.
1600 Pennsylvania Avenue
Charleston, WV 25302

Roy W. Mundy, II
Kentucky-American Water Co.
2300 Richmond Road
Lexington, KY 40502

David Spenard, Esq.
Dennis G. Howard, II, Esq.
Assistant Attorney General
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

David J. Barberie, Esq.
Leslye M. Bowman, Esq., Director of Litigation
Lexington-Fayette Urban Co. Government

Department of Law
200 East Main Street
Lexington, KY 40507

on this the 27th day of August, 2004.

JOE F. CHILDERS

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

AN ADJUSTMENT OF THE)
RATES OF KENTUCKY-) CASE NO. 2004-00103
AMERICAN WATER COMPANY)

**AFFIDAVIT IN SUPPORT OF THE
TESTIMONY OF JACK E. BURCH ON BEHALF OF CAC**

COMMONWEALTH OF KENTUCKY)
COUNTY OF FAYETTE)

Comes the Affiant, Jack E. Burch, after being duly sworn, and hereby states as follows:

1. I prepared written testimony in this action.
2. I have reviewed the testimony attached to this affidavit and the attached testimony is my testimony in this action.
3. I adopt and incorporate herein all of the attached testimony as my own.

FURTHER AFFIANT SAITH NOT.

/s/ Jack E. Burch
JACK E. BURCH

COMMONWEALTH OF KENTUCKY)
COUNTY OF FAYETTE)

Subscribed and sworn to before me by Jack E. Burch on this the 27th day of August, 2004.

My commission expires: June 25, 2005

/s/ Maureen B. Able
NOTARY PUBLIC, STATE AT LARGE