

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter of:

Electronic Application of Kentucky Power)	
Company For (1) A General Adjustment of Its)	
Rates for Electric Service; (2) An Order)	
Approving Its 2017 Environmental Compliance)	CASE No.
Plan; (3) An Order Approving Its Tariffs and)	2017-00179
Riders; (4) An Order Approving Accounting)	
Practices to Establish a Regulatory Asset or)	
Liability Related to the Big Sandy 1 Operation)	
Rider; and (5) An Order Granting All Other)	
Required Approvals and Relief)	

DIRECT TESTIMONY OF ROGER McCANN

Executive Director, Community Action Kentucky, Inc.

October 3, 2017

1 **Q: Please state your name and address.**

2 **A:** My name is Roger McCann, and my address is 101 Burch Court, Frankfort,
3 Kentucky, 40601. I am the Executive Director of Community Action Kentucky, Inc.
4 (hereinafter “CAK”).

5 **Q. Please explain your professional background and current position.**

6 **A:** I have served as the Executive Director of CAK since April 22, 2016. From March
7 1, 2016 until April 22, 2016, I served as the Acting Executive Director for CAK. Prior to
8 that role, I served as the Deputy Executive Director beginning in June of 2010. From 2007
9 to 2010, I served as the Chief Information Officer. I have a Bachelor’s degree from Eastern
10 Kentucky University in Business Administration. CAK operates the Low Income Home
11 Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program for the
12 state of Kentucky and directly subcontracts to 22 Community Action Agencies and one
13 public Community Action Agency. Since 1994, CAK has been actively involved in the
14 collaboratives of many demand side management and energy assistance programs,
15 including programs at American Electric Power, Kentucky Utilities Company, and
16 Louisville Gas and Electric Company. CAK has also intervened in many rate cases and
17 other regulatory proceedings at the PSC.

18 **Q: On whose behalf are you providing testimony?**

19 **A:** Although I am providing testimony on behalf of CAK, the Kentucky Office of the
20 Attorney General is sponsoring my testimony. CAK did move to intervene in the matter,
21 but the Commission’s decision to deny CAK’s intervention led us to look for other means
22 in order to help represent and argue on behalf of those customers for whom we advocate
23 daily. CAK took the Commission’s suggestion to contact the Attorney General’s office,
24 and they were willing to sponsor testimony from our organization. It should be pointed

1 out that the opinions I express in this testimony are not necessarily those of the Office of
2 the Attorney General.

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

4 **A:** The purpose of my testimony is to state the position of CAK with respect to the
5 proposed Kentucky Power Company (hereinafter “KPCo”) rate increase and to provide
6 information as to poverty rates within the counties served by KPCo. In summary, it is my
7 opinion that the 15.99% rate increase¹ for residential customers, as currently proposed by
8 KPCo, is not reasonable or appropriate for customers with low-incomes, and considering
9 the poverty levels in the KPCo service territory. I will demonstrate that the proposed
10 residential customer rate increase will have a disproportionate negative effect on the low-
11 income customers within KPCo territory. I will also advocate against the proposed \$17.50
12 customer charge because a smaller percentage of the average bill can be controlled by
13 decreased consumption and additional conservation.

14 My testimony regarding the low-income population in the counties served by KPCo
15 and the effect of the proposed rate increase on this population should be fully considered
16 in rendering a decision in this case.

17 **Q. Please describe the organization of CAK and give a brief description of its**
18 **activities.**

19 **A:** CAK is a 501(c)(3) non-profit corporation, established in 1968, that represents a
20 network of 23 Community Action Agencies in the Commonwealth of Kentucky. These
21 Community Action Agencies provide social services to low and moderate income
22 Kentuckians in all 120 counties of the Commonwealth. These community action agencies
23 employ approximately 3,300 persons and fight poverty by providing:

- 24
 - Individual opportunity programs such as education, employment training,
- 25 and transportation.

¹ Source: KPCo Supp. Response to PSC 1-73, attachment 97, updated COSS 8-28, COSS tab.

- Services for children, families, and seniors – such as Head Start, Child Care, Family Preservation, Family Reunification, Meals on Wheels, Foster Grandparents;
- Basic needs including energy assistance, housing, weatherization and other conservation programs, and emergency assistance.

CAK and its network of Community Action Agencies is the primary advocate for low income customers in KPCo’s service territory. Big Sandy Area Community Action Program, Daniel Boone Community Action Agency, Gateway Community Action Agency, Licking Valley Community Action, LKLP Community Action Council, Middle Kentucky Community Action Partnership, and Northeast Kentucky Community Action Agency are the seven Community Action Agencies that serve individuals in the KPCo service territory.

Community Action Agency	County
Big Sandy Area Community Action Program	Floyd
	Johnson
	Martin
	Pike
	Magoffin
Daniel Boone Community Action Agency	Clay
Gateway Community Action Agency	Morgan
	Rowan
Licking Valley Community Action	Lewis
LKLP Community Action Council	Knott
	Leslie
	Letcher
	Perry
Middle Kentucky Community Action Partnership	Breathitt
	Owsley
Northeast Kentucky Community Action Agency	Boyd
	Carter
	Elliott
	Greenup
	Lawrence

Fig. 1

Q: Have the directors of these seven Community Action Agencies been involved in Case No. 2017-00179?

A: Not directly, but a letter from an executive director of one of those agencies is attached as an exhibit to my testimony.

1 **Q: Please describe CAK's programs and services for energy assistance.**

2 **A.** CAK, in partnership with the Kentucky Department of Community Based Services,
3 administers LIHEAP. Established by the Low Income Home Energy Assistance Act of
4 1981, the federally funded program operates from the beginning of November until the end
5 of March, or until funds are exhausted, through its network of 23 Community Action
6 Agencies.

7 LIHEAP provides energy assistance benefits to eligible low income families at or
8 below 130% of poverty. Eligible applicants can be assisted with home heating costs
9 through two components: (1) Subsidy, which provides assistance to all eligible households;
10 and (2) Crisis, which provides assistance to eligible applicants experiencing a home heating
11 crisis. A household experiencing a crisis is defined as one that has received a disconnect
12 notice, has 4 days or less of a bulk fuel, or has received an eviction notice from the landlord
13 if heat is included in the rent. A third LIHEAP component, Emergency (Cooling), which
14 provides assistance to eligible households, operates when emergency funds are authorized
15 due to excessive heat. These components of the program are 100% federally funded.

16 This program provides services/benefits to low income households to improve the
17 quality of life for young children and vulnerable adults, making their home a healthier
18 environment in which to live. The program is ongoing until federal funding is depleted.

19 **Q: Are there initiatives in which CAK partners with KPCo? Please discuss.**

20 **A:** CAK partners with KPCo on the Home Energy Assistance (HEA) program that
21 provides monthly subsidies for eligible low-income customers during peak heating and
22 cooling months. The HEA began April 1, 2006 as one of the terms of the settlement reached
23 in KPCo's 2005 Rate Case (Case No. 2005-00341). Funding for the program is derived
24 from the HEA Surcharge (Tariff HEAP, sheet 25-1) on residential meters,² which is

² Tariff HEAP is applicable to Tariffs R.S., R.S.D., R.S.-L.M.-T.O.D., R.S.-T.O.D2., R.S.-T.O.D.

1 currently set at .15 cents per residential meter, and which the company in this case proposes
2 to increase to .20 cents per residential meter. KPCo matches the revenues raised under the
3 HEA Surcharge with an equal dollar amount from AEP shareholder funds. The HEA
4 program is operated by the five Community Action Agencies to which KPCo distributed
5 program slots within the 20 eastern counties comprising KPCo's service territory. Fund
6 distribution is determined based upon the proportion of residential customers served by a
7 Community Action Agency to the total number of residential customers.

8 HEA is available to customers who use electricity as their primary source of heat
9 and those who do not use electricity as their primary source of heat, referred to as non-
10 heating. Households enrolled in the program are classified as heating or non-heating which
11 determines the amount of monetary benefit available. Approved applicants receive a
12 discount on their KPCo bill for seven months of the year, four winter months (December,
13 January, February, March) and three summer months (July, August, and September). The
14 subsidy for participants who use electricity as their primary source of heat is set at \$65 per
15 month for a yearly benefit of \$455. A household that does not use electricity as their
16 primary source of heat receives \$33 per month for a yearly total of \$231. These benefit
17 amounts have not been increased since the establishment of the HEA program eleven years
18 ago.

19 **Q: Please describe the low-income population in the KPCo service territory.**

20 **A:** Based on customer data by county, provided by KPCo in response to Attorney
21 General's Second Set of Data Requests, AG_2_001, and data taken from the U.S. Census
22 Bureau, Small Area Income and Poverty Estimates (SAIPE) Program, 2015 Poverty and
23 Median Household Income Estimates– the most recent county-level poverty data available
24 – the following chart (Fig. 2) provides poverty status by county for KPCo service counties
25 in Kentucky.

County	Number of KPCo Customers	Poverty Rate Per County (SAIPE 2015)	Estimated Number of KPCo Customers Living in Poverty
Boyd	19,805	20.5%	4,060.03
Breathitt	4,191	32.9%	1,378.84
Carter	7,032	19.7%	1,385.30
Clay	13	46.8%	6.08
Elliot	25	34.4%	8.60
Floyd	12,491	29.5%	3,684.85
Greenup	12,659	16.8%	2,126.71
Johnson	5,725	25.9%	1,482.78
Knott	6,548	33.8%	2,213.22
Lawrence	6,106	25%	1,526.50
Leslie	4,597	33.7%	1,549.19
Letcher	9,500	33.2%	3,154
Lewis	212	24.7%	52.36
Magoffin	2,273	32.6%	741
Martin	3,918	40%	1,567.20
Morgan	910	31.3%	284.83
Owsley	7	42.4%	2.97
Perry	12,190	28.5%	3,474.15
Pike	27,239	25%	6,809.75
Rowan	903	27.2%	245.62
TOTAL	136,344		35,755.97

Fig. 2

1
2 Many of these counties report some of the *highest poverty rates* in Kentucky.
3 Eighteen counties *served by KPCo* report poverty rates above 20%, a rate that the Census
4 Bureau defines as *extremely high*. Nineteen out of the twenty counties have reported
5 poverty rates higher than Kentucky's poverty rate of 18.3%. Every county in KPCo's
6 territory is in the highest 50% of poverty rate for Kentucky. Not only are these some of the
7 poorest counties in Kentucky but they are also ranked as poorest nationwide in a state that
8 is 47th in highest poverty rates. Every county in KPCo's service territory surpasses the 2015
9 national poverty rate of 14.7%. These counties are in the top 50% of highest poverty rates
10 of the 3,142 counties nationwide included in SAIPE data.

11 Small Area Income and Poverty Estimates are considered a very reliable source to
12 estimate poverty at the county level. Poverty and need affordability illustrates the

1 economic equation of income versus the ability to afford the basic needs of a family. *By*
 2 *definition, families with incomes at or below the poverty line cannot meet their basic needs.*

3 Thousands of families already cannot meet their basic energy needs as evidenced
 4 by data from CAK’S Low Income Home Energy Assistance Program (LIHEAP) in the
 5 counties in KPCo’s service territory. Between 10/1/2016 and 9/30/2017, CAK completed
 6 49,743 LIHEAP energy assistance applications originating from within the counties
 7 comprising KPCo service territory, paying a total of \$35.2M for all energy assistance. Of
 8 that figure, CAK paid KPCo \$3.16M during the LIHEAP benefit period to help its low-
 9 income customers keep electricity coming into their homes. The following table (Fig. 3)
 10 illustrates by county the percentage of LIHEAP benefits and applications that were utilized
 11 for KPCo out of the total amount for that given county. For example, in Boyd County 73%
 12 of the total LIHEAP benefit amounts issued were utilized for KPCo bills and 69% of the
 13 total applications selected KPCo as their primary fuel vendor.

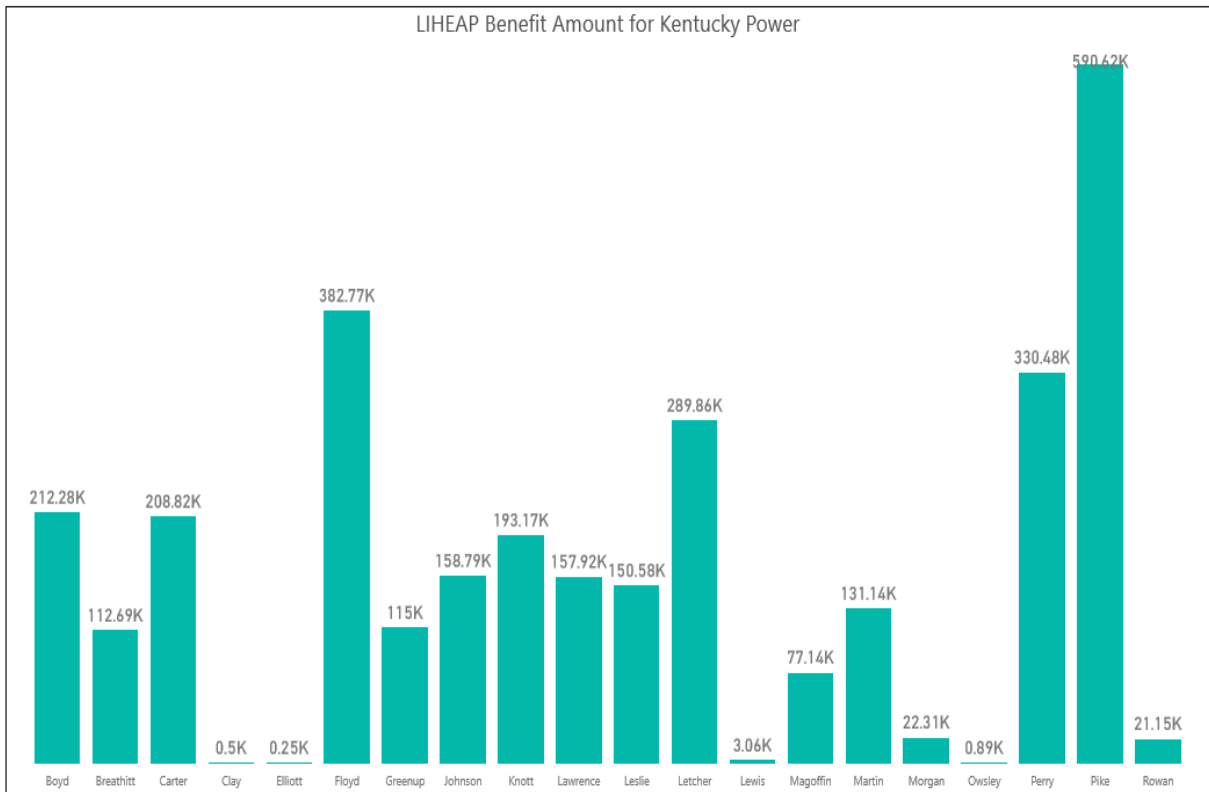
AEP LIHEAP Percentage by County		
County	Total Benefits	Applications
Boyd	73%	69%
Breathitt	17%	19%
Carter	25%	27%
Clay	>1%	>1%
Elliott	>1%	>1%
Floyd	51%	51%
Greenup	35%	39%
Johnson	32%	34%
Knott	52%	56%
Lawrence	41%	44%
Leslie	24%	26%
Letcher	49%	48%
Lewis	1%	1%
Magoffin	19%	21%
Martin	47%	51%
Morgan	8%	12%
Owsley	>1%	>1%
Perry	50%	54%
Pike	66%	64%
Rowan	11%	11%

Fig. 3

14

1 This data effectively highlights the challenges families with low-incomes already
 2 face in meeting their basic needs. For a senior citizen on a fixed income, utility service is
 3 not only a basic need, it is a **survival need**. With more money needed for utilities, there is
 4 less money for other basic needs like food, housing, medication, and other necessities. The
 5 energy assistance needs cited above represent the *current situation* (based on existing
 6 KPCo rates). With any rate increase at all, the affordability gap will greatly widen.

7 The amount of LIHEAP benefit paid to KPCo, broken down by the counties
 8 comprising KPCo’s service territory, is set forth below in Figure 4:



This chart is based on the benefit amount issued during FFY 2017 LIHEAP Program (Crisis and Subsidy) where KY Power was the vendor. It is not the total benefit amount issued for the counties.

9

Fig. 4

10 **Q: Describe other challenges low-income customers face.**

11 **A:** Low-income households, as all households, require food, shelter, medication,
 12 water, heat, and electricity. The stress of the rising costs and rate increases associated with

1 these basic needs stretches the limits of the resources of families living in poverty beyond
2 what can be sustained.

3 Food security is another issue that impacts many low-income families. According
4 to the United States Department of Agriculture Economic Research Service (USDA ERS),
5 during the three-year period 2013-2015, 17.6 percent of all households in Kentucky
6 reported low or very low food security. 7.3 percent of Kentucky households, or more than
7 132,860 households, had very low food security, meaning that at least one person
8 experienced hunger at some point during the year.

9 Families with low income may face a number of barriers in providing enough food
10 to feed their families, such as lack of access to transportation, distance to food retailers,
11 and rising food costs. The rising cost of food is a reality for us all, but for households with
12 low incomes, the increased cost of food is a very serious burden.

13 The challenges faced by low-income customers are illustrative of how this proposed
14 rate increase coupled with other rising costs and rate increases can and will affect families
15 with low incomes in complex ways, thus preventing these customers from reaching a level
16 beyond poverty.

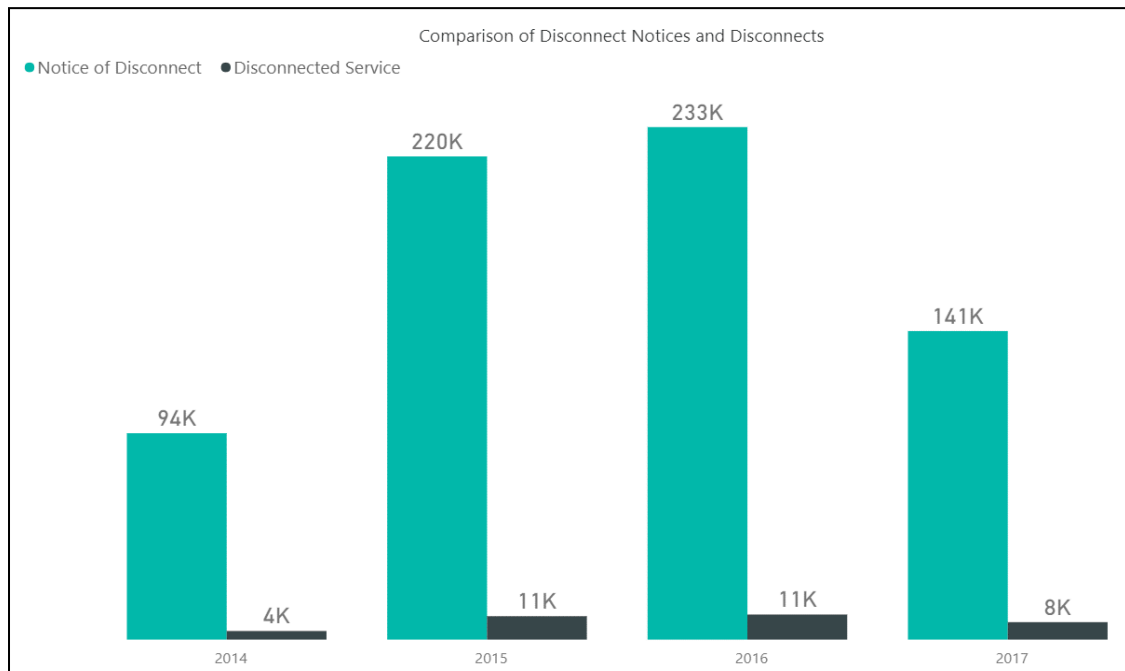
17 **Q: Please describe how the proposed rate increase will affect people with low**
18 **income.**

19 **A:** In response to Supplemental Data Requests from the Office of the Attorney
20 General, item 2-1, KPCo reported that it has 136,344 residential customers in 20 Kentucky
21 counties. Based on the Small Area Income and Poverty Estimates poverty rates by county
22 (see above), CAK has calculated and estimated that 35,756 of KPCo's current residential
23 customers have poverty level incomes. This represents approximately 26.22% percent of
24 all KPCo residential customers.

1 As the chart below documents, the cumulative effect of the proposed rate increase
 2 of approximately \$283.38 annually per household (\$23.61 monthly * 12 months),³ based
 3 on average residential usage of 1247 kWh per month⁴ is to charge **\$10,132,535** more
 4 annually to households with incomes at or below the poverty line.

# of <u>Households</u> with <u>Incomes Below the Poverty Line</u>	<u>Proposed Annual Rate Increase Per Household</u>	<u>Cost to Households Living in Poverty of Rate Increase</u>
35,756	\$283.38	\$10,132,535

5
 6 It is important to consider the context of these numbers. These 35,754 households
 7 have incomes *below basic survival needs* (housing, food, etc.). These households will now
 8 be expected to find an average additional \$283.38 annually to maintain an essential service:
 9 electricity. With many customers turning to energy assistance programs or simply not able
 10 to pay these higher bills, KPCo is likely to see increased disconnections for nonpayment
 11 and uncollectible arrearages, thus impacting the overall costs to all customers.



12
 13 **Fig. 5**
 14 *Year Breakdown: 2014 (August-December); 2015 (January-December); 2016 (January-December);*
 15 *2017 (January-July)*

³ Sources: KPCo Exhibit I, and AEV Supplemental Exhibit 1 filed on August 7. Following KPCo’s debt refinancing as set forth in the company’s August 7, 2017 filing, KPCo has not filed any revisions to Exhibit I.

⁴ Source: KPCo Application Exhibit I.

1 Based on KPCo’s Responses to the Attorney General’s Second Data Requests, from
2 January to December 2016, KCPo customers received 233,371 disconnect notices. 4.7%
3 of those disconnect notices or 11,438 customers had service disconnected during that time.
4 (See AG_2_4 and AG_2_10). The 2017 disconnect numbers only included the months
5 from January to July and already there is an increased likelihood of having services
6 disconnected after receiving a disconnect notice. The rate of disconnect after a notice is at
7 5.7%, which is 1% higher than last year and at the highest reported level throughout the
8 2014-2017 period. This demonstrates that KPCo customers are already struggling to pay
9 their bills. Approval of the proposed rate increase will lead not only to more disconnect
10 notices but loss of service through disconnect. For individuals and families who are already
11 challenged to meet their basic needs, the threat of losing utility service can be catastrophic.
12 The rate increase as proposed will have a devastating impact on families living in poverty,
13 as they already survive with limited resources. If the energy affordability gap continues to
14 widen as a result of the outcome of this case, families will be forced to make choices about
15 which basic needs they can afford. Families are already struggling to make ends meet.
16 Many have to make difficult choices among food, housing, medicine and other necessities.
17 With a rate increase of this magnitude, the ability of these families to afford their basic
18 needs will significantly deteriorate. The added stress of further stretching limited resources
19 becomes an increasing barrier to economic opportunity and self-sufficiency. For those who
20 have made some strides in increasing their incomes, many will be forced backwards in
21 their efforts to meet the basic needs of their families.

22 **Q: Please describe how the proposed basic service charge increase will affect**
23 **people with low income.**

24 **A:** The proposed residential class basic service charge (customer charge) increase
25 will greatly add to the burden of any rate increase on low-income customers. From 2012

1 until 2017, the KPCo basic service charge increased from \$8.00 to \$11.00 per month.
2 (See KPCo response to Second Set of Data Requests, AG_2-009).

3

Year	Monthly Basic Service Charge
2012	\$8.00
2013	\$8.00
2014	\$8.00
2015	\$8.00 (January-June) \$11.00 (July-December)
2016	\$11.00
2017	\$11.00
Proposed Charge	\$17.50

4

Fig. 6

5 KPCo's proposal to increase the basic service charge to \$17.50 per month
6 translates to an annual \$78 increase. Not only is this a large relative increase, but since the
7 basic service charge is a flat-rate charge for all customers not based upon usage, a smaller
8 percentage of the bill can be controlled through energy conservation. Customers have less
9 incentive to conserve because doing so will have less impact on lowering their bills.

10 A customer with low income, who is forced to make difficult decisions about how
11 to utilize sparse monies for basic needs, is less able to adjust his/her habits in order to affect
12 the amount of a utility bill when a large percentage of the rate increase is placed in the
13 basic service charge. A large increase in the basic service charge will penalize low-income
14 seniors and other low-income customers by limiting their ability to control their bills
15 through decreased usage and energy efficiency. This only adds to the adverse impact the
16 proposed rate increase will have.

17 **Q: Are resources for energy assistance sufficient to meet the needs of the**
18 **population in the KPCo service territory? Please discuss.**

1 **A:** No, resources are not sufficient to meet the needs of the population. Federal
2 LIHEAP funding to the state has been highly variable and Congressional support varies
3 annually. However, there continues to be a significant gap between the cost of utility
4 service and the ability of the elderly, the working poor, and other households with low
5 income to pay. Current energy assistance initiatives within the KPCo area do not come
6 close to addressing this gap.

7 LIHEAP crisis funds are distributed until March 31 unless an agency depletes its
8 available funds before that date. Of the Community Action Agencies that serve counties in
9 Kentucky Power’s service territory, Big Sandy, LKLP, Middle Kentucky, and Northeast
10 needed additional funding by February 7 to continue distributing assistance. Those same
11 four agencies were once again below one-day’s worth of funds before March 31. This
12 strongly illustrates that the region already experiences unmet needs with current utility
13 rates compared to the number of households that need assistance during the traditional
14 higher heating months. For an area already struggling to make ends meet, a proposed rate
15 increase would mean even fewer households could be served through LIHEAP funds

16 **Q: Is KPCo’s HEA subsidy program, operated in partnership with CAK, still an**
17 **effective means for reducing the affordability gap? Why or why not?**

18 **A:** The HEA subsidy amount per customer per month during the seven (7) peak months
19 designated in the program has not increased in the 11 years of the program. This subsidy
20 has been helpful to HEA participants, and while the proposed five-cent increase in the HEA
21 surcharge to 20 cents per month will be beneficial, nonetheless it will not be sufficient to
22 keep pace with KPCo’s rate increases. Moreover, KPCo did not distribute slots for the

1 HEA subsidy program to Clay, Elliot, Lewis and Magoffin Counties during the 2016-2017
 2 program year.⁵

3 As noted in KPCo’s response to the Office of the Attorney General’s Second Set
 4 of Data Requests, AG_2_006, the average monthly invoice in 2012 was \$118.81 and by
 5 2016 that average had increased to \$148.04. The increase of \$29.23 in just four years
 6 reduces the effectiveness of the subsidy payment. With the proposed rate increase, the
 7 \$231 non-heating or \$455 heating yearly subsidy that remains unchanged would make even
 8 less of an impact on the financial strain felt by low-income customers.

9 Additionally, the wait-list for low-income customers seeking an HEA subsidy is
 10 substantial. As of September 20, 2017, over 1,475 eligible people were on the HEA subsidy
 11 wait-list for the KPCo service territory. The following table (Fig. 7) provides county level
 12 numbers for the current number of allocated positions contrasted with the number of wait-
 13 listed households for the HEA program.

FY 16-17 HEA County	AEP (Non-Heating)		AEP (Heating)	
	Allocated	Waitlist	Allocated	Waitlist
Boyd	74	114	117	197
Breathitt	9	464	31	293
Carter	13	5	51	2
Floyd	40		90	47
Greenup	40	6	64	9
Johnson			12	3
Knott	16	16	38	51
Lawrence	15	3	43	38
Leslie	7	6	44	23
Letcher	16	14	91	89
Martin	4		17	1
Morgan	3		7	1
Owsley			1	2
Perry	26	22	106	2
Pike	72	18	253	45
Rowan	1	2	7	2

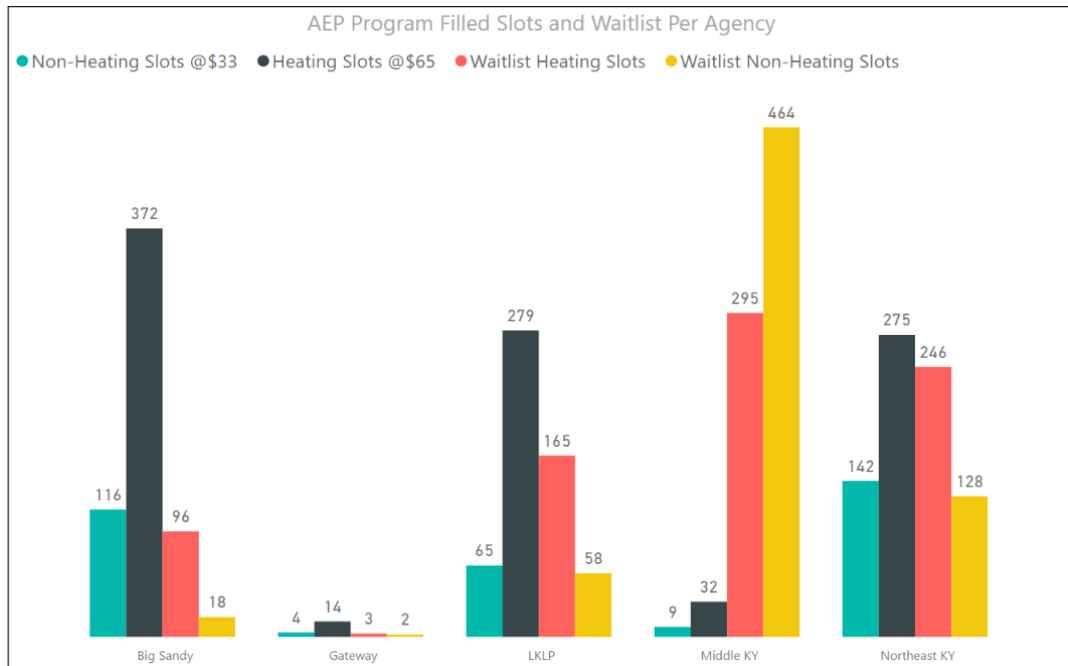
Fig. 7

14 Figure 8, below, illustrates the amount of allocated positions compared to the number of
 15

⁵ For the 2017-2018 program year, KPCo distributed slots to all counties except Owsley, Elliot, Clay and Lewis Counties.

1 wait-listed households broken down by agencies participating in the HEA program.

2



3
4

Fig. 8

5 **Q: How should the Commission address the disproportionate effect on low-**
6 **income customers?**

7 **A:** CAK asks the Commission to reject the rate increase in its entirety, or in lieu thereof
8 order a smaller increase in order to avoid placing additional burden on families with low
9 income. Customers with low income are already unable to meet minimum financial needs
10 for basic services like food, housing and medicine. Continuing to widen the affordability
11 gap places more low-income customers at risk.

12 For the same reasons, CAK also urges the Commission to reject the proposed basic
13 service charge increase. Placing such a large percentage of the rate increase in the basic
14 service charge poses a heavy burden on low-income customers who are faced not only with
15 the prospect of a high energy bill, but also with a decreased incentive to make a meaningful
16 impact on their monthly bills through usage and energy conservation.

17 Regardless of whether the Commission rejects any rate increase, or orders any
18 increase at all, it should approve KPCo's proposed increase in the residential meter

1 surcharge in order to increase funding available for the HEA subsidy program and increase
2 the monthly subsidy. Should the Commission decide to discontinue the KEDS per meter
3 surcharge, increasing the HEA subsidy in the same amount by which the KEDS surcharge
4 is reduced is another way to increase HEA funding. Increasing the HEA program in this
5 manner would allow those most vulnerable, including the low-income elderly, those with
6 disabilities, and families with children, access to a more effective solution for keeping up
7 with their heating and cooling costs. It would also serve to diminish the long wait-list of
8 eligible customers seeking HEA subsidies.

9 **Q: How would the new proposed rates compare to utility rates for the rest of**
10 **Kentucky?**

11 **A:** According to KPCo's Commonwealth of Kentucky Comparison of Residential
12 Customer Rates,⁶ KPCo is currently the 12th highest service rate and the 13th highest energy
13 charge out of 23 reported service providers. If the company's proposed rate increase is
14 approved, KPCo would become both the second highest service rate and the second highest
15 energy charge. This surpasses the rates charged in less impoverished regions of the state.

16 **Q: Does this conclude your direct testimony?**

17 **A:** Yes.

⁶ Source: "Kentucky Rate Comparison," *Kentucky Power Company*, 02/05/16,
<https://www.kentuckypower.com/account/bills/rates/KentuckyPowerRateComparison.aspx>.

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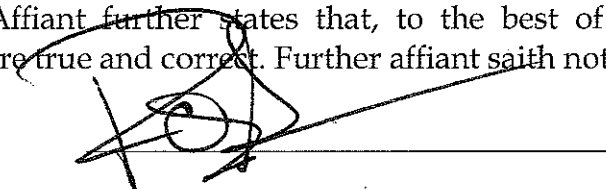
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AFFIDAVIT OF ROGER MCCANN

Commonwealth of Kentucky)
)
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Roger McCann, being first duly sworn, states the following: The prepared Pre-Filed Direct Testimony and the Schedules attached thereto constitute the direct testimony of Affiant in the above-styled case. Affiant states that he would give the answers set forth in the Pre-Filed Direct Testimony if asked the questions propounded therein. Affiant further states that, to the best of his knowledge, his statements made are true and correct. Further affiant saith not.



SUBSCRIBED AND SWORN to before me this 28th day of September, 2017.

Susan L Young
NOTARY PUBLIC

My Commission Expires: 5/12/18

Big Sandy Area Community Action Program

James Michael Howell
Executive Director

Hon. R.T. "Tucker" Daniel
Chairman, Board of Directors

July 26, 2017

Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

Re: Case number 2017-00179

To The Public Service Commission:

I am writing to voice the vehement opposition of Big Sandy Area Community Action Program (BSACAP) and its Board of Directors to the proposed customer rate increase by American Electric Power (AEP). Our agency serves low-income individuals and families in Floyd, Johnson, Martin, Magoffin, and Pike Counties in eastern Kentucky. For over 50 years, we have been on the frontlines of the fight against poverty and we are certain the proposed rate hike will negatively impact the people we serve across the board.

An average of 28.68 percent of the population in our region, more than a quarter, are currently living in poverty according to recent data from the Kentucky Center for Education & Workforce Statistics (KCEWS). Martin County has the highest poverty rate at 35.7 percent, which is greater than state and national averages. Data from the U.S. Census Bureau shows that our area contains 22,126 individuals above age sixty-five and 8,988 children under the age of five. Our most vulnerable populations will be seriously harmed if this rate increase goes through.

We face a stagnant economy in a region where the median wage is significantly lower than the state median wage. The median household income for Martin County is \$17,270 less than the Kentucky average, and \$27,706 less than the national average according to the KCEWS. To put this in perspective, for a family of three in eastern Kentucky, the median annual salary with a high school diploma and five years of experience is \$15,128 (KCEWS), more than 100% below the designated 2017 Federal Poverty Guidelines. Higher utility bills will absolutely have a harmful economic ripple-effect across the region.

While these statistics are disturbing, the job market offers little promise at this point. A great deal of families in our area survive on fixed incomes, receiving social security income or SSI. According to the Bureau of Labor Statistics, Magoffin County had the highest unemployment rate in Kentucky four out of the last five years reported, and our other counties do not fare much better. Eastern Kentucky is doing everything possible to increase education levels, improve health, establish a strong workforce, and attract new business, but we cannot move forward if we are continually being cut off at the knees.

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A staggering percentage of the population is housing burdened and paying 30 percent or more of their gross income for housing according to the Census Bureau. Nearly one-third of residents are housing burdened. In Martin County, that number reaches up to nearly half of the population. In two counties, the number of housing burdened renters has doubled over the past 10 years. The number of vacancies has dropped and the median monthly costs have risen. Big Sandy Area residents encounter numerous housing problems such as inability to pay high-cost rent, inability to pay mortgages, and need for minor and major home repair. It is unconscionable to burden these families further.

Each year we conduct a needs assessment survey of the communities we serve. In the spring of this year, utility assistance was ranked as the number one need in the area, followed by other needs such as food, clothing, and employment, which all ranked in the top 10.

This past winter, our agency distributed \$1,086,751 in federal Low-Income Home Energy Assistance Program (LIHEAP) funds to 6,961 households in our service area during the subsidy portion of the program. Forty-eight percent of that money went to AEP. During LIHEAP Crisis, \$1,746,457 went to 8,076 households. AEP received 47 percent of that money. In Pike County alone, which has the greatest number of AEP customers in the state, 1,379 households connected to AEP were allotted \$181,177 during the Subsidy portion of the program. During the Crisis portion, that number jumps to 1,608 households being allotted a staggering \$409,446 in federal LIHEAP funds that went directly to AEP. A rate increase, along with the proposed funding cuts at the federal level, is going severely reduce the number of people we will be able to serve. It is reckless, bordering on abusive, to expect dwindling federal funds to cover this proposed rate increase.

The monopolization of utilities leaves impoverished people and an already overburdened system to the whims of CEOs and shareholders with only you, the Public Service Commission, to intervene. We ask that you keep our families in mind and act in good conscience on behalf of the people.

Sincerely,



James Michael Howell
Executive Director

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