

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA)
GAS OF KENTUCKY, INC. FOR AN) CASE NO. 2016-00162
ADJUSTMENT OF RATES)

**DIRECT TESTIMONY OF MALCOLM J. RATCHFORD ON
BEHALF OF COMMUNITY ACTION COUNCIL FOR LEXINGTON-FAYETTE,
BOURBON, HARRISON, AND NICHOLAS COUNTIES, INC.**

* * * * *

Comes the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (CAC), by counsel, and hereby tenders the Direct Testimony of Malcolm J. Ratchford in support of its position in this matter.

Respectfully submitted,



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COUNSEL FOR CAC

1 **Q: Please state your name and address and describe your current position and**
2 **professional background.**

3
4 **A:** My name is Malcolm J. Ratchford and I have served as Executive Director of
5 Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties
6 (“CAC”) since 2013. CAC operates 32 neighborhood and community centers, child
7 development centers in six counties, and Administrative and Support Services offices located at
8 710 W. High Street in Lexington, Kentucky.

9 I have worked in the Community Action Network for nearly 20 years. Before my appointment
10 as Executive Director, I held the position of Senior Manager for Neighborhood and Community
11 Services for CAC. In that position, I implemented self-sufficiency programs for the low-income
12 populations of the areas we serve.

13 I graduated from the University of Kentucky with a Masters degree in Family Studies, Early
14 Childhood Education and hold a Bachelors degree in History Pre-Law from Talladega College.
15 As Executive Director, I have participated in other cases before the Kentucky Public Service
16 Commission on behalf of utility customers with low-incomes. Based upon my experience at
17 CAC and within the Community Action Network, I am well-informed of the issues and concerns
18 of the low-income populations for which we are advocating in this matter.

19 **Q: Please describe the purpose of your testimony.**

20 **A:** The purpose of my testimony is to state the position of CAC with respect to the proposed
21 Columbia Gas rate increase and to provide information in support of my position. In summary,
22 we do not believe that a rate increase, as currently proposed by Columbia Gas, is a reasonable or
23 appropriate expectation for customers with low-income as poverty levels remain high.

24 My testimony will provide a perspective that represents issues that should be given full
25 consideration in rendering a decision on this case. I am an advocate on behalf of customers with
26 low-income. CAC is a low-income advocacy and services organization.

1 **Q: Please describe the organization of CAC and give a brief description of its activities.**

2

3 **A:** CAC was established in 1965 as a not-for-profit community action agency of the

4 Commonwealth of Kentucky. CAC is the designated community action agency for Lexington-

5 Fayette, Bourbon, Harrison, and Nicholas counties in Central Kentucky. CAC's governance

6 includes a Board of Directors representing low-income, public and private sectors of the

7 community. Its mission is "Community Action Council prevents, reduces and eliminates poverty

8 among individuals, families and communities through direct services and advocacy."

9 There are approximately 280 employees operating and administering CAC's primary programs

10 and services including:

- 11 • self-sufficiency
- 12 • early childhood development/school readiness programs
- 13 • homeless programs
- 14 • volunteer programs
- 15 • youth development
- 16 • transportation services
- 17 • housing
- 18 • energy assistance and conservation programs
- 19 • emergency assistance
- 20 • adult education and employment assistance
- 21 • community outreach and referrals.

22

23 Although CAC's core service territory includes Lexington-Fayette, Bourbon, Harrison and

24 Nicholas counties, it also provides services in other Kentucky counties. For example, CAC

25 administers the WinterCare Energy Fund providing services across most of the state; child

26 development services extend into Scott and Madison counties; the Retired and Senior Volunteer

27 Program extends into Jessamine County. The Columbia Gas Energy Assistance Program and

28 WarmWise program and Kentucky Utilities' Home Energy Assistance Program and WeCare

29 Program each provide services throughout the service territory of their respective utilities.

30 CAC is uniquely positioned to speak on behalf of low-income populations with utility-related

31 problems as staff members have extensive contact with and knowledge of this population.

1 Additionally, CAC staff members are able to help participants access other CAC assistance
2 programs as well as other community resources to address the multiple obstacles and barriers
3 that most low-income households face. This comprehensive approach provides greater stability
4 and self-sufficiency to these households, supporting a family's ability to afford necessities such
5 as utility service.

6 **Q: Please describe in detail CAC's programs and services, especially those which**
7 **partner with public utilities.**

8
9 **A:** CAC creates opportunities for individuals and families to become self-sufficient members
10 of the community, and serves the low-income population through advocacy, service delivery and
11 community involvement.

12 CAC operates **Head Start, Early Head Start, Migrant Head Start** and last year we began a
13 new Early Head Start and Community Child-Care partnership program called **Partnering for**
14 **Excellence.**

15 CAC also operates several housing programs, including five **Continuum of Care** projects
16 funded by the Department for Housing and Urban Development and a brand new **Emergency**
17 **Family Shelter** in Lexington. Another housing program offered is **Tenant Based Rental**
18 **Assistance (TBRA)**, which provides rental assistance to Section 8-eligible households
19 throughout CAC's service area.

20 To support economic independence, CAC offers a **Financial Fitness** consumer education
21 program; **PREPared Workshops**, which offer participants job readiness skills and customer
22 service training; and tax preparation and education for thousands of households on the **Earned**
23 **Income Tax Credit (EITC).**

24 Other programs include senior volunteerism projects such as **Retired and Senior Volunteer**
25 **Program (RSVP)** and the **Foster Grandparents Program (FGP).**

1 CAC also operates a number of utility assistance programs in partnership with local utilities,
2 public and private funding sources, and other community action agencies across the state. These
3 programs are described below.

4 In 1983, CAC initiated, with Kentucky Utilities, the establishment of the **WinterCare Energy**
5 **Fund**. CAC has provided administrative services, financial management and marketing support
6 for the Fund since that time. CAC has also managed the federal **LIHEAP** program (Low-
7 Income Home Energy Assistance Program) serving low-income customers in Fayette, Bourbon,
8 Harrison and Nicholas counties since its inception.

9 Since 1978, CAC has operated the Federal **Weatherization Assistance Program** designed to
10 help low-income individuals and families conserve energy. CAC operates several additional
11 weatherization and furnace replacement programs including Kentucky Utilities' **WeCare** and
12 Columbia Gas of Kentucky's **WarmWise** high-efficiency furnace replacement program for their
13 customers with low-income.

14 CAC administers a utility-funded energy subsidy program serving 2,000 low-income households
15 in partnership with the **Columbia Gas of Kentucky Energy Assistance Program (EAP)** and
16 the network of community action agencies serving the Columbia Gas service territory.

17 CAC implemented and administers the **Kentucky Utilities Home Energy Assistance (HEA)**
18 **Program**, which serves 2,000 KU customers whose primary heat source is KU electricity by
19 providing regular monthly subsidies throughout the winter and summer peak usage months.

20 CAC's **Summer Cooling** program serves customers who are severely ill or who have a disability
21 with the provision and installation of air conditioners.

22 **Q: Please describe the low-income population in the Columbia Gas service territory.**

23 **A:** Based on data from the U.S. Census Bureau, Small Area Income and Poverty Estimates
24 (2014), the following chart provides poverty status by county for Columbia Gas service counties
25

- 1 in Kentucky. The customer numbers were provided by Columbia Gas in response to CAC Data
 2 Request No. 8. The chart is in alphabetical order by county.

COUNTY	NUMBER OF CUSTOMERS	POVERTY RATE	CUSTOMERS IN POVERTY
BATH	3	22.7%	1
BOURBON	2656	19.2%	510
BOYD	9227	23.1%	2131
BRACKEN	115	18.6%	21
CARTER	4	23.9%	1
CLARK	5602	16.0%	896
CLAY	11	38.2%	4
ESTILL	1406	29.8%	419
FAYETTE	64058	19.8%	12683
FLOYD	708	31.1%	220
FRANKLIN	10167	12.9%	1312
GREENUP	6485	16.4%	1064
HARRISON	1572	18.5%	291
JESSAMINE	868	14.7%	128
JOHNSON	30	25.6%	8
KNOTT	171	33.7%	58
LAWRENCE	885	25.9%	229
LEE	3	35.0%	1
LETCHER	1	30.1%	0
LEWIS	76	34.4%	26
MADISON	503	19.7%	99
MARTIN	682	40.6%	277
MASON	2335	18.6%	434
MONTGOMERY	2403	20.8%	500
NICHOLAS	18	19.4%	3
OWSLEY	19	45.1%	9
PIKE	509	27.4%	139
ROBERTSON	9	23.0%	2
SCOTT	4968	10.9%	542
WOODFORD	4402	11.2%	493
Total	119,896		22,501

- 3
 4 Many of these counties report some of the highest poverty rates in Kentucky. Seventeen counties
 5 report poverty rates above 20%, a rate that the Census Bureau defines as extremely high.

1 The Census Bureau uses income and family size as the basis for determining poverty. Poverty
2 and need affordability illustrates the economic equation of income versus the ability to afford the
3 basic needs of a family. By definition, families with incomes at or below the poverty line cannot
4 meet their basic needs. Additionally, the federal poverty guideline is widely considered
5 outmoded and no longer effective at adequately capturing the number of individuals actually
6 living in poverty. Therefore, the number of families in the Columbia Gas service area which are
7 unable to meet basic needs is likely much higher than the rates demonstrated earlier.

8 Focusing on current energy affordability, thousands of families already cannot meet their basic
9 energy needs as evidenced by the data below from the energy assistance programs in Lexington-
10 Fayette, Bourbon, Harrison, and Nicholas counties administered by CAC. Between July 1, 2015
11 and June 30, 2016, CAC completed 12,963 energy assistance applications, paying out
12 \$2,065,509.07 in energy assistance. During this same time frame, CAC paid Columbia Gas
13 \$269,319.20 to help Columbia customers with low-incomes keep gas coming into their homes.

14 This data effectively highlights the challenges families with low-incomes already face in meeting
15 their heating needs. For a senior citizen on a fixed income, utility service is not only a basic
16 need, it is a survival need. With more money needed for utilities, the less there is for other basic
17 needs like food, housing, medication, etc. These demands stretch a family's resources beyond
18 what can be sustained. The energy assistance needs cited above represent the *current situation*
19 (based on current Columbia Gas rates). With the proposed rate increase, the affordability gap
20 will widen further.

21 **Q: Please describe how the proposed rate increase will affect people with low-incomes.**

22 **A:** In response to data request No. 8 from CAC, Columbia Gas reported 119,896 customers
23 in 30 Kentucky counties. Using the same data source as before, U.S. Census Bureau, Small Area

1 Income and Poverty Estimates (2014), CAC has calculated that 22,501 current Columbia
2 customers have poverty level incomes. This represents 18.8 percent of all Columbia customers.
3 As the chart below documents, the cumulative effect of the proposed increase of \$136.20
4 annually per household (\$11.35 monthly * 12 months) is to charge **\$3,064,636** more each year to
5 households with incomes at or below the poverty line.

6

# of <u>Households</u> with Incomes Below the Poverty Line	Proposed Annual Rate Increase Per <u>Household</u>	Cost to <u>Households</u> Living in Poverty
22,501	\$136.20	\$3,064,636

7

8 It is important to consider the context of these numbers. These 22,501 households have incomes
9 *below basic survival needs* (housing, food, etc.). These households will now be expected to
10 collectively find an additional \$3,064,636 to maintain service and keep warm in winter. With
11 many customers turning to energy assistance programs or simply not able to pay these higher
12 bills, the Company is likely to see increased disconnections for nonpayment and uncollectible
13 arrearages, thus impacting the overall costs to all customers.

14 A rate increase as proposed will have a substantial impact on those living in poverty, those with
15 already limited resources. If the energy affordability gap continues to widen as a result of the
16 outcome of this case, families will be forced to make choices about which basic needs they can
17 afford. Families are already struggling to make ends meet. Many have to make difficult choices
18 among food, housing, medicine and other necessities. With a rate increase of this magnitude, the
19 ability of these families to afford their basic needs will significantly deteriorate. The added stress
20 of further stretching limited resources becomes an increasing barrier to economic opportunity
21 and self-sufficiency. For those who have made some strides in increasing their incomes, many
22 will be forced backwards in their efforts to meet the basic needs of their families.

23 **Q: What do you propose as a solution in this case?**

1 **A:** CAC asks the Commission to approve the lowest possible rate increase and minimize
2 additional burden on families with low-income. Customers with low-income are already unable
3 to meet minimum financial needs for basic services like food and medicine. Continuing to widen
4 the affordability gap will place thousands of Kentuckians at risk of illness and death from
5 exposure to extreme temperatures as shutoffs increase.

6 In order to effectively reduce the burden placed on families with low-income, CAC urges the
7 Commission and the Company to seek a solution that increases funding available for energy
8 assistance. It might also be helpful to explore new rate mechanisms, such as low-income rates,
9 and any legislative remedies necessary to allow them. This would allow those most vulnerable,
10 including the elderly, those with disabilities, and families with children, access to an adequate
11 safety net to maintain service in the face of cold temperatures and impossible choices.

12 **Q: In summary, please state your position regarding the Company's proposal for an**
13 **increase in the electric service charge rate?**

14
15 **A:** The rate increase will negatively affect the ability of customers with low-income to pay
16 for essential service to a significant degree. In order to prevent this situation the Council
17 proposes a reduction in the amount of the approved increase.

18 **Q: Does this end your testimony?**

19 **A:** Yes

CERTIFICATE OF SERVICE

I hereby certify that CAC's September 2, 2016 electronic filing is a true and accurate copy of Direct Testimony of Malcolm J. Ratchford on Behalf of CAC, Verification of Testimony, and cover letter to be filed in paper medium; that the electronic filing has been transmitted to the Commission on September 2, 2016; that an original and three copies of the filing will be delivered to the Commission on September 2, 2016; that there are currently no parties excused from participation by electronic service; and that, on September 2, 2016, electronic mail notification of the electronic filing is provided to the following:

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