

**5COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**ELECTRONIC JOINT APPLICATION OF LOUISVILLE)
GAS AND ELECTRIC COMPANY AND KENTUCKY)
UTILITIES COMPANY FOR A CERTIFICATE OF PUBLIC) CASE NO. 2018-00005
CONVENIENCE AND NECESSITY FOR FULL)
DEPLOYMENT OF ADVANCED METERING SYSTEMS)**

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

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Dated: May 17, 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 Director of the
3 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 laws of
8 the Commonwealth of Kentucky in 1989 and comprised of over 250 individual and
9 organizational members. MHC members include representatives of low-income households,
10 private and non-profit housing developers, service providers, financial institutions, labor unions,
11 faith-based and neighborhood groups, as well as other advocacy groups, advocating in a united
12 voice for fair, safe, and affordable housing in the Metro Louisville area. For over two decades,
13 the MHC has utilized the public and private resources of the Metro Louisville community to
14 provide equitable, accessible housing choices for all persons through advocacy, public education,
15 and through support for affordable housing providers.

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

17 A. Since obtaining my law degree in 1979, my career has focused on affordable and fair
18 housing. I left the practice of law to manage the Section 8 Housing Certificate and then Voucher
19 Programs for the City of Louisville and Jefferson County, subsequently becoming Executive
20 Director of the Housing Authority of Jefferson County. During that tenure, I became involved
21 with issues of affordable utilities for low-income people and was on the board of the Affordable
22 Energy Corporation (AEC) as they secured grants to test a modified Percentage of Income Plan.
23 I remain on AEC's board through the present day, and AEC's operation of the All Seasons

1 Assurance Program funded through a meter charge is approved by the Public Service
2 Commission.

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

14 MHC operates a lending pool of about \$750,000 that is for use by non-profit developers in
15 creating and rehabilitating units that are affordable to low-income households, with an emphasis
16 on those below 60% of median income. MHC recognizes that shelter costs include not only rent
17 or mortgage payment, but having lights and heat, and that increases to the utility component of
18 shelter costs will affect low-income households disproportionately.

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

20 A. I am testifying on behalf of MHC on the question of whether there are enough benefits from
21 the deployment of Advanced Metering to justify the enormous expenditure that will be paid by
22 ratepayers. It is my opinion that the benefits appear far too speculative and the costs appear to
23 be underestimated. To charge ratepayers approximately \$380 million dollars (the cost plus

1 whatever return-on-investment above the cost is allowed by the Public Service Commission)

2 there are several questions to answer:

3 1. Are social costs of the increase in utility cost included, and will all ratepayers, in
4 reality, equitably receive the benefits or will certain groups by race or gender or ethnicity be
5 benefited disproportionately? One subset of this is whether the funds collected from low-income
6 neighborhoods and/or neighborhoods with concentrations of people in protected categories (as
7 defined for fair housing) are returned to those neighborhoods through benefits to those residents
8 with a realistic assessment of that return.

9 2. Are the costs soundly computed and fully listed?

10 3. Are the benefits soundly computed and reasonably estimated?

11 4. Of all the options of doing something costing the ratepayers over \$350 million, is this
12 the best choice?

13 As reflected in the testimony below, MHC contends that the answers to these questions are
14 such that the application for a Certificate of Public Convenience and Necessity for Full
15 Deployment of Advanced Metering Systems should not be granted at this time.

16 **Q. How important are utility costs for low-income households, and will low-income**
17 **households share in all benefits?**

18 A. A 1998 national study showed that the average household spends only about two percent
19 (2%) of their income on electricity whereas low-income households spend about eight percent
20 (8%) of their total income on electricity and very low-income households (i.e. those living at less
21 than half of the federal poverty level) spend twenty-three percent (23%). See Oppenheim,
22 J.(1998). *Access to Utility Service*, National Consumer Law Center, 1998 Supplement, pp.30-31.

1 There is evidence that in the Louisville MSA, the percentage paid by very-low income
 2 households may be an even higher percentage than that reported by Oppenheim. Between 2007
 3 and 2017, the cost of housing for our Metropolitan Statistical Area, (as published in Fair Market
 4 Rents by the United States Department of Housing and Urban Development) went up 13.29%,
 5 adjusted to 2017 dollars using the Consumer 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%

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>)

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 7
 8 The above chart and the one below are in the *2017 State of Metropolitan Housing Report*
 9 published by Metropolitan Housing Coalition.

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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%

1

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

6 But as one dives down even further, it becomes clearer how fragile the affordability of
 7 housing is to many people in our community. The Eviction Lab at Princeton University
 8 (<https://evictionlab.org/>) released a nationwide data base of evictions by area in 2016. Attached
 9 (as MHC Exhibit 1) is a comparison between Jefferson County, Kentucky as a whole, and
 10 Census Tract 24.0 to Census Block 24.1. The Census Block is bordered by Muhammad Ali
 11 Boulevard and Main Street and is between 18th and 26th Streets in Louisville and is not where
 12 there is public housing. In this Census Block of 696 people, 59% of the people rent at a rate that
 13 is considerably lower than the median rent for Jefferson County. Nonetheless, with a 31%
 14 poverty rate, 46.5 % of those renters are “rent burdened,” paying more than 30% of their income
 15 for rent. And we can see this because 30% of the monthly median income in this Census Block is

1 \$460, far below the median rent of \$652. It is no surprise that there is a 25% eviction filing rate
2 in this Census Block, a more revealing piece of information than the actual eviction rate.

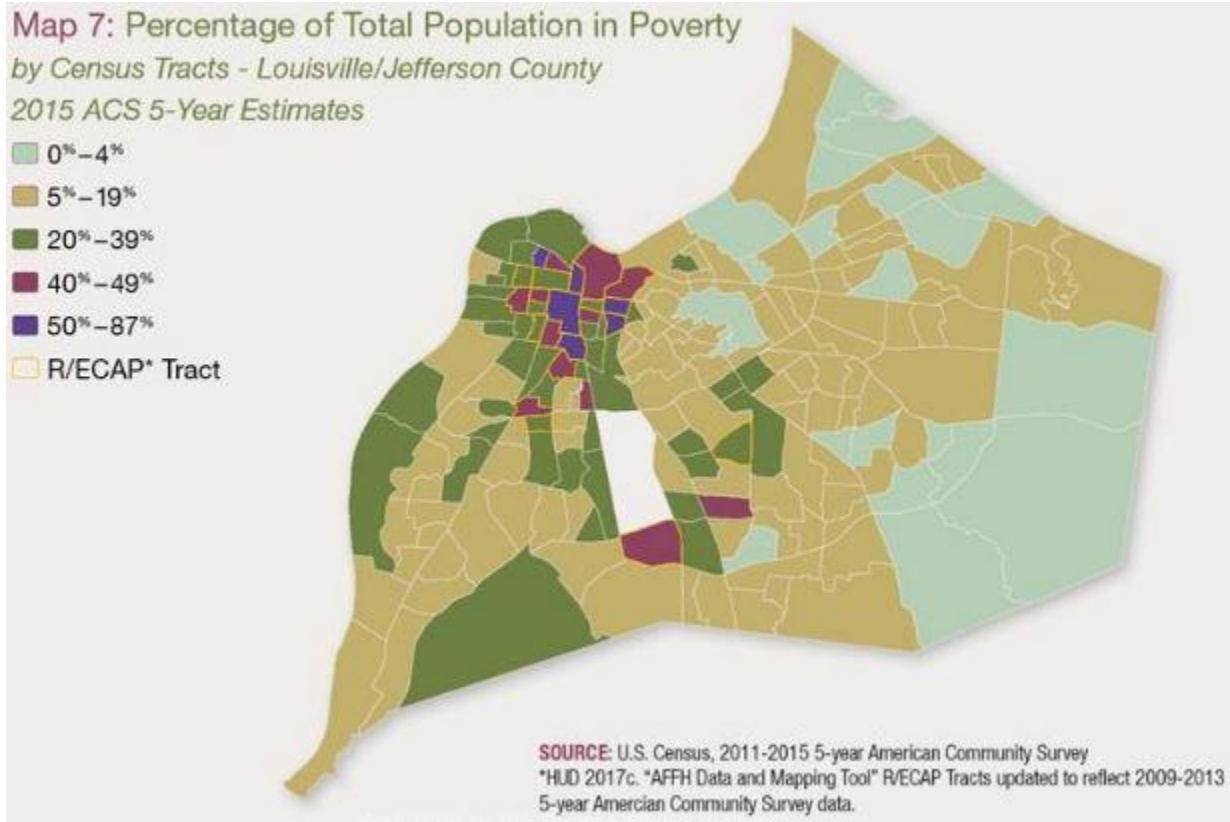
3 While LG&E may describe a monthly payment of \$2.50 or so as *de minimis*, that is not the
4 case for these real people who experienced real housing instability. This fee needs to be taken
5 very seriously, as it can contribute to circumstances that make children homeless.

6 The data also shows in high relief, a group that has very little control over utility
7 conservation. Renters are the least able to make significant changes to their built environment
8 and low-income renters are even less empowered to do so.

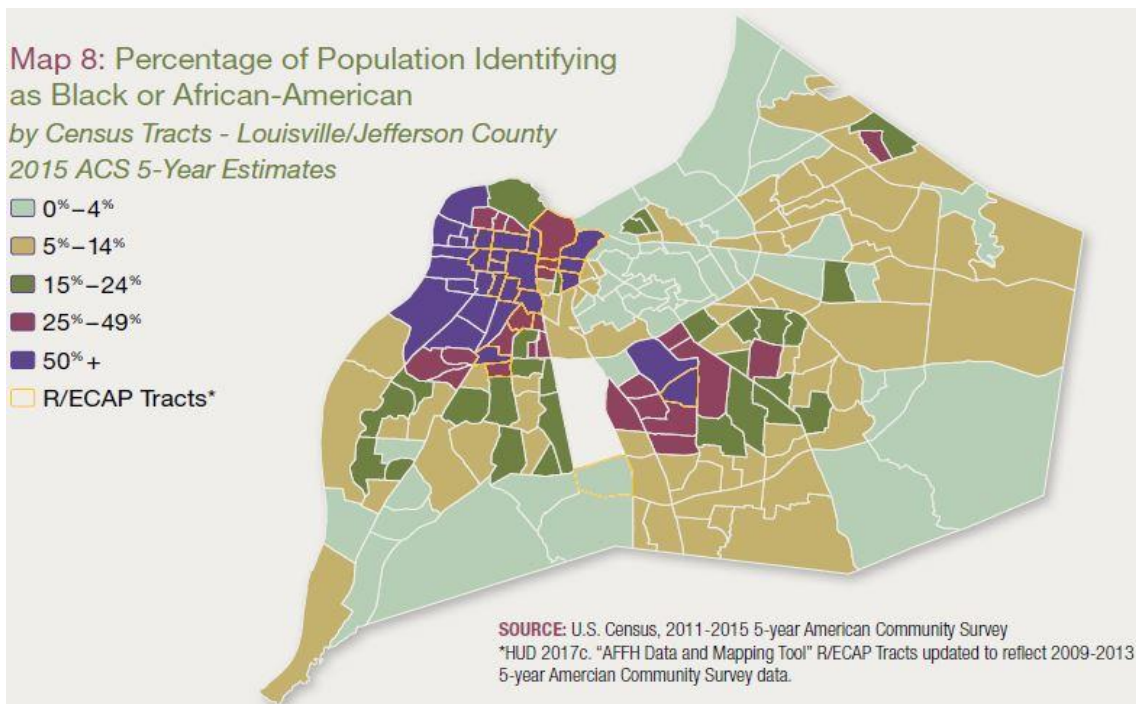
9 The next concern is one of connectivity. Using the phone to monitor usage may be expensive
10 for people with many phone plans. An example is from the website for Cricket
11 (<https://sna.etapestry.com/prod/Login.jsp>), a printout of which is provided as MHC Exhibit 2,
12 which definitely limits usage in most of its plans. Access to data and the ability to utilize a
13 phone to monitor electricity usage is a barrier for the most economically vulnerable.

14 Many of the oldest parts of Louisville are also the areas with highest concentrations of low-
15 income households, households with persons with a disability, households with a female-head
16 and minor children, and are shockingly segregated by race. The following is the link to the
17 Redlining Project which shows the intentional segregation which puts those in fair housing
18 protected classes in small geographic areas with high density and older housing.
19 <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 illustrative maps:

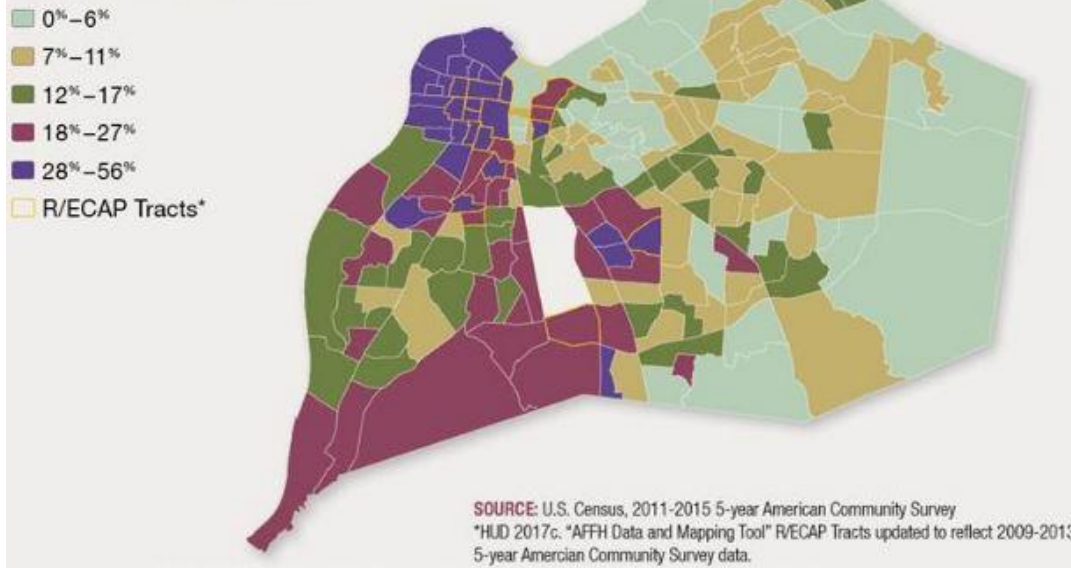


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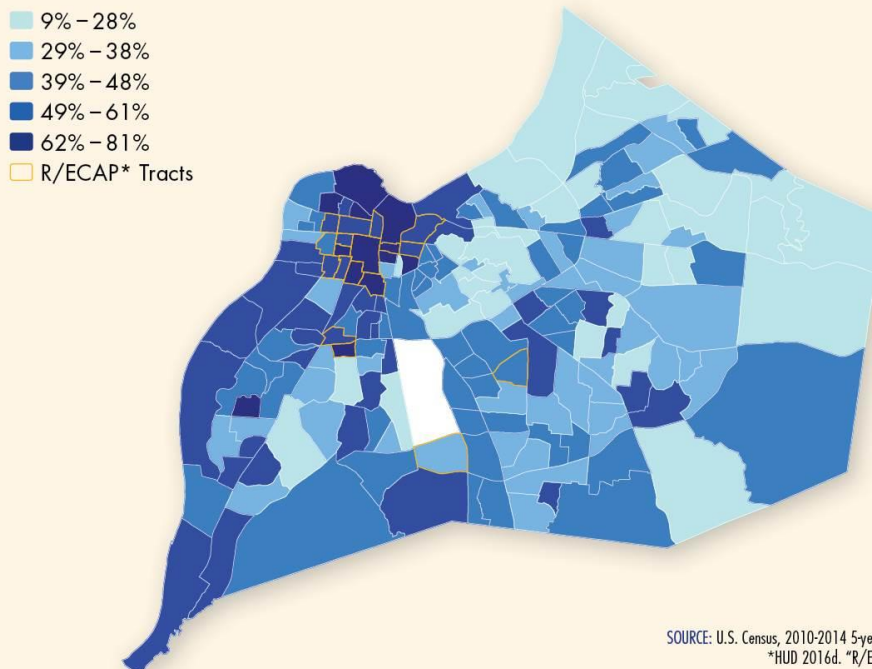
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Map 11: Percentage of Female-Headed Households, No Husband Present by Census Tracts - Louisville/Jefferson County 2015 ACS 5-Year Estimates



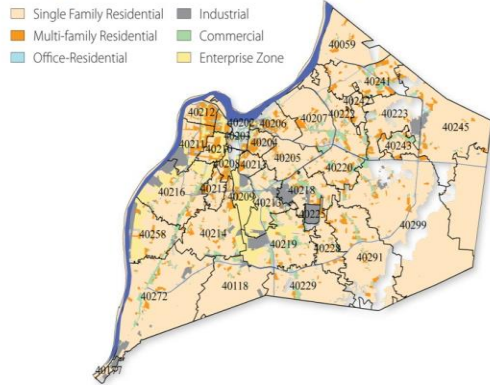
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Map 3: Percentage of Population 65 years and Older with a Disability by Census Tracts - Louisville/Jefferson County 2010-2014



2

Zoning Classifications in Jefferson County



Source: LOJIC

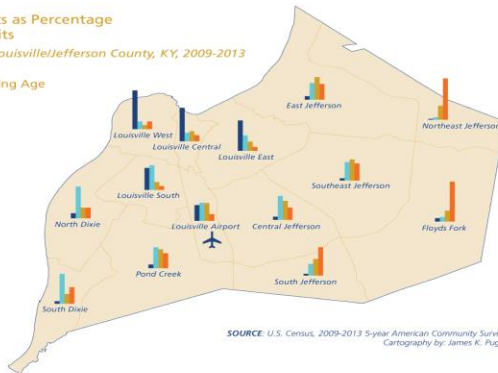
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MAP 14

Age of Housing Units as Percentage of Total Housing Units

By Census Subdivision, Louisville/Jefferson County, KY, 2009-2013

Percentage (%) by Housing Age



SOURCE: U.S. Census, 2009-2013 5-year American Community Survey
Cartography by: James K. Pugh

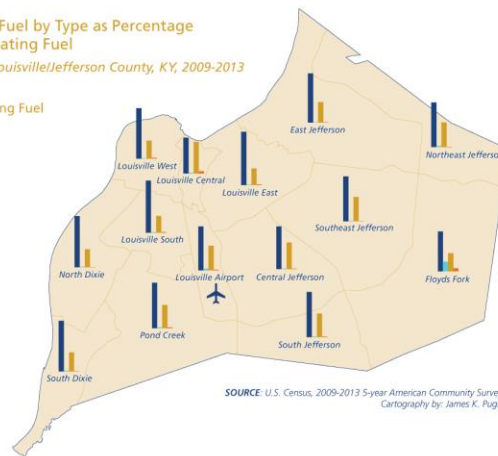
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MAP 15

Residential Heating Fuel by Type as Percentage of All Residential Heating Fuel

By Census Subdivision, Louisville/Jefferson County, KY, 2009-2013

Percentage (%) by Heating Fuel



SOURCE: U.S. Census, 2009-2013 5-year American Community Survey
Cartography by: James K. Pugh

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1 We know that any undertaking of this magnitude should require definitive proof of benefits
2 equitably distributed, because the cost to low-income individuals is disproportionately onerous.

3 **Q. Are the costs soundly computed and fully listed?**

4 MHC attended almost all the meetings held by LG&E on AMS. The costs may be
5 underestimated.

6 The current meters will be basically scrapped and that cost of disposing of perfectly good
7 equipment is very big. But the tax deduction will inure to LG&E. How is that a sound
8 accounting of cost? Additionally, the new meters have a considerably shorter lifespan than
9 current meters in use. In the Louisville Gas and Electric Company and Kentucky Utilities
10 Company Response to Metropolitan Housing Coalition’s First set of Data Requests for
11 Information dated April 2, 2018 (hereinafter LG&E Response to MHC First Data Requests), on
12 Question 11, witness John Malloy answered that “the book appreciable life of non-AMS electric
13 meters is 36 years for LG&E and 28 years for KU”. But the life of the new AMS meters will be
14 20 years, (Testimony of John P. Malloy filed January 10, 2018 as part of the application, on page
15 21). This is a much shorter life cycle than the current non-AMS meters, necessitating
16 replacement much sooner. Ratepayers will have to endure another significant fee spike since the
17 new meters will all be installed in only a few years. And that significant cost to ratepayers at and
18 after 20 years is studiously avoided as a topic since the cost would be incurred shortly after the
19 period of 20 years chosen by LG&E to assess cost/benefit to 20 years. If the cost/benefit horizon
20 were extended to 25 years instead of 20, it would completely change the ratio of costs to savings
21 to ratepayers.

22 LG&E plans to take advantage of tax deductions for the unused life of the current meters
23 (LG&E Response to MHC First Data Requests, Question 17). That should be given to

1 ratepayers, who incurred the capital expenses associated with acquisition and installation of
2 those meters.

3 MHC has shown the social costs of raising utility bills for economically fragile households in
4 the testimony above. The costs and ratepayer impacts associated with privacy are the next
5 concern.

6 LG&E will have access to customer utility usage and be able to track that usage in a much
7 more granular manner, by the hour, once it is transmitted. This is very different from once per
8 month aggregate collection of data on usage, which is what the utility currently collects.
9 Additionally, the data is transmitted rather than being maintained in the meters attached to
10 homes. Extremely personal data on the pattern of energy usage in the daily lives of ratepayers
11 will be collected and kept by LG&E. Yet LG&E has, according to the data, never defended a
12 customer against a subpoena and has no announced plan to defend customers against possibly
13 overintrusive subpoenas demanding access to a level of information heretofore unavailable to the
14 utility or third parties. This issue was never raised by LG&E during the many hours of the AMS
15 meetings; it was raised by MHC. There is still no discussion of this in the testimony presented in
16 support of the AMS program, although it is a prominent national issue. California, for example,
17 has implemented a policy where Advanced Metering Systems are in use that protects real time
18 use information, requiring approval under the federal or state wiretap laws.

19 (<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M026/K531/26531585.PDF> on page
20 [57-58](#))(Attached as Exhibit 3). Yet LG&E proposes no increased security for customer data.

21 **Q. Are the benefits soundly computed?**

22 MHC attended almost every AMS meeting held by LG&E, and has asked questions about
23 recent studies showing whether the estimated savings in other jurisdictions were realized and

1 passed on to the ratepayers. With regard to non-technical losses, LG&E relies upon a report
2 from 2008 with estimates and extrapolations of perhaps anticipated savings. Surely an
3 investment of about \$380 million deserves more proof than a decade-old study. With regard to
4 savings in operations, this requires a finely-tuned and extensive reorganization to have the
5 savings realized. MHC does not see that happening. LG&E answered that there were no studies
6 they were aware of that show actual changes in non-technical losses solely due to
7 implementation of an Advanced Metering System (LG&E Response to MHC First Data
8 Requests, Question 6). There were no studies since 2008 that describe methods of collecting
9 data on non-technical losses (LG&E Response to MHC First Data Requests, Question 6). So the
10 potential for savings for non-technical losses remains speculative, especially since there seems to
11 be almost deliberate avoidance of doing a study – ten years is a long time for so many utilizers of
12 the AMS to not release a study demonstrating actual benefits in excess of costs.

13 MHC is aware of two states, Massachusetts and New Mexico, where AMS proposals were
14 denied because the projected savings were overly generous compared to what really would
15 occur. More intense scrutiny is warranted before imposing a new economic burden of this
16 magnitude on ratepayers.

17 MHC has shown that access to the data by low-income persons is not as easy as was stated by
18 LG&E. Phone plans for low-income people have charges and limits on data usage that are not
19 part of plans for more affluent people.

20 **Q. Of all the options for expending over \$350 million in new ratepayer money, is this the**
21 **best choice?**

22 Granted the request for approval of the AMS program is a proposal solely within the
23 discretion of LG&E and KU, but we do not live in a vacuum and it is the duty of the PSC and the

1 Attorney General, as well as MHC, to ask if this is the best use of this amount of money to be
2 paid by LG&E and KU ratepayers. There are many other priorities that should have precedence
3 over AMS, which would truly benefit ratepayers.

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

5 A. Yes.

6

CERTIFICATE OF SERVICE

This is to certify that electronic version of the 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 May 17, 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 Direct Testimony of Cathy Hinko, Executive Director, Metropolitan Housing Coalition to Louisville Gas and Electric Company will be filed with the Commission within two business days of May 17, 2018.



Tom FitzGerald