

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC)	
COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC)	CASE NO.
AND GAS RATES, A CERTIFICATE OF PUBLIC)	2012-00222
CONVENIENCE AND NECESSITY, APPROVAL OF)	
OWNERSHIP OF GAS SERVICE LINES AND RISERS,)	
AND A GAS LINE SURCHARGE)	

TESTIMONY OF
MARLON CUMMINGS

ASSOCIATION OF
COMMUNITY MINISTRIES, INC.

ON BEHALF OF
ASSOCIATION OF COMMUNITY MINISTRIES, INC.

Filed: October 3, 2012

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

2 **A.** My name is Marlon Cummings and I am Treasurer of the Board of Directors of the
3 Association of Community Ministries (“ACM”). I have been appointed by the Board to
4 represent ACM on all low-income utility issues. My business address is P.O. Box 99545,
5 Louisville, Kentucky 40269.

6 **Q. Describe your employment and educational background.**

7 **A.** Currently and for the past 17 years I have been Executive Director of Jeffersontown
8 Area Ministries, which is one of the member agencies of ACM and which provides
9 emergency utility and rental assistance and a variety of other social services to residents
10 in the Jeffersontown area. I have been on the Board of Directors of ACM since 1994. I
11 served the Jeffersontown Christian Church (Disciples of Christ), from 1985 until 1996, as
12 the Family and Youth Minister. I have a Bachelor of Arts in Business from Bellarmine
13 University and received my Minister’s license from the Kentucky Region of the Christian
14 Church (Disciples of Christ) in conjunction with the Lexington Theological Seminary.

15 **Q. Have you previously testified before the Commission?**

16 **A.** Yes, I filed testimony in the last two LG&E base rate cases, Case No. 2009-00549, *In*
17 *the Matter of Application of Louisville Gas and Electric Company for an Adjustment of*
18 *Electric and Gas Base Rates* on behalf of ACM and in Case No. 2008-00252, *In the*
19 *Matter of Application of Louisville Gas and Electric Company for an Adjustment of its*
20 *Electric and Gas Base Rates* on behalf of ACM and POWER. I have also filed testimony
21 in the following matters: Case No. 2011-00134, *Joint Application of Louisville Gas &*
22 *Electric Company and Kentucky Utilities Company for Review, Modification, and*
23 *Continuation of Existing, and Addition of New, Demand-Side Management and Energy-*

1 *Efficiency Programs*; Case No. 2010-00204, *In the Matter of Joint Application of PPL*
2 *Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and*
3 *Electric Company and Kentucky Utilities Company for Approval of an Acquisition of*
4 *Ownership and Control of Utilities*; Case No. 2010-00146, *An Investigation of Natural Gas*
5 *Retail Competition Programs*; Case No. 2006-00045, *In The Matter Of: Consideration of*
6 *the Requirements of the Federal Energy Policy Act of 2005 Regarding Time-based*
7 *Metering, Demand Response and Interconnection Service* and in Case No. 2007-00477,
8 *In the Matter of: An Investigation of the Energy and Regulatory Issues in Section 50 of*
9 *Kentucky's 2007 Energy Act.*

10 **What is the purpose of your testimony?**

11 A. I offer this testimony to state ACM's opposition to the electric and gas increases for
12 residential customers proposed by LG&E and to provide the Public Service Commission
13 with information about the needs of low income customers and the impact of the
14 proposed rate increases and gas line tracker on such customers.

15 **Q. Please describe ACM.**

16 A. ACM is a Kentucky 501(c)(3) nonprofit corporation and its membership is comprised
17 of 15 independent community ministries that provide various social services to the
18 Louisville Metro area. The common mission for all 15 members is to provide an
19 emergency assistance network in partnership with the Louisville Metro Government,
20 local congregations, and other businesses and organizations. Each Ministry serves a
21 specific geographical area to ensure that all of Louisville Metro is covered under the
22 umbrella of the ACM. Among the social services provided by ACM members are utility
23 assistance programs.

1 **Q. Describe ACM's activities with respect to helping utility customers in need.**

2 **A.** Our member agencies provide utility assistance to low-income persons year round. To
3 qualify for service, clients must live in the agency's service area and be in threat of
4 disconnection of service. Our agencies help clients negotiate payment plans with the
5 utility companies when they fall behind, and provide limited financial assistance to help
6 them avoid utility disconnections. The agencies raise funds for utility assistance from a
7 variety of sources including donations, local governments grants and the matching
8 program described below. These agencies also distribute Community Winterhelp funds
9 from January through April each year.

10 **Q. How do ACM agencies work with LG&E to help low income utility customers?**

11 **A.** ACM is one of the joint applicants for the current Louisville Gas & Electric Company
12 Home Energy Assistance Program. ACM participates on a regular basis in the LG&E
13 and KU Customer Commitment Advisory Forum and Energy Efficiency Advisory Group.
14 ACM also raises significant funds to assist low income customers, and has developed a
15 successful Utility Match program. Pursuant to the settlement reached in the last base rate
16 case, starting in 2010 and each year thereafter ACM has raised \$112,500 to assist clients
17 to pay their LG&E bills. These amounts were matched two to one by LG&E for a total
18 of \$337,500 in assistance each year. LG&E agreed to continue its matching contribution
19 to the ACM Utility Match program through 2014 as part of the PPL Corporation change
20 of control proceeding.

21 In addition to raising funds for utility assistance, ACM agencies dedicate a
22 significant portion of their staff resources to administering these funds. The ministries do
23 not receive any funds for administration of the emergency assistance funds they

1 distribute. Most ministry emergency assistance programs have limited staff and are only
2 able to be open for a few hours per day. Despite these limitations, during the 2011-2012
3 fiscal year, ACM agencies helped 6,400 LG&E customers maintain service by paying
4 over \$779,000 in funds to LG&E.

5 **Q. Please describe in more detail the typical assistance that ACM agencies provide**
6 **to clients requesting utility assistance.**

7 A. We provide financial assistance to clients to help them to maintain service for thirty
8 days. The amount of assistance depends on the quote that is given by LG&E that will
9 provide the client with thirty days of service.

10 **Q. Is the assistance you provide sufficient to help low income clients meet their**
11 **energy needs?**

12 A. Unfortunately, our clients' utility bills are often greater than we can cover with limited
13 assistance. First, we only pay half of the total amount LG&E requires in order to
14 maintain the client's service for thirty days. It is up to the client to find other means to
15 pay the remaining balance. When other assistance is available, we refer clients to those
16 community resources such as LIHEAP. Because we want to make some assistance
17 available to the greatest number of clients, there are limits on the number of times a client
18 can come to a particular agency for assistance.

19

1 **Q. Based upon your experience and that of other ACM member agencies, are all**
2 **low-income LG&E customers who cannot afford to pay their energy bills able to**
3 **obtain third-party assistance, whether from an ACM member, the LIHEAP**
4 **program or elsewhere?**

5 **A.** No. Historically need has outstripped community resources, and that trend
6 continues. Many people who are in danger of losing their utilities therefore go without
7 help. The data provided to ACM in response to its First Request for Information,
8 Question No 11 shows that third party assistance payments to LG&E customers have
9 been declining recently. In calendar year 2010 total third party assistance was
10 \$9,026,242.11. In calendar year 2011, assistance totaled \$8,306,061.92, a decrease of
11 \$720,180.19. When assistance payments made during the first six months of years 2010
12 through 2012 are compared, it appears that this trend is continuing:

13	January - June 2010	\$6,432,922.57
14	January – June 2011	\$5,831,284.35
15	January – June 2012	\$5,067,703.13

16 **Q. What are some of the indicators of need that the Public Service Commission**
17 **should be aware of as it considers the proposed rate increases?**

18 **A.** First, the poverty rate has gone up significantly in Jefferson County in recent years.
19 According to the U.S. Census Bureau’s Small Area Income and Poverty Estimates
20 (“SAIPE”), which are available at
21 <http://www.census.gov/did/www/saipe/data/statecounty/index.html>, in 2010 Jefferson
22 County’s poverty rate was 17.3%. This is an increase from the 2008 rate of 14.6% and
23 from the 2000 rate of 10.5%. The poverty rate for Kentucky as a whole has also increased

1 dramatically over this time, from 13.9% in 2000 to 17.3% in 2008 and 18.9% in 2010.
2 The unemployment rate remains high at, according to the U.S. Department of Labor
3 Bureau of Labor Statistics, 8.3% for the Louisville metropolitan area (data available at
4 <http://www.bls.gov/web/metro/laulrgma.htm>) and 8.5% for Kentucky as a whole (data
5 available at <http://www.bls.gov/web/laus/laumstrk.htm>).

6 **Q. What are the income levels of some of the low income individuals that ACM**
7 **agencies interact with?**

8 A. Income levels and sources vary, of course, as do the sizes of clients' households and
9 families. One example of income levels would be individuals who receive federal
10 Supplemental Security Income (SSI) benefits. This is a poverty program for the eligible
11 elderly and younger people who have disabilities that preclude substantial gainful
12 employment. Currently, the monthly cash benefit is \$698 for an individual and \$1,048
13 for a couple (assuming both partners are eligible).¹ Another example would be the
14 individuals we interact with who are eligible for LIHEAP assistance, which is limited to
15 those with income at or below 130% of the federal poverty level. Using the 2012 U.S.
16 Department of Health and Human Services Poverty Guidelines,² for a family of four this
17 means a maximum annual income of \$29,965, or \$2,497 per month. For a parent and
18 child (or other two-person family), 130% of poverty means a maximum income of
19 \$19,669 annually, or \$1,639 per month. For those living alone, the maximum annual
20 income is \$14,521, or \$1,210 per month.

¹ See <http://www.ssa.gov/oact/cola/SSI.html>.

² Available at <http://aspe.hhs.gov/poverty/12poverty.shtml#guidelines>.

1 The ministries of course also see clients with incomes below 100% of the federal
2 poverty guidelines, which for 2012 are \$23,050 annually, or \$1,921 per month, for a
3 family of four; \$15,130 annually, or \$1,261 monthly, for a family of two; and \$11,170
4 annually, or \$931 monthly, for a single individual.

5 All of these levels are well below the 2010 median annual income for Jefferson
6 County of \$42,535, set out in SAIPE, which yields \$3,545 per month.

7 **Q. Do you have clients among the working poor?**

8 **A.** Most definitely. Working full time at the minimum wage, which is currently \$7.25
9 per hour yields, an annual gross income of \$15,080 or just above the 130 % of poverty
10 level for a single person. Many of our clients have seen their hours reduced or have been
11 laid off and thus are struggling to manage household expenses on a reduced income.

12 **Q. What kind of problems do ACM agencies see clients at the above income levels
13 experiencing?**

14 **A.** Simply put, we see many people who cannot afford the basics of life, including rent,
15 utilities and food. It is very difficult to support a family on an income at or below 130%
16 of poverty.

17 **Q. What are some of your concerns with the proposed base rate increases and gas
18 line tracker?**

19 **A.** The monthly impact of the base rate increases and the gas line tracker on the average
20 gas and electric customer over the next five years would be significant:

21

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
22 Avg. Electric	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25
23 Avg. Gas	\$3.42	\$3.42	\$3.42	\$3.42	\$3.42
24 Gas Line Tracker	\$2.35	\$3.35	\$4.69	\$6.08	\$6.76
25 <hr/>					
26 Total	\$13.02	\$14.02	\$15.36	\$16.75	\$17.43

1 Furthermore, the combined impact of the proposed rate increases, the gas line tracker and
2 the environmental and DSM surcharges recently approved by the Commission³ would
3 increase bills dramatically at a time when, according to LG&E's data, disconnections for
4 nonpayment are already increasing dramatically. For example, as further detailed in
5 Exhibits 1 and 2 to my testimony, the projected bill impact of the proposed base rate
6 increases and gas line tracker and the approved environmental and DSM surcharges for
7 an average combined gas and electric customer would be \$26.45 monthly, or \$317.40 for
8 the year, in 2013, and \$32.03 monthly, or \$384.36 for the year, in 2014. In 2015 and
9 2016 the impact would be, respectively, \$29.59 monthly and \$355.08 for the year, and
10 \$32.35 monthly and \$388.20 for the year, plus DSM surcharges, which LG&E has not yet
11 projected beyond 2014. These are extremely large sums of money for people living at the
12 income levels of community ministry clients.

13 **Q. In addition to the bill impact, do you have any concerns about LG&E's proposal**
14 **to replace and assume ownership of gas risers, and to impose a gas line surcharge?**

15 **A.** The gas line tracker charge is particularly unfair to the many low income residents
16 who are renters. Maintenance of the gas line riser and service lines has historically been
17 the responsibility of the property owner. The expense of maintaining and repairing such
18 equipment is one of the many expenses of owning investment property and such expenses
19 are routinely deductible for a property owner on his or her taxes. Under LG&E's
20 proposal, customers who rent and who currently have no responsibility should repairs

³ See Case No. 2011-00162, *Application of Louisville Gas and Electric Company for a Certificate of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge*, and Case No. 2011-00134, *Joint Application of Louisville Gas & Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Existing, and Addition of New, Demand-Side Management and Energy-Efficiency Programs*.

1 need to be made will be subsidizing the maintenance of these components. This hardly
2 seems fair, just or reasonable.

3 **Q. Please elaborate on your earlier reference to a dramatic increase in**
4 **disconnections for nonpayment.**

5 **A.** In response to Question Number 8 of ACM’s First Request for Information, LG&E
6 provided us with copies of the reports it files with the PSC summarizing the numbers of
7 disconnections for nonpayment of residential gas and electric customers. According to
8 these reports, the following increases occurred:

9 Electric customers disconnected

10 2009 -2010 48,831

11 2010-2011 61,041

12 2011-2012 62,088

13 Gas customers disconnected

14 2009-2010 994

15 2010-2011 1,539

16 2011-2012 2,718

17 Disconnections are always a matter of concern and these increases are particularly
18 worrisome. In light of the mild winter we had we would not expect such high numbers
19 for 2011-2012. Further, if the trend at current rates is that more customers are being
20 disconnected, we can only expect to see these numbers continue to rise with higher rates
21 and escalating surcharges.

22

1 **Q. Do you have any other concerns regarding the impact of these increases on low-**
2 **income customers?**

3 **A.** I am concerned that funds for energy assistance will plummet as energy bills rise.
4 According to LG&E's response to ACM's First Request for Information No. 19, the
5 Company has no plans to mitigate the impact of its proposed base rate increases and gas
6 line tracker beyond the specific commitments discussed in the Testimony of Chris
7 Hermann, made in settlement of prior cases before the Commission.⁴ All of those
8 commitments will have ended by September, 2015, and some well before then. LG&E
9 funding for the ACM Utility Match program, to a maximum of \$225,000 per year, is
10 slated to end in July 2014. The 15 cents-per-meter charge that funds the HEA program
11 will expire September 30, 2015; the additional 1-cent per meter charge to which LG&E
12 agreed as part of the settlement in the environmental surcharge case will end unless
13 extended as part of this base rate case. LG&E's shareholder match of customer
14 contributions to HEA programs, up to \$300,000/year combined for LG&E and KU,
15 extends only through February 6, 2015. No further shareholder contributions are due
16 under the terms of the settlement in the environmental surcharge case.

⁴ See Case No. 2009-00549, *In the Matter of Application of Louisville Gas and Electric Company, Inc. for an Adjustment of Electric and Gas Base Rates*; Case No. 2010-00204, *In the Matter of Joint Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities*; and Case No. 2011-00162, *In the Matter of: The Application of Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Approval of Its 2011 Compliance Plan for Recovery by Environmental Surcharge*.

1 **Q. Would ACM be in favor of extending these assistance commitments that will**
2 **expire?**

3 **A.** Yes. Now is not the time for assistance dollars to be cut, further reducing the amount
4 of third party funds available to help low income members of the community maintain
5 utility service. If disconnections are on the rise, even with these various assistance
6 programs in place, I would be very concerned to see what would happen if funds were
7 reduced.

8 **Q. What are ACM's recommendations to the Commission in this case?**

9 **A.** We urge the Commission to only grant the rate increases if and to the degree
10 absolutely necessary and to keep in mind the very real needs of low income utility
11 customers, including over 64,000 customers who were disconnected over the past year
12 and those who are without power today because of their inability to afford utility service.

13 Second, we recommend that the Commission deny LG&E's proposal to assume
14 ownership of the gas line risers and service lines and the gas line tracker surcharge. If the
15 Commission believes such proposals have merit, then we would ask the Commission to
16 consider allowing an exemption for renters.

17 Third, we would ask the Commission to encourage LG&E to continue and expand
18 its commitments to assist its most vulnerable customers through financial support of
19 utility assistance programs.

20 **Q. Does this conclude your testimony?**

21 **A.** Yes.

**Cumulative Projected Monthly Bill Impacts
 Combined Gas and Electric Customers
 1,010 kwh/month
 57 ccf/month**

	2013	2014	2015	2016
Requested electric base rate increase	\$7.25	\$7.25	\$7.25	\$7.25
Requested gas base rate increase	\$3.42	\$3.42	\$3.42	\$3.42
Requested gas line tracker	\$2.35	\$3.35	\$4.69	\$6.08
Subtotal Case No. 2012-00222 requests	\$13.02	\$14.02	\$15.36	\$16.75
Environmental surcharge ¹	\$5.17	\$8.40	\$14.23	\$15.60
DSM electric surcharge ²	\$5.34	\$6.13	unknown ³	unknown
DSM gas surcharge ⁴	\$2.92	\$3.48	unknown	unknown
Total monthly bill impact	\$26.45	\$32.03	\$29.59 + DSM	\$32.35+DSM
Total annual impact	\$317.40	\$384.36	\$355.08+DSM	\$388.20+DSM

¹ As approved in Case No. 2011-00162 and projected by LG&E. Based on 1,000 kwh/month. See Response to ACM-1 Question 18(d) and Response to ACM-2 Question 12.

² As approved in Case No. 2011-00134 and projected by LG&E. See Response to ACM-2 Question 13.

³ LG&E has not projected DSM electric or gas charges beyond 2014. See Response to ACM-1 Question 18(e).

⁴ As approved in Case No. 2011-00134 and projected by LG&E. See Response to ACM-2 Question 13.

**Cumulative Projected Monthly Bill Impacts
 Electric Only Customers
 1,010 kwh/month**

	2013	2014	2015	2016
Requested electric base rate increase	\$7.25	\$7.25	\$7.25	\$7.25
Environmental surcharge ¹	\$5.17	\$8.40	\$14.23	\$15.60
DSM ²	\$5.34	\$6.13	unknown ³	unknown
Total monthly bill impact	\$17.76	\$21.78	\$21.48+DSM	\$22.85+DSM
Total annual impact	\$213.12	\$261.36	\$257.76+DSM	\$274.20+DSM

¹ As approved in Case No. 2011-00162 and projected by LG&E. Based on 1,000 kwh/month. See Response to ACM-1 Question 18(d) and Response to ACM-2 Question 12.

² As approved in Case No. 2011-00134 and projected by LG&E. See Response to ACM-2 Question 13.

³ LG&E has not projected DSM charges beyond 2014. See Response to ACM-1 Question 18(e).

CERTIFICATE OF COMPLIANCE

In accordance with Ordering Paragraph No. 10 of the Commission's June 22, 2012 Order, I hereby certify that Association of Community Ministries, Inc.'s October 3, 2012 filing of the foregoing Testimony of Marlon Cummings is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on October 3, 2012; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original and one copy in paper medium are being mailed to the Commission on October 3, 2012.



Eileen Ordovery
Counsel for ACM