COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY
UTILITIES COMPANY FOR AN ADJUSTMENT
OF ITS ELECTRIC RATES

DIRECT TESTIMONY OF MELISSA TIBBS 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. (hereinafter “CAC”), by counsel, and hereby tenders the pre-filed Direct
Testimony of Melissa Tibbs in support of its position in this matter.

Respectfully submitted,

IRIS G. SKIDMORE
Bates and Skidmore
415 W. Main St., Suite 2
Frankfort, KY  40601
Telephone: (502)-352-2930
Facsimile: (502)-352-2931

COUNSEL FOR CAC
Q: Please state your name and address and describe your current position and professional background.
A: My name is Melissa K. Tibbs and I have served as the Director of Planning, Communications and Advancement (PCA) of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties (“CAC”) since 2014. My business address is 710 West High Street, Lexington, Kentucky, 40508. The purpose of CAC is to address the causes and conditions of poverty in the communities it is designated to serve and its mission is to “prevent, reduce and eliminate poverty among individuals, families and communities through direct services and advocacy.”

I have worked for CAC for almost nine years. I graduated from Johns Hopkins University with a Masters degree in Early Childhood Special Education and I also hold a Bachelors degree in Psychology from Bridgewater College. As Director of PCA for CAC, my responsibility is, in part, to oversee the assessment of need and assets in the communities in which we serve. I have participated in other cases before the Kentucky Public Service Commission on behalf of utility customers with low income and I have been approved by the Board of Directors to prepare and submit this testimony on behalf of CAC. Based upon my experience at CAC and within the Community Action Network, I am informed of the issues and concerns of the population of people with low income for which we are advocating in this matter.

Q: Please describe the purpose of your testimony.
A: The purpose of my testimony is to state the position of CAC with respect to the proposed Kentucky Utilities Company (KU) rate increase and to provide information as to the effectiveness of current solutions to problems of rate affordability. In summary, we do not believe that an 8.1% rate increase for residential customers, as proposed by KU—which will become an 11.7 percent increase after the expiration of the Tax Cuts and Jobs Act (“TCJA”)
Surcredit—is a reasonable or appropriate expectation for customers with low incomes, especially as poverty levels remain high, specifically in some counties in KU’s service territory. My intent is to demonstrate that both the rate increase and an increase in the customer service charge, as proposed, will have a devastating effect on the customers with low income within KU’s territory.

My testimony will provide a perspective that represents issues that should be given full consideration in rendering a decision on this case. I am an advocate on behalf of customers with low income. CAC is a services, development, and advocacy organization for people living in or near poverty.

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

A: CAC was established in 1965 as a not-for-profit community action agency of the Commonwealth of Kentucky. CAC is the designated community action agency for Lexington-Fayette, Bourbon, Harrison, and Nicholas counties in Central Kentucky. CAC’s governance includes a Board of Directors representing low-income, public, and private sectors of the community. There are approximately 380 employees operating and administering CAC’s primary programs and services, including:

- early childhood development/school readiness programs
- housing/homeless programs
- volunteer programs
- youth development
- transportation services
- housing
- energy assistance and conservation programs
- emergency assistance
- adult education and employment assistance
- community outreach and referrals

Although CAC’s core service territory includes the counties of Lexington-Fayette, Bourbon, Harrison, and Nicholas, CAC also provides services in other Kentucky counties. For example, CAC administers the WinterCare Energy Fund providing services across most of the
state; child development services extend into approximately 15 additional counties; and the Retired and Senior Volunteer Program extends into Jessamine County. The Columbia Gas Energy Assistance Program and WarmWise program and KU’s Home Energy Assistance Program each provide services throughout the service territory of their respective utilities.

CAC is uniquely positioned to speak on behalf of low-income populations with utility-related problems, as its staff members have extensive contact with and knowledge of this population within the specific context of their seeking utility assistance. Additionally, staff members are able to help participants access other CAC assistance programs as well as other community resources to address the multiple obstacles and barriers that most households with low income face.

CAC observes that poverty rates have been declining over the past several years, both nationwide and across the state of Kentucky, with recovery from the 2008-2009 financial crisis. The information provided by the Companies documents a general trend of decline in the numbers of unique residential customers receiving third-party assistance in paying their utility bills. While CAC recognizes that multiple factors affect these numbers, it appears evident that economic conditions for families, including wage and unemployment trends, are strongly correlated with the need for utility assistance. This persistent correlation makes it highly relevant and urgent for the Companies to study the specialized needs and circumstances of people living in poverty when planning its operations. Uniquely among interveners in this case, CAC routinely looks at energy use and costs from the perspective of household economy and quality of life for vulnerable populations.

CAC is a member of Community Action Kentucky (CAK), a membership organization that represents Kentucky’s 23 community action agencies throughout the state. While CAK has not intervened in this case, as a member of the organization CAC is able to communicate
regularly and as needed to discuss matters impacting customers with low income served by other
community action organizations and thus representing a broader geographic area.

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

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

CAC operates **Head Start**, **Early Head Start**, and **Migrant and Seasonal Head Start**
child development programs in 19 counties across Kentucky, and its initiatives in the area of
early childhood education and family development have been recognized by our national
partners. CAC also operates several housing programs, including an **Emergency Family
Housing** initiative in Lexington-Fayette County, and several **Continuum of Care** projects
funded by the U.S. Department for Housing and Urban Development. Another housing program
offered is **Tenant Based Rental Assistance (TBRA)**, which provides rental assistance to
Section 8-eligible households throughout CAC’s service area.

To support economic independence, CAC offers a consumer education program that
provides training in financial management and offers families the chance to save for a home,
small business or higher education. CAC’s initiatives offer participants job readiness skills and
customer service training. Also, each year CAC provides tax preparation and education for
thousands of households, including providing information about the **Earned Income Tax Credit
(EITC)** and how to obtain the benefit.

Our volunteerism programs include the **Retired and Senior Volunteer Program (RSVP)** and the **Foster Grandparents Program (FGP)**.
CAC also operates a number of utility assistance programs in partnership with local utilities, public and private funding sources, and other community action agencies across the state. These programs are described below.

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

Since 1978, CAC has operated the Federal Weatherization Assistance Program designed to help individuals and families with low income conserve energy. CAC has operated several additional weatherization and furnace replacement programs for utility customers with low income, including Columbia Gas of Kentucky’s WarmWise high-efficiency furnace replacement program and, through December 2018, Kentucky Utilities’ WeCare program.

In partnership with the Columbia Gas of Kentucky Energy Assistance Program (EAP) and the network of community action agencies serving the Columbia Gas service territory, CAC also administers a utility-funded energy subsidy program serving 1,500 low-income households. Finally, CAC implemented and currently administers the Kentucky Utilities Home Energy Assistance (HEA) Program, which serves 2,700 KU customers whose primary heat source is KU electricity by providing regular monthly subsidies throughout the winter and summer peak usage months.

Q: Can you further describe initiatives in which Community Action Council partners with KU? Please discuss.

A: As described above, through December 2018 CAC operated the WeCare demand-side management program, providing intake, energy audits, and installation of weatherization
measures for residential KU customers with low income in seven counties. CAC also partners with KU on the Home Energy Assistance program, which provides monthly subsidies for eligible customers with low income during peak heating and cooling months.

CAC administers contributions from KU customers and matching corporate funds from KU for WinterCare energy assistance. The funds are available throughout the KU service territory through the community action agency network.

Also, CAC and Kentucky Utilities annually co-sponsor the Winterblitz event in Lexington, which provides minimal weatherization measures in low-income homes. The Winterblitz program recruits and trains volunteers who then install low-impact weatherization measures for low-income individuals and families.

**Q:** Please describe the low-income population in the Kentucky Utilities service territory.

**A:** As mentioned previously, poverty rates have been in relative decline in recent years. However, CAC’s activities attest that poverty remains a pervasive and troubling concern, especially in the state of Kentucky and in the region of Appalachia. As of 2017, with a rate of 18.2, Kentucky ranked fifth among U.S. states in poverty, behind only Mississippi, Louisiana, New Mexico, and West Virginia.

Based on county customer data provided by KU in response to CAC’s Initial Request for Information No. 1 and data taken from the U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE) Program, 2017 Poverty and Median Household Income Estimates—the most recent and most reliable county-level poverty data available—the following chart provides poverty status by county for KU service counties in Kentucky. The chart is in alphabetical order by county.
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<th>Est. # KU customers living in poverty</th>
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| County   | Population | Poverty Rate | Unemployment Rate | Population Under 25 | Education
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<tr>
<td>Woodford</td>
<td>10,520</td>
<td>9.3</td>
<td>978</td>
<td>1,273</td>
<td>166</td>
</tr>
</tbody>
</table>

Many of the counties served by KU report some of the highest poverty rates in Kentucky. Twenty counties (bolded and shaded in the above table) served by KU report poverty rates above 20%, a rate that the Census Bureau defines as extremely high. The concept of “affordability” refers to income in relation to the ability to provide for basic needs. By definition, families with incomes at or below the poverty line cannot meet their basic needs.

Focusing specifically on energy affordability, thousands of families in KU’s service area already cannot meet their basic energy needs, as evidenced by data from energy assistance programs in Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties administered by CAC. As the chart below indicates, between October 2017 and March 2018, CAC completed 10,095 energy assistance applications, paying out $1,674,494.58 in energy assistance. During this same time frame, CAC paid to Kentucky Utilities $1,033,221.53 to help its customers with low incomes keep electricity coming into their homes.
So far this winter season—from October 1, 2018 through January 10, 2019—CAC has completed 4,413 energy applications, paying out a total of $511,731.33 in energy assistance to energy utility companies.

This data effectively highlights the challenges families with low incomes already face in meeting their basic needs. For a senior citizen on a fixed income, or for a family with infants or small children, utility service is not only a matter of comfort—it is a health and survival need. With more money needed for utilities, there is less money available for other basic needs like shelter, food, or medication. The energy assistance needs cited above represent the current situation (based on current KU rates). With the proposed rate increase, the affordability gap will greatly widen.

**Q:** Describe other challenges faced by customers with low incomes.

**A:** Households with low income, like all households, require shelter, food, water, heat, and electricity to sustain daily living. The stress of rising costs to meet these basic needs can quickly stretch the resources of a family living in poverty beyond what it can sustain. As an example, rising housing costs and the scarcity of affordable housing are two issues that greatly—and disproportionately—impact families with low income. According to the National Low Income Housing Coalition, in 2018, 80 percent of Kentucky residents with extremely low income—that is, people with incomes at or below the poverty guideline, or 30 percent of the median income in their area—are housing cost burdened, meaning that they more than 30 percent of their income on housing. Sixty-three percent of these people are severely cost burdened, meaning that they spend more than half of their income on housing. The rising cost of safe and affordable housing
is a reality for us all, but for households with low income or extremely low income, the increased
costs of housing is a very serious, if not devastating, burden.

The aforementioned challenges faced by low-income customers is illustrative of the
complexities of how this proposed rate increase, coupled with other rising costs and rate
increases, can and will affect families with low-income.

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

A: In response to CAC data requests, KU reported that it serves 432,856 customers in 77
Kentucky counties. Using U.S. Census Bureau’s county-level poverty estimates, as detailed
above, CAC has calculated that 76,011 of current KU customers have poverty-level incomes.
This represents approximately 18 percent of all KU customers.

As outlined in the chart below—using information offered on page six of the testimony
offered by Mr. Conroy—the cumulative effect of the actual KU increase of 11.7 percent ($13.47
monthly * 12 months), inclusive of the resulting cost following the expiration of the Tax Cuts
and Job Act (“TCJA”) surcredit, is to charge $12,286,418 more each year to households with
incomes at or below the poverty line.

<table>
<thead>
<tr>
<th># of Households with Incomes Below the Poverty Line</th>
<th>Proposed Annual Rate Increase Per Household</th>
<th>KU Cost to Households Living in Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>76,011</td>
<td>$161.64</td>
<td>$12,286,418</td>
</tr>
</tbody>
</table>

It is important to consider the context of these numbers. These 76,011 households have
incomes below basic survival needs, including income needed for housing, food and other life
necessities. These households will now be expected to collectively find an additional
$12,286,418 to maintain an essential service: electricity. Current energy assistance resources will
not meet this need. With many customers simply being unable to pay these higher bills, the
Company is likely to see increased disconnections for nonpayment and uncollectible arrearages, thus impacting the overall costs to all customers.

A rate increase of the magnitude proposed will widen the energy affordability gap and have a devastating impact on families living in poverty—those who already have the most limited resources. With a rate increase of this magnitude, many Kentucky families who are already struggling to make ends meet will be forced to make difficult choices between food, housing, medicine, and other necessities. What’s more, the added stress of further stretching limited resources will become a further barrier to economic opportunity and self-sufficiency. For those who have made some strides in increasing their incomes, many will be forced backwards in their efforts to meet the basic needs of their families.

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

A: The proposed basic service charge (customer charge) increase will greatly add to the burden of a rate increase on customers with low income. From 2014 until 2018, the basic service charge for customers increased from $8.50 to $12.25 per month and, according to the Companies’ testimony, is now proposed as a daily rate that has the equivalent of a monthly service charge of $16.13. Not only is this a 32 percent increase over current rates, but also—since the basic service charge is a flat-rate charge for all customers, not based upon usage—a smaller percentage of a customer’s bill can be controlled by adjusting energy usage. Customers therefore have less incentive to conserve energy to lower their bills. This means a customer with low income, who is already forced to make difficult decisions about how to utilize sparse monies for basic needs, is even less motivated to adjust his/her household habits in order to impact their energy costs. A large increase in the basic service charge will thereby penalize low-income
seniors and other low-income customers by limiting their ability to control their bills through decreased usage and energy efficiency.

<table>
<thead>
<tr>
<th>Year</th>
<th>Monthly Basic Service Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$10.75</td>
</tr>
<tr>
<td>2015</td>
<td>$10.75</td>
</tr>
<tr>
<td>2016</td>
<td>$10.75</td>
</tr>
<tr>
<td>January 2017</td>
<td>$10.75</td>
</tr>
<tr>
<td>July 2017</td>
<td>$12.25</td>
</tr>
<tr>
<td>2018</td>
<td>$12.25</td>
</tr>
<tr>
<td>Proposed Daily Basic Charge Equivalent to the monthly Basic Service Charge</td>
<td>$16.13</td>
</tr>
</tbody>
</table>

CAC also disagrees that comparisons with other markets are an appropriate means for evaluating energy affordability in Kentucky. On page 7 of his testimony, Mr. Conroy says that “KU’s average electric residential rate is approximately 23 percent lower than the average electric residential rates of investor-owned utilities across the United States.” Kentucky has generally lower costs of living than other areas of the United States, including housing and housing-related costs; to offset this, however, Kentucky has generally lower wages, and some areas have higher unemployment rates. As a result, large numbers of people in Kentucky—which again, has one of the highest rates of poverty in the U.S.—continue to have severe difficulty meeting basic needs. For example, according to MIT’s Living Wage Calculator, in Lexington-Fayette County a household with two working adults and two children must earn a combined hourly wage of $30.72 in order to support their family, and can be expected to spend $9,300 per year on housing; in New York – Newark-Jersey City, NY, the same family would need to earn an hourly wage of
$42.90 and would spend $19,302 on housing. In short, differences in economies and other factors across the nation make it difficult to make determinations on the affordability of energy costs without studying the specific circumstances of local communities.

Q. Please describe the Council’s advocacy efforts with and on behalf of people with low income with respect to energy affordability.

A. Based on its experience advocating with and on behalf of people with low income, CAC recognizes that people with low income have unique concerns that must be addressed through informed advocacy. In response to Question 1 from the Attorney General’s Initial Data Requests, KU states that “those customers’ financial constraints do not affect their cost of service.” CAC would argue that “financial constraints” of these customers are directly relevant to determining affordability as a concern when determining whether rates are fair, just, and reasonable. Furthermore, this population of customers is highly relevant for KU’s policies and processes related to billing, disconnections, and assistance programs, which factor into the overall costs of providing energy to the community. According to KU’s response to CAC’s Initial Request for Information No. 9—and as indicated in CAC’s table that begins on page 8 of this testimony—in just the first 10 months of 2018, 71,558 residential customers in KU’s counties received disconnection notices for nonpayment. Of those households, 8,672 KU customers received third-party assistance in those same months. These numbers underscore the importance of third party assistance in ensuring that households are meeting their energy needs.

CAC strongly believes it is in the best interest of KU, and to the community at large, to prevent and reduce the duration of service disconnections. As a primary provider of utility assistance services, CAC is uniquely positioned to partner in this effort and to share information that will enable KU to make decisions most conducive to that end.
Not only are people with fixed and low income more prone to late payments and service
disconnections from nonpayment, they are also often more vulnerable to health and safety
impacts resulting from their efforts to manage their household energy costs (such as using unsafe
heating equipment). Such households often include infants and small children, people with
serious illnesses, people with disabilities, and/or elderly individuals for whom home heating (or
cooling) is a health concern.

CAC and other anti-poverty agencies have a central role in educating households, and
particularly those with low income, in practical measures to improve energy efficiency and
reduce costs. Through CAC’s previous and current experience in operating home weatherization
programs, as well as through everyday interactions with customers highly concerned about
reducing their energy costs, CAC has always played a key role in extending KU’s outreach
efforts by providing practical, accessible tips on adjusting household habits and implementing
simple energy conservation measures, as well as ensuring home energy safety. CAC believes
KU’s efforts to empower its customers through education on energy usage are naturally aligned
with its own goal to promote financial self-sufficiency among people with low income. KU has
regularly acknowledged and utilized CAC’s expertise in this area. For example, when the
Companies were previously proposing to implement the Advanced Metering System, CAC was
invited to participate in in-depth analysis and dialogue of aspects of the proposal affecting people
with low income, including the feasibility and affordability of customers utilizing the Advanced
Metering System to realize energy efficiency measures in their homes.

Q: Are resources for energy assistance sufficient to meet the needs of the population in
the Kentucky Utilities service territory? Please discuss.

A: No, resources are not sufficient to meet the needs of the population. Federal LIHEAP
funding to the state has been highly variable and Congressional support varies annually. The
WinterCare Energy Fund, while showing some growth in revenue due to increased Company contributions, remains inadequate to bridge the gap between public assistance programs and actual need.

There continues to be a significant gap between the cost of utility service and the ability of the elderly, the working poor, and other households with low income to pay. Current energy assistance initiatives within the KU area do not come close to addressing this gap.

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

A: In 2013, the HEA Subsidy amount was increased to $88 per customer per month during the seven peak months designated in the program. Additionally, as noted in the testimony provided by Mr. Conroy on page 47, in the last base rate case, KU committed additional funding to the HEA program. While these increases in recent years have been helpful to HEA participants, it has not been sufficient to reduce the number of households waiting for the assistance. As noted in the Company’s response to data requests, the average monthly invoice in 2017 was $115.62, and CAC’s own data indicates that the wait-list for people with low income seeking an HEA subsidy is substantial. As of January 14, 2019, over 1,207 eligible households were on the HEA subsidy wait-list for the service territory. Despite the program’s best efforts, and with a current waiting list that represents just over 44 percent of the total number of households that are served each month by the HEA program during the benefit period, there is still a great need to serve more households.

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

A: CAC asks the Commission to approve the lowest possible increase in rates in order to avoid placing additional burden on families with low-income. As previously established, customers with low income are already unable to meet minimum financial needs for life
necessities like shelter, food and medicine. Continuing to widen the affordability gap will place
thousands of Kentuckians at risk of illness and death from exposure to extreme temperatures as
shutoffs increase. While we understand the necessity of the basic service charge to support KU’s
operations, placing such a large percentage of the rate increase in the basic service charge poses
a heavy burden on low-income customers who are faced not only with the prospect of a high
energy bill, but also with a decreased incentive to make a meaningful impact on their monthly
bills. It also discourages beneficial energy conservation measures for all customers. CAC also
asks the Commission and the Company to seek a solution that increases the number of
households served by the HEA program.
CERTIFICATE OF SERVICE

I hereby certify that CAC’s January 16, 2019 electronic filing is a true and accurate copy of Direct Testimony of Melissa Tibbs on behalf of CAC, Verification, and read first cover letter to be filed in paper medium; that the electronic filing will be transmitted to the Commission on January 16, 2019; that an original and copy of the filing will be delivered to the Commission on January 16, 2019; that there are currently no parties excused from participation by electronic service; and that, on January 16, 2019, electronic mail notification of the electronic filing is provided to the following:

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