

**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) 2017-00441
CONTINUATION OF CERTAIN EXISTNG)
DEMAND-SIDE MANAGEMENT AND ENERGY-)
EFFICIENCY PROGRAMS)**

**PREFILED DIRECT TESTIMONY OF
CATHY HINKO, DIRECTOR,
METROPOLITAN HOUSING COALITION**

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Metropolitan Housing Coalition

Dated: March 21, 2018

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

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

4 **Q. On whose behalf are you testifying today?**

5 A. My testimony is filed on behalf of MHC.

6 **Q. What is the Metropolitan Housing Coalition?**

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

17 **Q. Please briefly describe your qualifications.**

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

1 test a modified Percentage of Income Plan. I remain on AEC's board through the present
2 day and AEC's operation of the All Seasons Assurance Program funded through a meter
3 charge approved by the Public Service Commission.

4 In 2005, I became director of MHC, an education and advocacy organization on issues
5 of fair and affordable housing which also operates a lending pool for use by non-profit
6 developers creating or rehabilitating affordable housing. In 2008, MHC published a
7 paper that focused on utility costs as part of affordable housing. In 2014, MHC updated
8 information in that report. In 2013, MHC published *How to Lower Utility Costs: A*
9 *Guide to Louisville Programs for Energy Efficient Improvements and Resources to Help*
10 *Pay a Utility Bill*. This guide to resources also included a comparison of utility costs in
11 Louisville of the years 1998 and 2013. I have added 2018 costs in my testimony. I have
12 been the lead MHC staff member in advocating for the recommendations of that report.
13 My work includes convening meetings with the state and local agencies charged with
14 weatherization work and serving on committees convened by LG&E on both community
15 input and on energy efficiency.

16 MHC operates a lending pool of about \$750,000 that is for use by non-profit
17 developers in creating and rehabilitating units that are affordable to low-income
18 households, with an emphasis on those below 60% of median income. Demand-side
19 management programs are of paramount importance to MHC, as well as payment
20 assistance programs, in order to make shelter affordable.

21 **Q. What is the purpose of your testimony today?**

22 A. I am testifying on behalf of MHC in the case on the amount of Demand Side
23 Management (DSM) Charges and the use of the DSM funds. MHC has an interest not

1 only in affordable cost of utilities and payment assistance programs, but equally in the
2 energy efficient rehabilitation of current units, and demand-side management as a method
3 of making shelter affordable to low-income households. Of equal importance to MHC is
4 that the funds collected from low-income neighborhoods and/or neighborhoods with
5 concentrations of people in protected categories (as defined for fair housing) are returned
6 to those neighborhoods.

7 The second part of my testimony is focused on the failure of Kentucky to keep
8 pace with the way cost/benefit is measured. We have an intuitive sense that sound
9 Demand Side Management programs would affect the environment and air quality and
10 health outcomes, but now we have the ability to quantify those benefits. Given the
11 notoriously poor health outcomes in Kentucky, we should embrace these new measures.

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

13 A. This part of the testimony supports Demand Side Management programs that help
14 low-income people in their homes.

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

20 However, between 2007 and 2017, the cost of housing for our Metropolitan Statistical
21 Area, (as published in Fair Market Rents by the United States Department of Housing
22 and Urban Development) went up 13.29%, adjusted to 2017 dollars using the Consumer
23 Price Index.

Figure 12: Fair Market Rents by Unit Bedrooms

FY2017 as compared to FY2007 and FY2016, Louisville MSA					
FMR Year	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
FY2017	\$551.00	\$629.00	\$793.00	\$1,085.00	\$1,230.00
FY2016	\$551.00	\$644.00	\$817.00	\$1,123.00	\$1,275.00
FY2007	\$426.00	\$492.00	\$584.00	\$816.00	\$867.00
Adjusted to 2017 dollars using the Consumer Price Index*					
FY2017	\$551.00	\$629.00	\$793.00	\$1,085.00	\$1,230.00
FY2016	\$569.00	\$660.00	\$837.00	\$1,151.00	\$1,306.00
FY2007	\$511.00	\$590.00	\$700.00	\$979.00	\$1,040.00
Percent Change from FY2016-FY2017	-3.16%	-4.70%	-5.26%	-5.73%	-5.82%
Percent Change from FY2007-FY2017	7.83%	6.61%	13.29%	10.83%	18.27%
<small>SOURCE: U.S. Department of Housing and Urban Development, 2016 (http://www.huduser.gov/portal/datasets/fmr.html) *Dollars shown in 2016 dollars using the Consumer Price Index Calculator (http://data.bls.gov/cgi-bin/cpicalc.pl)</small>					

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3 The above chart and the one below are in the 2018 State of Metropolitan Housing
 4 Report published by Metropolitan Housing Coalition.

5 When we look at wages in our area, we see that 23% of the work force earns a
 6 wage that would not let them pay rent and utilities at under 30% of their income for a
 7 one-bedroom unit and that 38.68% of the work force earns a wage that would not strain
 8 them to pay rent and utilities for a two-bedroom unit.

Figure 13: Housing Wage for Fair Market Rents 2017, 2016 Job and Wage Numbers for Louisville MSA

Housing Wage for One-Bedroom FMR	Housing Wage for Two-Bedroom FMR	Housing Wage for Three-Bedroom FMR	Housing Wage for Four-Bedroom FMR
\$12.10	\$15.25	\$20.87	\$23.65
# of jobs that pay median hourly wage less than \$12.10	# of jobs that pay median hourly wage less than \$15.25	# of jobs that pay median hourly wage less than \$20.87	# of jobs that pay median hourly wage less than \$23.65
151,370	249,050	408,790	449,690
% of total workforce	% of total workforce	% of total workforce	% of total workforce
23.51%	38.68%	63.49%	69.84%

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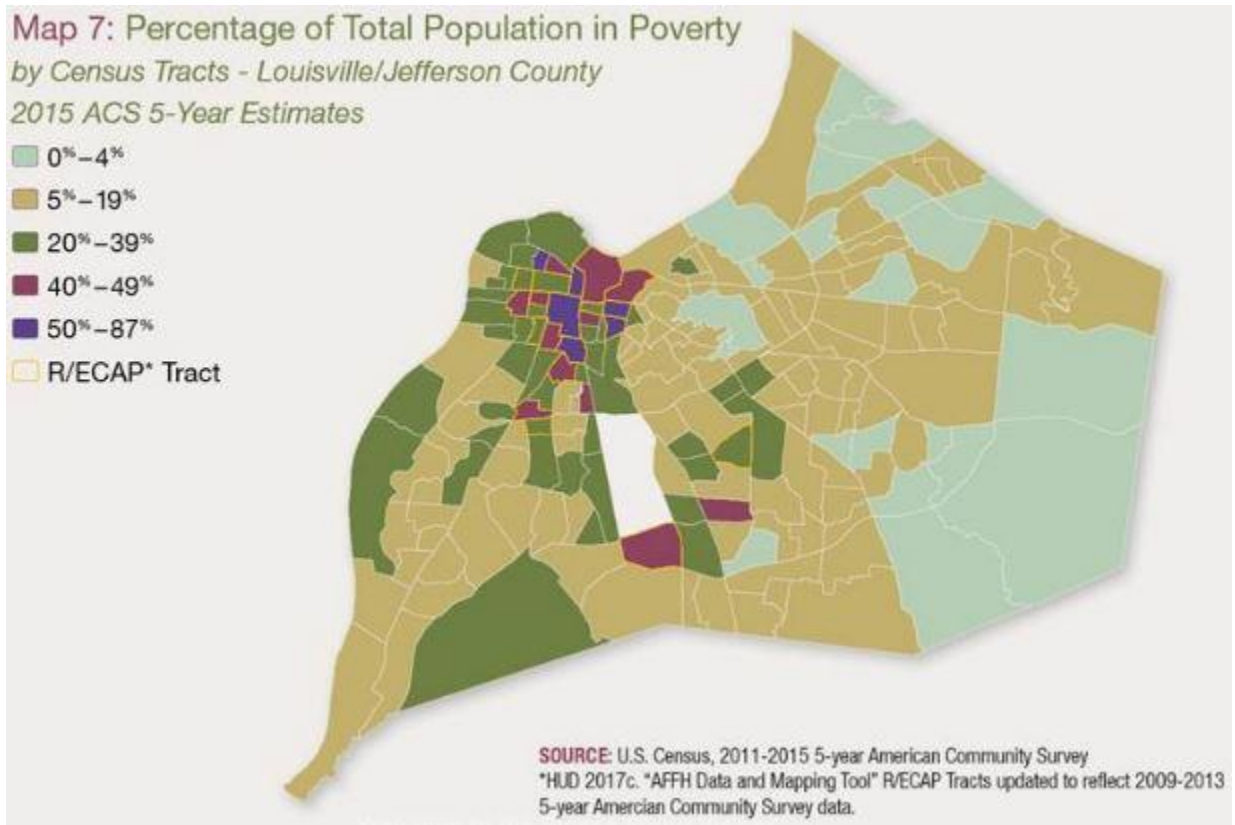
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3 This gap between housing and utility cost (utilities are part of the Fair Market
 4 Rent calculation) may explain why Louisville Kentucky had the seventh highest eviction
 5 rate (5.3%) of the largest fifty Metropolitan Statistical Areas in the United
 6 States. Salvati, Chris. 2017 "Rental Insecurity: the threat of Evictions to America's
 7 Renters".

8 Demand Side Management is one way of making sure that families, the elderly
 9 and disabled and low-wage workers can be stable by controlling cost.

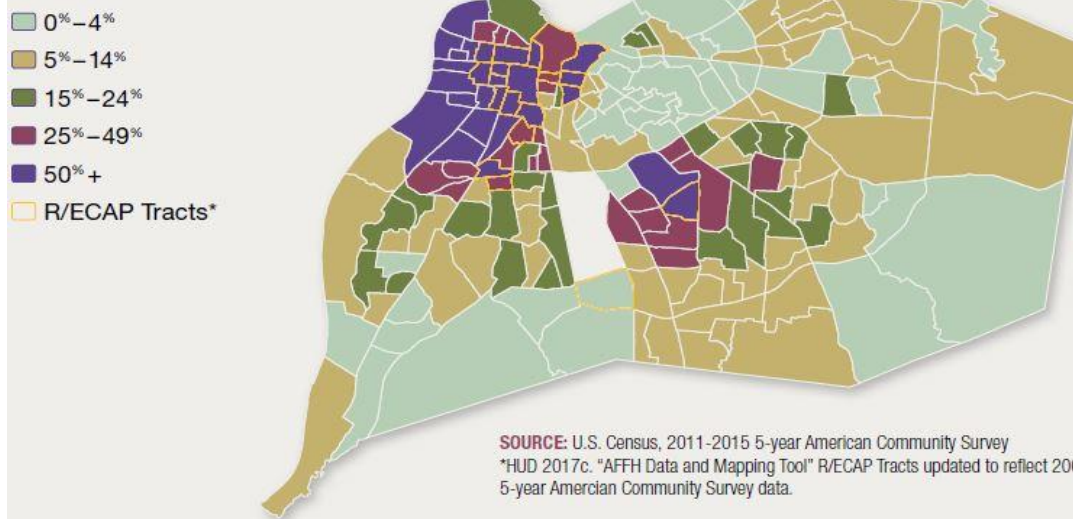
10 Many of the oldest parts of Louisville are also the areas with highest
 11 concentrations of low-income households, households with persons with a disability,
 12 households with a female-head and minor children and shockingly segregated by race.
 13 The following is the link to the Redlining Project which shows the intentional segregation
 14 which puts those in fair housing protected classes in small geographic areas with high
 15 density and older housing. [https://louisvilleky.gov/government/redevelopment-](https://louisvilleky.gov/government/redevelopment-strategies/redlining-community-dialogue)
 16 [strategies/redlining-community-dialogue](https://louisvilleky.gov/government/redevelopment-strategies/redlining-community-dialogue)

- 1 Investing in these areas to bring down cost is imperative. The following are a series of
- 2 maps to show what I have just stated.



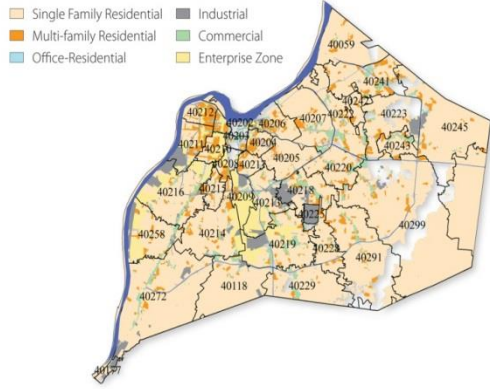
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- 4
- 5 Poverty is concentrated in western Louisville.

Map 8: Percentage of Population Identifying as Black or African-American by Census Tracts - Louisville/Jefferson County
2015 ACS 5-Year Estimates



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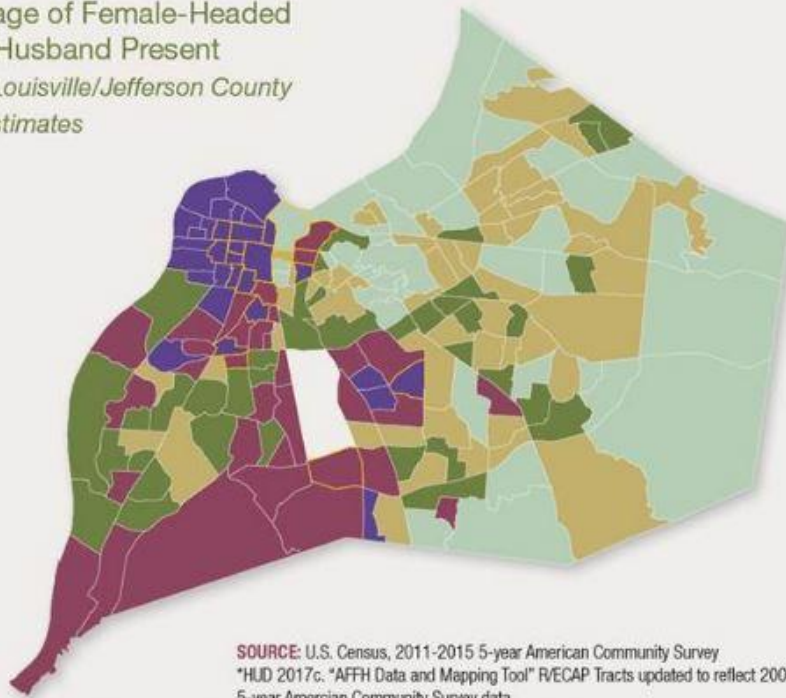
Zoning Classifications in Jefferson County



Source: LOJIC

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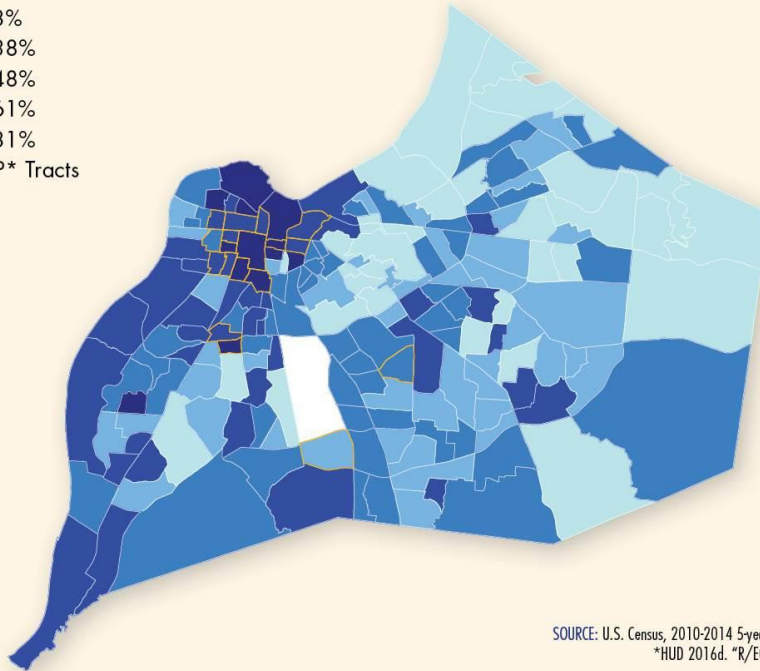
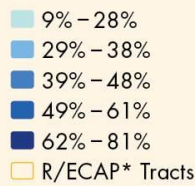
Map 11: Percentage of Female-Headed Households, No Husband Present by Census Tracts - Louisville/Jefferson County 2015 ACS 5-Year Estimates



SOURCE: U.S. Census, 2011-2015 5-year American Community Survey
 *HUD 2017c. "AFFH Data and Mapping Tool" R/ECAP Tracts updated to reflect 2009-2013 5-year American Community Survey data.

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Map 3: Percentage of Population 65 years and Older with a Disability
by Census Tracts – Louisville/Jefferson County 2010-2014

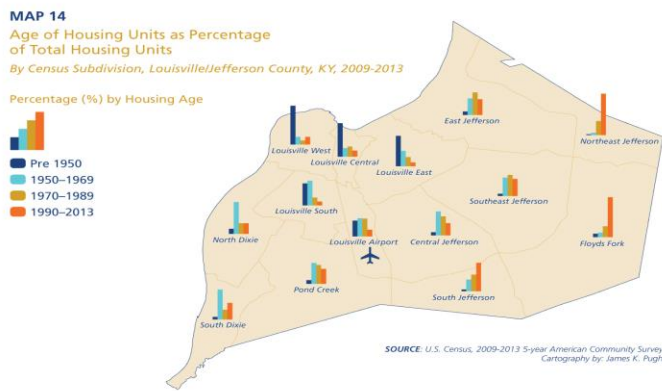


SOURCE: U.S. Census, 2010-2014 5-year American Community Survey
*HUD 2016d. "R/ECAP Tract Current and Historic."

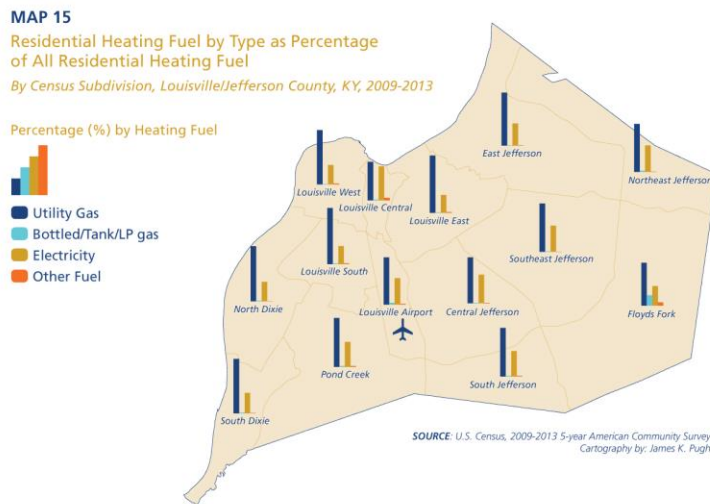
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As seen in the LG&E Response to Metropolitan Housing Coalition’s Second Set of Data Requests Dated February 21, 2008, electricity usage has decreased between 2011 and 2017 in every zip code except 40018. But the most dramatic decreases occurred in wealthier parts of the county. 40291 had a 12% decrease, 40223 had a 14% decrease and 40243 had a 16% decrease compared to 40211’s 8% decrease, 40210 9% decrease and 40212’s 8% decrease. So whether it was the inability of these areas to participate in several of the DSM programs or some other explanation, we see that there is still room for demand-side management in these areas even when only talking about electricity, which is not their primary heating fuel.

1 LG&E chose to answer only in kWh and not ccf, although my bill always has a
 2 Demand Side Management charge by ccf and is attached as Hinko Direct Testimony
 3 Exhibit 1. MHC posits that areas of high poverty and racial segregation (and for which
 4 we have zoning maps showing the square footage to be considerably less per residence
 5 than in affluent areas that are 98% white) and where gas heat predominates, are the areas
 6 disproportionately in need of programs lowering energy usage.



7 Is



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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

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3 **Q. The Commission’s review of the proposed decrease in DSM charges and the use**
 4 **of the funds is focused on whether and on what terms approval of the proposals will**
 5 **be “consistent with the public interest.” Are there specific areas that could be**
 6 **addressed by the Commission that would, in your view, make the plan more**
 7 **consistent with the public interest?**

8 A. Yes. Modernizing the cost/benefit analysis to include externalities would be an
 9 important step.

10 Below, the PSC can see the difference in cost of utilities from 1998 to 2018.
 11 Things have changed substantially just in cost. Utilities costs have skyrocketed. We
 12 know that low income wage earners have not experienced wage growth and we know that
 13 old housing areas have not become more efficient. DSM programs are essential.

14

1 Updated to 2018:
2 **ELECTRICITY** (using my person bill which is attached) and comparing 1998 to 2018
3 Basic service charge went from \$3.29 in 1998 to \$12.25 in 2018
4 Energy charge per kWh is now \$0.09382 compared to \$0.06237
5 DSM per kWh is now \$0.00248 compared to \$0.0029
6 Environmental Surcharge is 3.170% compared to 1.140%

7 **GAS**

8 Basic service charge went from \$4.48 1998 to \$16.35 in 2018
9 Gas distribution charge went from \$0.00119 to \$0.363.00
10 Gas supply component went from \$0.35602 to \$0.39332

11 And the focus of Louisville itself has changed to include externalities. We now
12 have a Chief Resilience Officer in Louisville government and a Department of
13 Sustainability. Louisville knows that our health and well-being are tied to lowering
14 energy consumption especially for low-income areas.

15 Attached is a printout of the louisvilleky.gov site for the Urban Heat Island
16 Project, identified as Hinko Direct Testimony Exhibit 2. This project contains many
17 initiatives that would be aided by DSM if externalities could be measured. To quote
18 under the section called “**How does it (urban heat island) hurt Louisville Residents?**
19 The additional heat in the urban core leads to costlier utility bills but also serious health
20 issues- it’s a real danger to vulnerable Louisville residents. The hotter air exacerbates the
21 effect of air pollution; Louisvillians with asthma or other respiratory problems in the
22 UHI-affected areas are put at risk.” “We know that too often the ZIP code where you
23 are born can correlate with negative health outcomes. That’s unacceptable”, said Mayor

1 Greg Fischer. “In addition, the added heat causes citizens and businesses to run their air-
2 conditioning longer and higher, which drives up energy costs for citizens and
3 businesses.”

4 As part of that project neighborhoods are targeted for grass planted, trees planted,
5 cooling paving and cooling roofs; that list is attached as Hinko Direct Testimony Exhibit
6 3.

7 Attached are the maps from the *2017 Health Equity Report* from the Center for
8 Health Equity, part of the Louisville Metro Department of Health and Wellness, showing
9 the incidence and location of cancer and asthma as well as the impact by race, sex and
10 age. Those maps are identified as Hinko Direct Testimony Exhibits 4 and 5 respectively.
11 Failing to include externalities has a disproportionately negative impact on people in fair
12 housing and public accommodation protected categories and my transgress federal law
13 using the analysis of the 2015 U.S. Supreme Court decision of *Texas Department of*
14 *Housing and Community Affairs et al. v. Inclusive Communities Project, Inc., et al.*, 576
15 U.S.____.

16 Neighborhoods that have large numbers of multi-family housing tend to be low-
17 income and are not only racially concentrated, but are concentrations of people in other
18 protected classes. Since these neighborhoods have smaller lot sizes, they also are
19 concentrations of residential users, each paying for utilities. The earlier maps show that
20 low-income neighborhoods are also where older housing exists with less energy efficient
21 rehabilitation of homes. So there are a lot of people paying and with high volume usage.

22 **How can this concern be addressed?**

1 MHC believes that distribution of DSM funds should be proportional to the
2 impact on the neighborhood expressed as a percentage of DSM program income received
3 from the neighborhood. More households, each paying the DSM charge, are in low-
4 income neighborhoods. Yet the least amount of energy savings programs are
5 implemented there.

6 MHC believes that an assessment should be done to determine the amount of
7 money coming from low-income neighborhoods in DSM charges with a concomitant
8 study on where the DSM money is spent. At the least, the public utility should be
9 cognizant of delivering funds in a manner that does not have a disparate impact on
10 minorities, people who are disabled and female headed households with children. The
11 new program that allows people to track usage on their computer seems to ignore the
12 technology gap in low income households. That new program, combined with rebates for
13 appliances beyond the financial capability of low-income people and not used by
14 landlords of lower-rent areas, may result in inequity. Certainly, more study should go
15 into the programs before approval. Had LG&E fully responded to question 9 of MHC's
16 Second Request for Data to include ccf, we may have had a better picture.

17 Other programs should be considered as well. MHC works with non-profit
18 developers that do both new construction and rehabilitation of both rental and home
19 ownership units. MHC sees the complexity of funding that goes into making units that
20 have a low cost to end consumers yet these units are energy efficient. A program
21 accessible to non-profit developers could be one more useful financial tool to create units
22 that remain affordable in utility costs. Since air conditioning is a normal part of energy

1 use (see prior reference to HUD standards), units that have gas heat still will be using
2 electricity in the summer months for temperature control. And though DSM focuses on
3 electric usage, the fee still comes from gas consumption, so homes using gas heat are
4 paying into the DSM fee and the less energy efficient units are paying more.

5 **Q. Does that conclude your testimony?**

6 A. Yes.

CERTIFICATE OF SERVICE

This is to certify that electronic version of the Prefiled Direct Testimony of Cathy Hinko, Director, Metropolitan Housing Coalition 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 March 21, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original and six (6) copies in paper medium of the Second Set of Data Requests of Metropolitan Housing Coalition to Louisville Gas and Electric Company will be filed with the Commission within two business days of March 21, 2018.



Tom FitzGerald