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 EXISTNG, AND ADDITION OF NEW	)
DEMAND-SIDE MANAGEMENT AND ENERGY-	)
EFFICIENCY PROGRAMS	)

PREFILED DIRECT TESTIMONY OF CATHY HINKO ON BEHALF OF METROPOLITAN HOUSING COALITION

Tom FitzGerald
Kentucky Resources Council, Inc.
P.O. Box 1070
Frankfort, KY 40602
(502) 875-2428
FitzKRC@aol.com

Counsel for Movant, Metropolitan
Housing Coalition

CERTIFICATE OF SERVICE

I certify that an original copy of this Prefiled Direct Testimony was filed with the Docket Clerk, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601

Tom FitzGerald

Q. Please state your name, business address, and affiliation.

A. Cathy Hinko, P.O. Box 4533, Louisville, KY 40204. I am the Executive Director of the Metropolitan Housing Coalition (MHC).

Q. On whose behalf are you testifying today?

A. My testimony is filed on behalf of MHC.

Q. What is the Metropolitan Housing Coalition?

A. MHC is a nonprofit, nonpartisan membership organization incorporated under the laws of the Commonwealth of Kentucky in 1989 and comprised of over 200 individual members and 100 member organizations. MHC members include representatives of low-income households, private and non-profit housing developers, service providers, financial institutions, labor unions, faith-based and neighborhood groups, as well as other advocacy groups, advocating in a united voice for fair, safe, and affordable housing in the Metro Louisville area. For over two decades, the MHC has utilized the public and private resources of the Metro Louisville community to provide equitable, accessible housing choices for all persons through advocacy, public education, and through support for affordable housing providers.

Q. Please briefly describe your qualifications.

A. Since obtaining my law degree in 1979, my career has focused on affordable and fair housing. I left the practice of law to manage the Section 8 Housing Certificate and then Voucher Programs for the city of Louisville and Jefferson County, subsequently becoming Executive Director of the Housing Authority of Jefferson County. During that tenure, I became involved with issues of affordable utilities for low-income people and was on the board of the Affordable Energy Corporation (AEC) as they secured grants to test a modified Percentage of Income Plan.

I remain on AEC's board through the present day and AEC's operation of the All Seasons Assurance Program funded through a meter charge approved by the Public Service Commission.

In 2005, I became director of MHC, an education and advocacy organization on issues of fair and affordable housing which also operates a lending pool for use by non-profit developers creating or rehabilitating affordable housing. In 2008, MHC published a paper that focused on utility costs as part of affordable housing. In 2013, MHC published *How to Lower Utility Costs: A Guide to Louisville Programs for Energy Efficient Improvements and Resources to Help Pay a Utility Bill*. This guide to resources also included a comparison of utility costs in Louisville of the years 1998, 2008 and 2013. I have been the lead MHC staff member in advocating for the recommendations of that report. My work includes convening meetings with the state and local agencies charged with weatherization work and serving on committees convened by LG&E on both community input and on energy efficiency.

MHC operates a lending pool of about $1.2 million that is for use by non-profit developers in creating and rehabilitating units that are affordable to low-income households, with an emphasis on those below 60% of median income. Demand-side management programs are of paramount importance to MHC, as well as payment assistance programs, in order to make shelter affordable.

Q. What is the purpose of your testimony today?

A. I am testifying on behalf of MHC in the case on the amount of Demand Side Management (DSM) Charges and the use of the DSM funds. MHC has an interest not only in affordable cost of utilities and payment assistance programs, but equally in the energy efficient rehabilitation of current units, and demand-side management as a method of making shelter affordable to low-income households. Of equal importance to MHC is that the funds collected from low-income neighborhoods and/or neighborhoods with concentrations of people in protected categories (as defined for fair housing) are returned to those neighborhoods.

Q. How important are energy costs for low-income households?

A. A 1998 national study showed that the average household spends only about 2 percent of their income on electricity whereas low-income households spend about 8 percent of their total income on electricity and very low-income households (those living at less than half of the federal poverty level) spend 23 percent. See Oppenheim, J.(1998). *Access to Utility Service*, National Consumer Law Center, 1998 Supplement, pp.30-31.

However, between 2000 and 2007, adjusted for inflation, the median family income in Metro Louisville actually decreased by 2 percent - and this is before the current financial and unemployment crisis. See Metropolitan Housing Coalition. (2008). *State of Metropolitan Housing Report 2008*. In 2012 the Louisville Metro/Jefferson County population with incomes below the poverty threshold rose to 18% from 17% in 2011. Children, 18 and under, had higher poverty rates: 27% in Louisville Metro/Jefferson County (American Community Survey, 2012 as reported in *2013 State of Metropolitan Housing Report*, Metropolitan Housing Coalition) When we look at wages, as opposed to median income from all sources, workers, full and part-time, in Louisville Metro had a median income of $28,306 in 2012. As we consider the impact on fair housing protected classes note that the median wage is on average 20 percent lower for women (American Community Survey, 2012 as reported in 2013 State of Metropolitan Housing Report, Metropolitan Housing Coalition).

15-year cost comparison

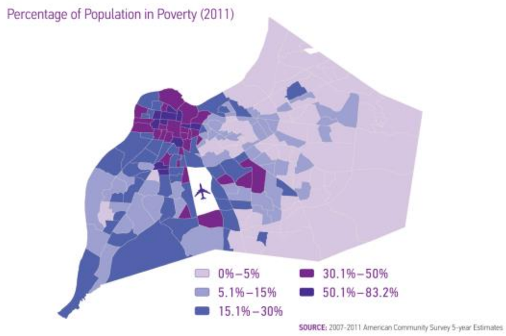
LG&E Electricity Cost (per 1000kWh)	August 1998		August 2008		January 2013	
	Rate	Cost	Rate	Cost	Rate	Cost
Basic Service Charge	$3.29	$3.29	$5.00	$5.00	$10.75	$10.75
Energy Charge per kWh (first 600 hours)	$0.06237	$37.42	$0.06404	$64.04	$0.07439	$ 74.39
Energy Charge per kWh (astl. 400 hours)	$0.06411	$25.64	No block rate	No block rate	No block rate	No block rate
FAC	$-0.00133	$-1.33	$0.00355	$3.55	$0.00515	$5.15
DSM	$0.0029	$2.90	$0.0026	$2.60	$0.003	$3.00
Trimble County Credit	$-0.00039	$-0.39	N/A	N/A	N/A	N/A
ECR	$0.010593	$0.72	$0.0102	$0.77	$0.0080	$0.75
Merger Surcredit	$-0.01109	$-0.75	$-0.01499	$-1.13	N/A	N/A
Environmental Surcharge	N/A	N/A	N/A	N/A	1.140% of 4 costs	$1.06
Home Energy Assistance	N/A	N/A	$0.10	$0.10	$0.25	$0.25
TOTAL		**$67.50**		**$74.93**		**$95.35**

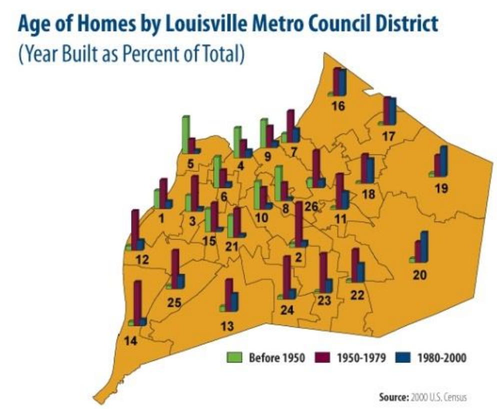
LG&E Utility Gas Costs (per 70Ccf)	August 1998		August 2008		January 2013	
	Rate	Cost	Rate	Cost	Rate	Cost
Basic Service Charge	$4.48	$4.48	$8.50	$8.50	$13.50	$13.50
Distribution Cost	$0.11099	$7.77	$0.1547	$10.83	$0.26419	$18.49
Gas Supply Cost (GSC)	$0.35602	$24.92	$1.63725	$114.61	$0.42501	$29.75
DSM	$0.01165	$0.82	$0.01069	$0.75	$0.01307	$0.91
Home Energy Assistance	N/A	N/A	$0.10	$0.10	$0.25	$0.25
Gas Line Tracker	N/A	N/A	N/A	N/A	$2.27	$2.27
TOTAL		**$38.56**		**$134.78**		**$65.17**

The above utility chart shows the steady increase of costs of electricity. (*How to Lower Utility Costs, Metropolitan Housing Coalition, 2013*) For gas, costs have varied since that time, but predictions are that gas will continue to rise and has risen since this chart was done in 2013. This gives a pretty sound picture of the straits that not only low and very low-income people are in, but the problems that middle-income people now face in paying their bills.

Most of the homes in Louisville, approximately 240,000, were built before the 1980s when insulation became a requirement in the local building code. About 75,000 of these were built before 1950 and may still have original single pane windows, lighting, and older appliances. Another 165,000 were built before 1979 and the requirement of insulation.

The following maps are from the *2013 State of Metropolitan Housing Report*, Metropolitan Housing Coalition with the exception of the Age of Homes which is from the 2008 State of Metropolitan Housing Report.





Rental Housing Units by Year Structure Built, 2012

	Jefferson County, KY	Louisville MSA excluding Jefferson County, KY
Renter occupied housing units	114,438	48,189
Built 2010 or later	0.2%	0.4%
Built 2000 to 2009	10%	14%
Built 1980 to 1999	20%	32%
Built 1960 to 1979	32%	28%
Built 1940 to 1959	20%	15%
Built 1939 or earlier	18%	11%

SOURCE: U.S. Census Bureau, 2010-2012 American Community Survey

As can be seen in the maps, the location of older homes coincides closely with the location of poverty in Louisville. Also clear is that 70% of rental units those built before 1980. As charts and maps below will show, programs that are not useful to rental units will have a significant disparate impact on people in fair housing protected classes and on those in poverty. Yet, they may be some of the biggest contributors to the DSM program as their units may not be as energy efficient as newer built units. Air conditioning is considered a needed part of utilities and is recognized by the United State Department of Housing and Urban Development as a cost that is included in utilities supported by assistance payments. Air conditioning is operated by electricity, and it is the homes in low-income areas that primarily use window units. This fact makes them ineligible for some of the DSM programs - particularly the more expensive programs – yet they are even more in need of energy-efficient weatherization as well as newer and more efficient appliances.

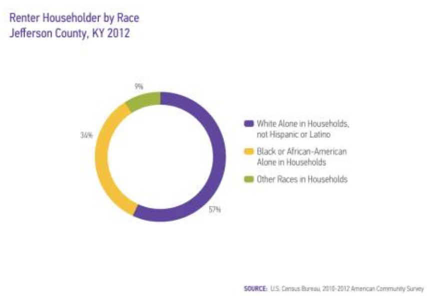
Q. The Commission's review of the proposed increase in DSM charges and the use of the funds is focused on whether and on what terms approval of the proposals will be "consistent with the public interest." Are there specific areas that could be addressed by the Commission that would, in your view, make the plan more consistent with the public interest?

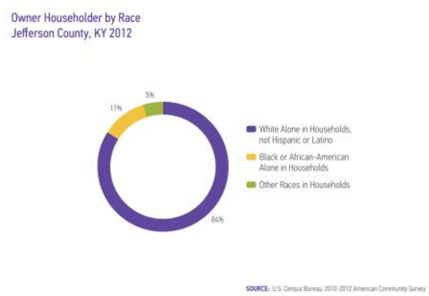
A. Yes. First of all, any charge that is volumetric will have a disproportionate effect on low-income households. The amount of electricity used is not less because of their modest incomes, but in fact may be more because appliances are old, the homes do not have new HVAC, but may have old air conditioning window units, and the homes are not energy efficient and are harder to cool and heat. A volumetric charge will use up an even higher percentage of income for low-income households.

Using a rational basis that allows DSM funds to be spent proportional to DSM fees collected by LG&E/KU by census tract (using the most recent American Community Survey) would improve return for dollar for at least two reasons: this is the low-hanging fruit for yielding savings in usage, since as leaky homes and inefficient appliances are remedied, it will make payment of bills easier and reduce ancillary charges associated with late payments and cut-offs. The studies from the All Seasons Assurance Program have proven that if bills are affordable to low-income households, they will pay them.

People in protected classes under the Fair Housing Act disproportionately live in low-income areas. A lack of attention to the way the programs can be used by different populations may literally be depriving poor children of basic needs, especially poor African American children. Renters now occupy 38% of all occupied units in Louisville Metro/Jefferson County- up from 33% of all occupied units in just one year (2013 State of Metropolitan Housing Report, Metropolitan Housing Coalition).

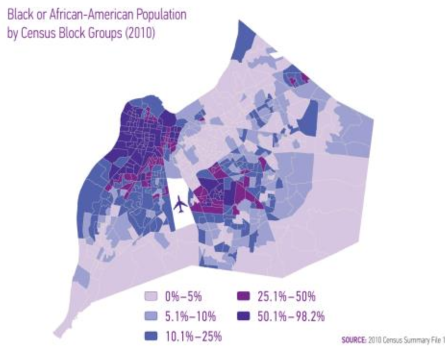
DSM programs need to ensure that renters are able to access the programs, particularly in light of the impact on fair housing protected classes as well as income levels.

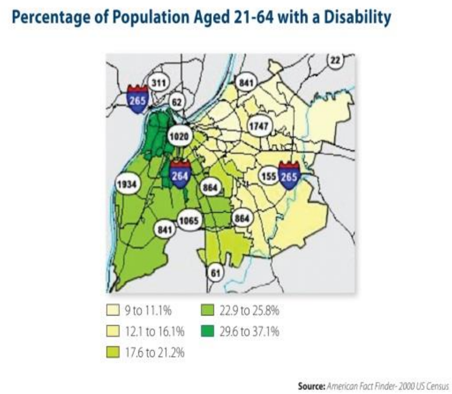


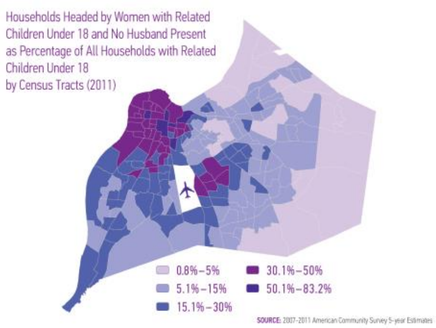


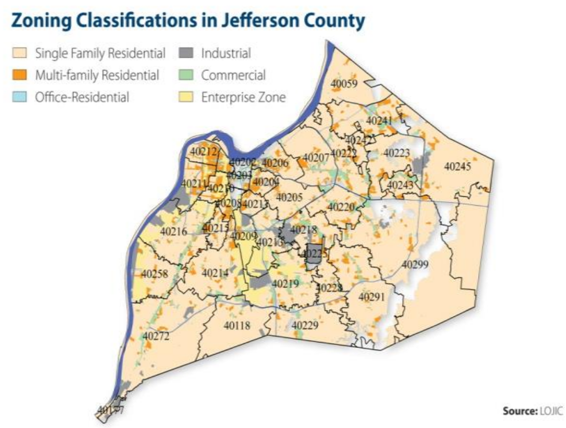
As you can see from the charts above, (*2013 State of Metropolitan Housing Report*, Metropolitan Housing Coalition) African Americans, who make up 20% of households in Jefferson County, represent 34% of renters and only 11% of owners. So, for instance, the rebate programs are not going to be used by renters and/or by low-income persons. So that program, while seeming to be racially neutral, in fact, is not neutral in opportunity for use. That does not mean it should be discarded, only that it is imperative to view the entire DSM program from the standpoint of who contributes and who can access the individual programs.

The following charts show important additional pieces of information that should be reflected in how the DSM funds are distributed:









The above maps and charts tell a story (*2013 State of Metropolitan Housing Report*, Metropolitan Housing Coalition with the exception of the zoning map which is from the Louisville Metro Department of Planning and Design, 2013). Neighborhoods that have large numbers of multi-family housing tend to be low-income and are not only racially concentrated, but are concentrations of people in other protected classes. Since these neighborhoods have smaller lot sizes, they also are concentrations of residential users, each paying for utilities. The earlier maps show that low-income neighborhoods are also where older housing exists with less energy efficient rehabilitation of homes. So there are a lot of people paying and with high volume usage.

Perhaps an example will illustrate, although this is taken from the 2000 census, so the numbers are not updated. From the chart below we see that zip code 40242 had a median household income of $52,406 and was 95% white as compared to zip code 40211, which had a median household income of $21,906 and was 95% African American. A volumetric increase would take more than twice the percentage of a family's income in the 40211 zip code, so that the amount of money spent in 40211 should be twice what is spent in 40242. Certainly, a discussion of proportionality is imperative. The following is from *The State of Fair Housing in Louisville:Impediments and Improvements*, Metropolitan Housing Coalition, 2010)

Income, African-American Population, and Residential Land Use: Louisville Metro's West End Neighborhood by Zip-Codes

Zip-code	Median Household Income	Percentage of African-American Residents	Percentage of Land Zoned Multi-Family	Percentage of Land Zoned Single-Family
40203	$13,458	63%	25%	3%
40208	$24,041	26%	17%	14%
40210	$20,722	91%	24%	28%
40211	$21,906	95%	20%	31%
40212	$23,240	55%	34%	42%

Income, African-American Population, and Residential Land Use: Louisville Metro's East End Neighborhood by Zip-Codes

Zip-code	Median Household Income	Percentage of African-American Residents	Percentage of Land Zoned Multi-Family	Percentage of Land Zoned Single-Family
40207	$54,050	2%	7%	77%
40222	$52,259	5%	8%	75%
40242	$52,406	5%	10%	87%
40245	$80,634	4%	4%	81%
40059	$98,316	4%	3%	89%

How can this concern be addressed?

MHC believes that distribution of DSM funds should be proportional to the impact on the neighborhood expressed as a percentage of DSM program income received from the neighborhood. More households, each paying the DSM charge, are in low-income neighborhoods. Yet the least amount of energy savings programs are implemented there. MHC believes that an assessment should be done to determine the amount of money coming from low-income neighborhoods in DSM charges with a concomitant study on where the DSM money is spent. At the least, the public utility should be cognizant of delivering funds in a manner that does not have a disparate impact on minorities, people who are disabled and female headed households with children. The new program that allows people to track usage on their computer seems to ignore the technology gap in low income households. That new program, combined with rebates for appliances beyond the financial capability of low-income people and not used by landlords of lower-rent areas, may result in inequity. Certainly, more study should go into the programs before approval.

Other programs should be considered as well. MHC works with non-profit developers that do both new construction and rehabilitation of both rental and home ownership units. MHC sees the complexity of funding that goes into making units that have a low cost to end consumers yet these units are energy efficient. A program accessible to non-profit developers could be one more useful financial tool to create units that remain affordable in utility costs. Since air conditioning is a normal part of energy use (see prior reference to HUD standards), units that have gas heat still will be using electricity in the summer months for temperature control. And though DSM focuses on electric usage, the fee still comes from gas consumption, so homes using gas heat are paying into the DSM fee and the less energy efficient units are paying more.

Q. Does that conclude your testimony?

A. Yes.