COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

JOINT APPLICATION OF LOUISVILLE GAS AND	**)**	
ELECTRIC COMPANY AND KENTUCKY UTILITIES	**)**	**CASE NO.**
COMPANY FOR REVIEW, MODIFICATION, AND	**)**	**2014-00003**
CONTINUATION OF EXISTING, AND ADDITION	**)**	
OF NEW, DEMAND-SIDE MANAGEMENT AND	**)**	
ENERGY-EFFICIENCY PROGRAMS	**)**	

<u>POST-HEARING BRIEF OF ASSOCIATION OF COMMUNITY MINISTRIES, INC.</u>

Respectfully submitted,

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INTRODUCTION

This case involves the Joint Application of Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, the "Companies") for Review, Modification and Continuation of Existing, and Addition of New, Demand-Side Management and Energy-Efficiency Programs.

The Companies filed their Joint Application on January 17, 2014 pursuant to KRS 278.285 requesting the Kentucky Public Service Commission ("Commission") to issue an Order approving the proposed 2015-2018 Demand-Side Management and Energy Efficiency Program Plan ("Proposed DSM/EE Plan") and the proposed DSM cost recovery tariffs. Several parties moved to intervene in the proceeding and the Commission granted full intervention to: the Kentucky Attorney General, by and through his Office of Rate Intervention ("AG"); the Association of Community Ministries, Inc. ("ACM"); the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. ("CAC"); the Kentucky Industrial Utility Customers, Inc. ("KIUC"); the Metropolitan Housing Coalition, Inc. ("MHC"); Wallace McMullen and the Sierra Club (collectively, "Sierra Club"); Wal-Mart Stores East, LP and Sam's East, Inc. (collectively "Wal-Mart").

ACM moved to intervene in this case based on its interest as an assistance provider and advocate for low income utility customers in the LG&E service territory.[1] Through participation in this proceeding, ACM has sought to assist the Commission in its review by developing issues relating to how the Proposed DSM/EE Plan may affect low income customers in the LG&E service territory. Toward this end, ACM submitted two sets of data requests to the Companies, pre-filed Direct Testimony of Marlon Cummings ("Cummings"), attended the informal

[1] Motion to Intervene of ACM at 1.

conference and public hearing and hereby submits this Post-Hearing Brief. ACM has focused on issues and proposed programs most directly affecting low income residential customers, and therefore does not address issues relating to other customer classes in this Brief.

ACM urges the Commission to approve the proposed enhancements to the Residential Conservation/Home Energy Performance Program subject to the requirement that the Companies track and report on efforts to market such program so as to maximally benefit low income customers, including tracking indicators of participation by low income populations; to condition approval of the proposed additional funding for the Residential Incentives Program on the requirement that the Companies work to devise ways to increase low income participation and track their progress; and to deny approval of the Companies' Advanced Metering Systems proposal.

ARGUMENT

I. THE POTENTIAL FOR DSM/EE PROGRAMS TO HELP LOW INCOME CUSTOMERS REDUCE ENERGY USAGE AND COSTS SHOULD BE MAXIMIZED BY THE COMPANIES AND ENCOURAGED BY THE COMMISSION

A. GIVEN INCREASING DSM/EE CHARGES AND ESCALATING UTILITY COSTS, LOW INCOME CUSTOMERS NEED MEANINGFUL ACCESS TO THE ENERGY-SAVING BENEFITS OF DSM/EE PROGRAMS

DSM/EE charges have increased markedly since the Companies filed the previous DSM/EE Application in 2011.[2] Indeed, upon approval of the current application as proposed, residential DSM/EE charges for LG&E customers would be double what they were three years ago.

[2] Case No. 2011-00134, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification and Continuation of Existing, and Addition of New, Demand-Side Management and Energy-Efficiency Programs.

As of the filing of the 2011 Application, the Companies stated that the then-current DSM/EE charges were as set forth in the following chart:[3]

Case No. 2011-00134 Current Monthly DSM/EE charges

	LG&E	KU
Electric customers 1,000 kWh/month	$2.00	$2.17
Gas Customers 70 ccf/month	$1.23	

In this proceeding, the Companies have stated the current DSM/EE charges are as follows:[4]

Case No. 2014-00003 Current Monthly DSM/EE charges

	LG&E	KU
Electric customers 1,000 kWh/month	$4.39	$3.49
Gas Customers 70 ccf/month	$1.50	

The Companies project that the Proposed DSM/EE Plan will cause an increase in the monthly DSM/EE charges by 29 cents for electric customers and by 22 cents for gas customers. When these increases are added to the current DSM/EE charges, the Companies project the following monthly bill impacts:[5]

Case No. 2014-00003 Projected Monthly DSM/EE charges

	LG&E	KU
Electric customers 1,000 kWh/month	$4.68	$3.78
Gas Customers 70 ccf/month	$1.72	

[3] Case No. 2011-00134, Michael E. Hornung Direct Testimony at 14-15.

[4] Hornung Testimony at 14-15.

[5] Hornung Testimony at 14-15.

This projected increase will result in a monthly DSM charge for a combined LG&E customer of $6.40, almost double what it was just three years ago ($3.23). The electric-only charge will have more than doubled, rising from $2.00 to $4.68 for an increase of 134%.

ACM witness Marlon Cummings noted that "[i]ncreasing DSM/EE charges add to rising utility costs overall, which are already unaffordable for many low income customers."[6] The DSM/EE charge is just one small part of the average customer's utility bill, which has been steadily increasing as shown in the 15 year cost comparison chart included in the Direct Testimony of MHC witness Cathy Hinko.[7] These higher costs have a greater impact on low income households, which spend a greater percentage of their total income on electricity than do average households.[8] As a result, ACM agencies often serve clients with high utility bills for whom assistance funds are not sufficient to maintain service in the long run.[9]

Energy efficiency is an important tool for assistance agencies to help such clients maintain service by reducing bills, and ACM agencies routinely educate and encourage clients to take steps to reduce their usage.[10] DSM/EE programs designed and implemented with the needs of low-income customers in mind can offer opportunities to reduce usage and bills that far surpass what low-income customers can achieve on their own. The Companies' Residential Low Income Weatherization Program ("WeCare") is an important example of such a program, to which ACM refers clients.[11] For clients who do not qualify for We Care, meaningful access to

[6] Marlon Cummings Direct Testimony at 4.
[7] See Direct Testimony of Cathy Hinko at 4.

[8] Hinko Testimony at 3.

[9] Cummings Testimony at 4.

[10] Cummings Testimony at 5.

[11] Cummings Testimony at 5.

the benefits of other DSM/EE-funded energy saving opportunities is critical to avoiding disconnection and maintaining stable utility service over the long term.

To the extent that DSM/EE programs can assist low income customers to lower their bills, the assistance dollars ACM and other agencies administer – which come from ratepayers as well as from shareholders, private donors and public funds – can go further in helping to eliminate the threat of service disconnections for nonpayment.[12] Further, higher participation by low income customers in the Companies' DSM/EE programs overall would benefit all customers, adding energy savings, reducing demand and furthering the Companies' goal of delaying the need for additional generation.

B. PROPOSED CHANGES IN THE RESIDENTIAL CONSERVATION/HOME ENERGY PERFORMANCE PROGRAM SHOULD BE IMPLEMENTED SO AS TO BENEFIT LOW INCOME CUSTOMERS

The Companies propose to enhance the Residential Conservation/Home Energy Performance Program ("Home Energy Performance") by implementing a tier structure for multi-family properties and adding a tier structure for insulation and weatherization efforts.[13] Previously, ACM did not see this program as a meaningful opportunity for low income customers because of the high costs of implementing the efficiency measures.[14] The data provided by the Companies to ACM in response to data requests supported this opinion, as it generally showed very low participation rates among customers living in high poverty zip codes and among recipients of third party assistance.[15] Very few customers in these zip codes were able

[12] Cummings Testimony at 4.

[13] 2015-2018 Demand-Side Management and Energy Efficiency Program Plan, Hornung Testimony, Exhibit MEH-1 at 39.

[14] Cummings Testimony at 6.

[15] For an analysis of participation rates, see Cummings Testimony at 7-11.

to qualify for the incentives for achieving energy efficiency. There was, however, one exception to the disproportionately few incentive dollars paid in the high poverty zip codes. This exception suggests a creative way to bring the long-term energy savings benefits of the Home Energy Performance Program to more low income customers.

In 2013, 61% of the incentive dollars paid under the Home Energy Performance Program was paid on account of efficiency measures implemented in the 40215 zip code - the seventh poorest zip code in Jefferson County. This was due to a large multifamily complex having participated in the program.[16] Regardless of who paid for the efficiency improvements and who received the incentive payments, the residents of this complex will receive long term benefits in the form of lowered utility bills from living in more energy efficient housing.

This model holds great promise for extending DSM/EE program benefits to greater numbers of low income customers. ACM believes that encouraging multifamily properties to participate in the Home Energy Performance Program is a creative way to leverage the greater financial resources of property owners to invest in the energy efficiency improvements that low income tenants cannot afford.[17] ACM encourages the Companies to aggressively market this program to owners of multi-family properties that rent to low income customers, and has offered to assist in identifying potential properties. ACM urges the Commission to support this proposed enhancement to the Home Energy Performance Program and to encourage the Companies to focus on identifying and marketing to multifamily complexes that rent to low income customers.

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[16] Companies Response to ACM Supplemental Requests for Information No. 2.

[17] Cummings Testimony at 11.

The other change to the Home Energy Performance Program proposed by the Companies is the addition of an incentive tier for insulation and weatherization. As recognized in the Companies' DSM Program Review submitted in support of the Application, the high cost of making efficiency improvements as part of programs such as the Home Energy Performance Program puts them out of reach for many customers, particularly in less affluent areas and during the economic recession of the past few years.[18] The addition of this tier may make the required energy savings more achievable for smaller rental property owners who may not be able to afford the more expensive measures required to qualify for higher incentives and so, perhaps, may bring benefits to some low income renters. This aspect of the program, too should be aggressively marketed to property owners who rent to low income customers.

ACM urges the Commission to support these proposed enhancements to the Home Energy Performance Program, and to encourage the Companies to focus on identifying and marketing them to multifamily complexes and landlords that rent to low income customers. To help assess the impact of the proposed changes to the Home Energy Performance Program, the Companies should be required to track participation by indicators of low income status such as participation in high poverty areas, receipt of third party assistance or other demographic information available to the Companies. The Companies should also be required to report on efforts made to market the Home Energy Performance Program to owners of multifamily developments and landlords that rent to low income customers. Such information would help the Commission going forward to assess the penetration of these programs throughout the Companies customer base.

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[18] LG&E/KU DSM Program Review at 59, Hornung Testimony, Exhibit MEH-2.

C. THE COMPANIES SHOULD WORK TO MAKE THE RESIDENTIAL INCENTIVES PROGRAM ACCESSIBLE TO LOW INCOME CUSTOMERS

The Residential Incentives Program provides rebates ranging from $50 to $300 to residential customers to offset the costs of purchasing certain ENERGY STAR qualified appliances, high-efficiency HVAC systems and qualified window film. The Companies propose to increase the budget for the Program due to higher than expected participation.[19]

Data provided by the Companies shows that participation by customers in high poverty zip codes and assistance recipients is very low. Although 20% of LG&E Jefferson County customers live in the top ten highest poverty zip codes, only 7.9% of the incentive dollars paid out under the program through 2013 went to customers in those zip codes. Assistance recipients, who made up 6 to 7% of Jefferson County customers 2011 to 2013, received only 1.4% of incentive dollars paid through this program.[20] These numbers are not surprising, given the high cost of ENERGY STAR appliances, high efficiency HVAC systems and window film.[21]

Though the Companies state that they have increased access by allowing "low-income agencies" to receive the rebate "when an appliance is purchased for a qualifying customer,"[22] the operational details, scope and impact of this policy in the Louisville area are unclear. ACM encourages the Companies to continue to explore ways to make the Residential Incentives Program more accessible to diverse constituencies. Further, the Commission should require the Companies to track participation by such indicators of low income status such as rebates paid in high poverty areas, rebates paid to service providers, receipt of third party assistance or other

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[19] Hornung Testimony at 17-18.

[20] Cummings Testimony at 13.

[21] *Id.*

[22] Companies Response to ACM Supplemental Requests for Information No. 12.

demographic information available to the Companies. Such information would help the Commission going forward to assess the penetration of this program throughout the Companies' customer base and also might help the Companies and their partners in the Energy Efficiency DSM Advisory Group to develop ways to increase low income participation.

II. THE COMMISSION SHOULD DENY THE ADVANCED METERING SYSTEMS PROPOSAL

The Companies propose to include Advanced Metering Systems ("AMS") to allow up to 5,000 LG&E and 5,000 KU residential and small commercial customers to elect to have advanced meters installed, which would enable them to have energy usage information available to them through a website.[23] The AMS would remotely read participating customers' meters and make available hourly energy usage data on a delayed basis, which a participating customer could access through a website portal. The Companies expect that customers' data should be available within 48 hours of collection.[24] The Companies propose to add network infrastructure, computer systems to control the network and meters, a meter data management system, and other hardware and software that could be used to serve the advanced meters.[25] The AMS would require the Companies to operate a network operation center and conduct field maintenance and hardware and software maintenance.[26] The estimated total costs of the AMS for 2015 -2018 would be $5,709,000.[27]

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[23] Direct Testimony of David E. Huff at 3.

[24] Huff Testimony at 6.

[25] Huff Testimony at 3.

[26] *Id.*

[27] Huff Testimony at 6.

A. LOW INCOME CUSTOMERS WOULD BE LESS ABLE AND LESS LIKELY TO TAKE ADVANTAGE OF AMS

The record indicates that low income customers would be very unlikely to benefit from AMS as proposed. The more frequent usage data would be less available to low income households in that they have low rates of home internet access.[28] As MHC witness Cathy Hinko put it, "[t]he new program that allows people to track usage on their computer seems to ignore the technology gap in low income households."[29] The Companies' own research in effect concluded that low income customers are less likely to take advantage of this offering, finding that "households most interested in Smart Meters tend to have higher levels of education, higher income and are more technology driven than the average household."[30] Additionally, DNV KEMA, the consultant that prepared the Companies' Smart Meter Business Case Assessment, concluded that "the more educated the homeowner, the larger the number of bedrooms and the higher the home value, the more likely they are to participate in voluntary or opt-in program offers associated with energy efficiency or demand response."[31] Negative factors for participation in smart meter programs include being unemployed, retired and the presence of small children or elderly persons – factors frequently associated with lower incomes.[32]

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[28] Cummings Testimony at 14-15.

[29] Hinko Testimony at 10.

[30] LG&E and KU Smart Meter Business Case Assessment at 19, citing LG&E 2009 Smart Rate Program Assessment, attached as Exhibit DEH-1 to Huff Testimony.

[31] *Id.*

[32] Exhibit DEH-1 at Appendix A at A-8.

B. THE AMS PROPOSAL FAILS TO PROVIDE SUFFICIENT BENEFIT TO JUSTIFY THE COST

The Companies have failed to demonstrate that AMS should be approved based on a cost and benefit analysis, one of the factors to be considered in a review of DSM plans pursuant to KRS 278.285(1)(b). The benefits are uncertain at best. In designing the AMS, the Companies did not include lost sales from demand or energy because energy savings are unclear.[33] The Companies did not calculate TRC or other California benefit-cost metrics because benefits from these meters are uncertain.[34] The conclusion of the Companies' Smart Meter Business Case Assessment, offered in support of AMS is uncertain as to the benefits of advanced metering infrastructure: "[t]he overall conclusion of this assessment is that LG&E and KU may have opportunities to benefit from a targeted AMI deployment, but that system-wide conversion is not justified at this time given the data analyzed."[35]

One of the few potential benefits cited by the Companies is no benefit at all in ACM's view, and quite alarming. When asked by the Attorney General about potential benefits of AMS, the Companies responded in part that "[t]he potential for future automated disconnection/reconnection may also create savings."[36] Remote disconnection would cause grave harm to ACM's low income clients. It is extremely troubling that the Companies are viewing this as a potential use for AMS.[37]

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[33] Hornung Testimony, Exhibit MEH-1 at 47.

[34] *Id.*

[35] Huff Testimony, Exhibit DEH-1 at 1.

[36] Response of LG&E and KU to the Attorney General's Initial Data Requests, Question No. 7.

[37] Cummings Testimony at 15.

The Smart Meter Business Case Assessment also cautions the Companies that there are factors outside of their control that may negatively affect the potential success of a Smart Meter program, among them the high unemployment rate and other economic factors; customer attitudes, which include unrealistic expectations about monetary benefits; rapidly evolving technologies, which make it difficult to commit to a specific product line of equipment; and competition in the home energy management field.[38] These factors weigh against approval of an investment of $5.7 million of ratepayer money at this time.

C. IN FUTURE NEXT GENERATION METER FILINGS, THE COMPANIES SHOULD CONSIDER ISSUES AND BARRIERS FACED BY LOW INCOME CUSTOMERS

Beyond the uncertain benefit of providing some customers with more detailed information about their energy consumption, the primary purpose behind this AMS proposal seems to be to put in place the communications and control infrastructure necessary for possible future advanced-meter deployments.[39] One of the Companies' stated goals in launching this AMS program is to generate information that can be used for a broader opt-in deployment in the future. For example the dispersion or concentration of interested customers will inform the type of communications systems that would be most economical.[40] The Companies are thus using this small scale proposal to inform possible future expansion. Yet, as discussed above, low income customers are highly unlikely to participate in this AMS deployment. The information generated by, and future planning proceeding from, the proposed AMS deployment would therefore

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[38] Huff Testimony, Exhibit DEH-1 at 3.

[39] Huff Testimony at 5.

[40] Huff Testimony at 4-5.

exclude from the critical early planning and development stages evidence-based consideration of low income customer needs and impacts.

In future next generation meter filings, the Companies should begin to address potential access and participation issues at the earliest stages of their planning. If the Companies fail to assess impediments to participation of low income customers in smart meter programs, then they run a serious risk of laying a foundation inadequate to meet the needs of their more diverse customer base if and when the time comes for broader deployment. The Companies should start looking at ways to make programs involving smart meters more inclusive, accessible and beneficial for hard to reach populations such as customers who are low income, elderly or unemployed, and families with small children at the outset, while proposals are still at a small scale. They should not wait until after key infrastructure decisions have been made and ratepayer money invested to begin planning for all of their customers.

CONCLUSION

Based on the foregoing, ACM respectfully asks the Commission to:

- Approve the proposed Residential Conservation/Home Energy Performance Program subject to the requirement that the Companies track and report on efforts to market such program so as to maximally benefit low income customers including tracking indicators of participation by low income populations;
- Approve the proposed Residential Incentives Program subject to the requirement that the Companies work to devise ways to increase low income participation in the program, including tracking indicators of participation by low income populations; and
- Deny approval of the Companies' Advanced Metering Systems proposal.

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Dated: September 30, 2014

CERTIFICATE OF COMPLIANCE AND SERVICE

In accordance with 807 KAR 5:001, Section 8, I hereby certify that Association of Community Ministries, Inc.'s September 30, 2014 electronic filing of the foregoing Post-Hearing Brief of Association of Community Ministries, Inc. 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 September 30, 2014; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original in paper medium is being mailed to the Commission on September 30, 2014**.**

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