**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

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| **ELECTRONIC APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES AND APPROVAL OF CERTAIN REGULATORY AND ACCOUNTING TREATMENTS** | ) ) ) ) ) ) | **CASE NO. 2025-00113** |

**In the Matter of:**

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| **ELECTRONIC APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS RATES, AND APPROVAL OF CERTAIN REGULATORY AND ACCOUNTING TREATMENTS** | ) ) ) ) ) ) | **CASE NO. 2025-00114** |

**REBUTTAL TESTIMONY OF**
**SHANNON L. MONTGOMERY**
**VICE PRESIDENT, CUSTOMER SERVICES**
**ON BEHALF OF**
**KENTUCKY UTILITIES COMPANY AND**
**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Filed: September 30, 2025**

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## INTRODUCTION

**Q. Please state your name, position, and business address.**

A. My name is Shannon L. Montgomery. I am Vice President of Customer Services for Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, "Companies") and an employee of LG&E and KU Services Company, which provides services to KU and LG&E. My business address is 2701 Eastpoint Parkway, Louisville, Kentucky 40223.

**Q. What is the purpose of your rebuttal testimony?**

A. I respond to portions of the testimony of Joint Intervenors' witness Roger D. Colton. I first address Mr. Colton's unfounded assertions regarding the affordability of the Companies' bills. I then respond to each of Mr. Colton's recommendations.

## AFFORDABILITY OF LG&E/KU BILLS

**Q. Do you have any comments regarding Mr. Colton's testimony concerning the challenges that low- and moderate-income customers face?**

A. Yes. The Companies fully recognize that low- and moderate-income customers often face greater financial challenges, including the portion utility bills can represent as a share of their income. That is why, as I discussed at length in my direct testimony, the Companies have long supported a range of assistance programs to help customers in need. For example, in 2024, either directly or by the LG&E and KU Foundation, the Companies made nearly $1.87 million in shareholder contributions to low-income assistance programs. These contributions are in addition to funds contributed by employees and customers to support those programs. To help lower monthly usage, the Companies offer the recently expanded WeCare DSM-EE programs for income-qualified customers as well as Peak Time Rebates and BYOD-thermostats available to all residential customers. To help manage monthly usage, the MyMeter online portal is available to all AMI customers. This tool allows users to compare rate options, set alerts based on intramonth energy usage, and gain insights into how factors such as weather, appliances, and personal habits impact consumption. To assist with bill management, the Companies provide several resources: late-payment charge forgiveness for customers receiving authorized agency assistance, the Fixed and Limited Income Extension ("FLEX") Program to extend bill payment deadlines for customers with limited incomes, and budget billing options to help create more predictable monthly payments. The Companies also collect HEA charges of $0.30 per month that go to help customers in need. In addition, the Companies have for years had strong partnerships and trusting working relationships with low-income assistance groups. In sum, the Companies take low-income issues seriously and have done so for years. And furthermore, as Mr. Conroy describes in his rebuttal testimony, there are limits to the Commission's consideration of income status in ratemaking.

**Q. Does Mr. Colton recognize the factors beyond utility rates that impact affordability?**

A. No. Mr. Colton's analysis focuses almost exclusively on the ratio of utility bills to household income. While that metric may be useful in broader policy discussions, it overlooks a critical point: LG&E and KU only control one side of the affordability equation—their rates for service. The Companies do not have access to customer income data, nor do they have the authority or ability to influence income levels, employment, housing costs, or other socioeconomic factors that affect a customer's ability to pay.

**Q. Do you have concerns with Mr. Colton's recommendations to provide targeted benefits to low-income customers?**

A. Yes. While well-intentioned, many of Mr. Colton's proposals would require subsidizing one group of customers at the expense of others. For example, programs involving arrearage forgiveness or discounted rates for low-income customers would necessarily result in higher rates for all other customers. Our obligation and desire are to treat all customers fairly and equitably under the law. The Companies must balance the interests of all customers and cannot prioritize one group's needs without imposing costs on others.

**Q. Mr. Colton asserts that the Companies' credit and collection practices are effectively discriminatory to low-income customers. How do you respond?**

A. The Companies strongly reject that assertion. LG&E and KU operate in full compliance with KRS 278.170, which explicitly prohibits unreasonable preferences or advantages in rates or service. The Companies' credit and collection practices—including disconnection procedures, late payment charges, and eligibility for programs—are governed by Commission-approved tariffs and are applied uniformly to all customers, regardless of income level.

While certain geographic areas may experience higher rates of disconnection or payment difficulty, this correlation does not imply causation or intentional targeting. Disconnection rates are driven by customer payment behavior, not by income status or demographic characteristics. The Companies do not collect income data and therefore cannot—and do not—use income as a factor in operational decisions. Any observed disparities in outcomes are the result of broader socioeconomic conditions, not discriminatory utility practices.

## MR. COLTON'S RECOMMENDATIONS

**Q. How do the Companies respond to Mr. Colton's recommendations?**

A. Mr. Colton provides a number of recommendations in his testimony regarding affordability and low-income customer support. I respectfully disagree with Mr. Colton's suggestions and address each of his recommendations in turn.

### Residential Time-of-Day Rates

**Q. Please describe Mr. Colton's recommendations regarding residential time-of-day ("RTOD") rates.**

A. Mr. Colton's proposal for RTOD rates includes two components. First, Mr. Colton recommends that the Companies conduct a review of all customers receiving energy assistance to identify those who would save at least $50 annually by switching to RTOD rates based on their current usage patterns. He proposes that these identified customers should be automatically switched to RTOD rates and the Companies should guarantee the optimal rate for those switched. After 12 months, he suggests the Companies should compare the customer's actual bills under RTOD to what they would have paid under the standard rate. If RTOD was not beneficial, the customer should be switched back and refunded the difference. Second, Mr. Colton also recommends a two-year pilot outreach program funded at $200,000 annually to enlist community-based organizations to educate and engage low-income communities about RTOD rates.

**Q. Do the Companies support Mr. Colton's recommendation to automatically switch low-income customers to RTOD rates if past usage data suggests they would save money?**

A. The Companies do not support automatically switching customers to RTOD rates, even if usage data suggests potential savings. Importantly, RTOD is an optional rate. Automatically assigning customers to a rate assumes their future behavior will remain static, which may not be the case. We believe customers are best positioned to decide whether a RTOD rate is right for them and are committed to helping them make informed decisions.

Further, although Mr. Colton characterizes his recommendation as "an expansion of the availability of [] Time-of-Day rates to deliver financial benefits to low-income customers,"[1] RTOD rates are already available to all eligible residential customers, including low-income households. The Companies have existing tools and outreach mechanisms in place to help customers evaluate and select the rate that best suits their needs.

**Q. What tools are available to help customers evaluate whether RTOD rates would benefit them?**

A. The Companies provide several tools to help customers assess whether RTOD rates are a good fit. Through the "MyMeter" online portal, customers can view their historical usage and compare what their bills would be under different rate options, including RTOD. Our customer service representatives also have access to this comparison information and can walk customers through it over the phone. These resources

[1] Direct Testimony of Roger D. Colton ("Colton Testimony") at 51.

empower customers to make informed choices based on their unique circumstances. These tools are part of our ongoing commitment to ensuring RTOD rates are accessible and understandable to all customers, including low-income households.

**Q. What issues exist with Mr. Colton's proposal to guarantee the optimal rate and refund customers if RTOD rates turn out to be more expensive?**

A. The Companies do not support a policy that guarantees the optimal rate or provides retroactive refunds. This approach would create a precedent for the utility to assume financial responsibility for customer rate choices, which contradicts the principle of customer autonomy embedded in our tariffs. Customers have access to tools that allow them to evaluate rate options before making a choice, and we believe that empowering customers with information—not guaranteeing outcomes—is the most responsible and sustainable approach.

**Q. How are the Companies working with low-income communities to increase awareness of RTOD rates and other bill management tools?**

A. The Companies meet regularly with low-income assistance agencies and community partners to share information about available programs and tools, including RTOD rates and the MyMeter portal. We will continue to educate these partners so they can help inform and empower low-income customers to explore rate options that may benefit them.

**Q. Is a $200,000 annual pilot outreach program for RTOD rates necessary?**

A. No. The Companies already maintain strong relationships with low-income assistance agencies and regularly meet with them to share information about available programs, including RTOD rates. These agencies are trusted community partners and are well-positioned to help educate customers. Additionally, the Companies already provide educational materials, online tools, and direct customer support to explain rate options. Rather than duplicating efforts, we believe it is more effective to continue enhancing existing outreach channels and tools.

## Waiver of Late Payment Fees

**Q. Mr. Colton recommends expanding the waiver of late payment fees for low-income customers. Please respond.**

A. Mr. Colton misunderstands the Companies' current policy, which already provides meaningful and automatic relief from late payment fees for residential customers. Any customer who receives a pledge or notice of energy assistance from an authorized agency is automatically exempt from late payment fees on the bill for which the pledge or notice is received. This exemption is extended to all bills issued during the following 11 months. Mr. Colton suggests that the eligibility for such waivers should be expanded to include those customers who "document participation in a public assistance program with income eligibility that is consistent with LIHEAP eligibility,"[2] but this is already occurring; the Companies waive the late payment fee for any customer who receives assistance from LIHEAP or any other assistance program that works with the Companies.

**Q. Mr. Colton also suggests waiving late payment fees for a customer who has received an energy assistance grant from an authorized agency "within the current or immediately preceding two LIHEAP program years."[3] Do you agree with this approach?**

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[2] *Id.* at 46.
[3] *Id*.

A. No, I do not. Mr. Colton's recommendation lacks a clear and practical framework for implementation and does not improve upon the Companies' existing policy. It is unclear whether he intends for the waiver to apply to all bills issued within the two-year window or only to bills issued after the assistance was received. This ambiguity could lead to inconsistent application of the waiver.

Moreover, Mr. Colton's rationale—that low-income customers likely remain income-eligible for assistance over multiple years—is not persuasive as a basis for retroactive fee waivers. The Companies' policy already accounts for ongoing financial hardship by providing a full year of late payment fee waivers following receipt of assistance. And furthermore, if Mr. Colton is correct that low-income customers remain income-eligible, the late payment fees of the low-income customers will continue to be waived under the Companies' current policy.

**Q. Do the Companies also waive late payment fees for other residential customers?**

A. Yes. The Companies offer an automatic waiver of the late payment fee for any residential customer who previously had no late payment fee assessed for the previous eleven months, regardless of income or assistance status. This waiver is granted without requiring the customer to call or request it.

**Q. Mr. Colton also recommends waiving disconnection and reconnection fees for low-income customers. Does he also misunderstand the Companies' practices for these fees?**

A. Yes. The Companies already waive late fees for customers who receive energy assistance pledges. For customers with AMI meters (the vast majority of residential customers), there is no fee associated with disconnection or reconnection of service.

This policy applies regardless of income level because the services are performed remotely. For customers without AMI meters, a fee is assessed to reflect the actual cost of dispatching a field representative to the premises to perform the disconnection or reconnection. These fees are not punitive; they are designed to recover the cost of providing the service.

## Prepay Program

**Q. What is the purpose of the Companies' prepay program?**

A. The prepay program is designed to offer customers an additional, fully optional method of managing their energy usage and payments. It allows customers to pay for energy in advance, providing flexibility to make smaller, more frequent payments or align payments with their paydays. Customers receive real-time usage data and customizable alerts, which can help them better understand and control their energy consumption.

**Q. Did the Commission direct the Companies to develop a prepay program?**

A. Yes. Mr. Colton does not acknowledge that the Commission previously directed the Companies in Case Nos. 2020-00349 and 2020-00350 to develop a prepay program to fully utilize the capabilities of AMI and propose it in their next base rate cases. The Companies have installed over 1.35 million AMI meters and are on track to complete full deployment by the end of 2025. The prepay program is a natural extension of this investment and aligns with the Commission's directive to maximize the benefits of AMI for customers.

**Q. Does Mr. Colton acknowledge that the prepay program is voluntary?**

A. No, he does not, and the optional nature of the program should allay many of his concerns. Customers who prefer traditional billing and payment methods may continue to use them. The program is intended to expand customer choice, not replace existing billing options.

**Q. Mr. Colton expresses concern that the prepay program does not match a customer's income or cash flow, particularly due to seasonal bill variability. How do the Companies respond to this concern?**

A. While Mr. Colton expresses concern that "a prepayment meter does not match a customer's income or cash flow,"[4] the prepay program is specifically designed to offer customers greater flexibility in managing their bills in a way that better matches their income patterns. Unlike traditional billing, which requires full payment on a fixed monthly schedule, the prepay program allows customers to:

- Make payments on a schedule that suits their needs—daily, weekly, or aligned with paydays;
- Avoid large bills during high-usage months by spreading payments more evenly;
- Receive real-time usage and balance notifications, empowering them to adjust consumption proactively; and
- Start service with a low initial balance ($30), avoiding the need for deposits and credit checks.

The flexibility is particularly beneficial for customers with variable incomes or tight budgets, as it enables them to manage energy costs in smaller, more predictable increments. Additionally, customers who have already paid a deposit may apply that deposit toward their prepay balance, further easing the transition.

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[4] *Id.* at 57.

**Q. Please respond to Mr. Colton's concerns about notice.**

A. While Mr. Colton expresses concern that prepay customers may experience "hidden" disconnections when their account balance reaches zero and they are unable to make a payment, he does not address the fact that prepay customers receive constant feedback about their account balance and usage. Customers can set their own notification preferences, including low-balance alerts, and receive updates via email or text. This real-time information provides more transparency than a monthly paper bill and allows customers to take immediate action to manage their usage and avoid disconnection. As I explained in my direct testimony, the Companies believe the Commission's notice requirements are met and even exceeded by the prepay program, but the Companies request a deviation from the notice regulation if the Commission disagrees.

We recognize that some low-income advocates may need to adjust their systems and processes for distributing assistance funds, particularly if they rely on paper bills to verify account status and a pending disconnection. However, the Companies are committed to working with community partners to ensure a smooth transition and to provide the necessary information to support assistance efforts.

**Q. Do you agree with Mr. Colton that the Companies should provide a discount to customers in the prepay program?**

A. No. Prepay customers receive the same electric service as post-pay customers, with additional tools to manage their usage and payments. While the program may reduce arrearages and bad debt risk, it also requires significant investment in AMI and the new Customer Information System. Offering a discount would not reflect the actual cost to serve prepay customers and could create inequities in rate design.

## Customer Segmentation Study

**Q. Mr. Colton recommends that the Companies conduct a customer segmentation study to better understand the socio-economic characteristics of customers and their payment behaviors. Do the Companies agree with this recommendation?**

A. No. The Companies do not collect or maintain customer income data, nor do they discriminate or differentiate among customers based on income status. As I previously discussed, all customers are treated equitably under our tariffs and policies, and we do not believe that segmenting customers by socio-economic status would provide actionable insights or benefits.

**Q. Why would the proposed study not be helpful in managing arrearages?**

A. The Companies already have robust systems in place to manage arrearages and support customers in need, which is reflected in the Companies' net write-offs of approximately 0.2% of revenues. We do not believe that further disaggregating customers by income status would improve our ability to serve them.

**Q. Would implementing Mr. Colton's recommendation impose costs on customers?**

A. Yes. Conducting a customer segmentation study of the scope Mr. Colton proposes would require hiring external consultants, collecting sensitive data, and developing new systems to analyze and act on that data. These costs would ultimately be borne by our customers.

## Arrearage Management Plan

**Q. In addition to the customer segmentation study, Mr. Colton suggests an "Arrearage Management Plan." Can you explain the Companies' concerns with this proposal?**

A. Yes. Based on Mr. Colton's testimony, it appears that his proposed AMP would forgive 1/24th of a customer's past-due balance each month the customer makes a full and timely payment. This structure effectively rewards customers for having accrued large arrearages, and then making minimal payments to receive substantial debt forgiveness. Such a program would incentivize customers to delay payment or accumulate arrears in order to qualify for forgiveness, undermining the Companies' efforts to promote timely payment and responsible account management.

**Q. Would this proposal shift costs to other customers?**

A. Yes. Under Mr. Colton's proposal, the forgiven arrearages would not simply disappear—they would be absorbed by the utility and ultimately recovered from other customers through rates. This violates the principle of cost causation and the filed rate doctrine, which requires that all customers pay the rates approved by the Commission and that utilities cannot discriminate among customers or offer preferential treatment outside of approved tariffs.

## Ten-Year Solarization Plan

**Q. Mr. Colton recommends the Companies develop a 10-year solarization plan specifically targeting low-income customers. Do the Companies support this recommendation?**

A. No. While we share his commitment to expanding access to solar energy, we believe the most cost-effective way to deliver solar benefits to all customers—including low-income households—is through utility-scale solar investments and existing programs like the Solar Share program. The Companies' Solar Share program is specifically designed to provide access to solar energy for all customers, including renters and those who cannot install rooftop solar. This program eliminates the upfront cost and long-term maintenance associated with private solar systems.

**Q. Can you provide examples of low-income customers benefitting from Solar Share?**

A. Yes. Habitat for Humanity Kentucky has purchased as many as 300 shares and transferred the benefit to 20 of their clients. The most recent purchase of 53 shares in November 2024 was supported by a grant from the Kentucky Office of Energy and Environment.

**Q. Would Mr. Colton's proposed solarization plan create additional costs for customers?**

A. Yes. To the extent "braided utility dollars" come from base rates to help cover low-income solar installations, customer charges will increase to cover the costs. Also, in addition to requesting the Commission require the Companies to complete an initial plan by December 31, 2026, Mr. Colton suggests the Commission require the plan be updated biannually. Developing this plan and updates would require significant investment. These costs will ultimately be borne by all customers, including those Mr. Colton believes need assistance in accessing solar.

## Transportation Electrification

**Q. Mr. Colton requests the Companies track their costs of promoting transportation electrification and be required to develop, and present to the Commission for approval, a program of fleet and public transportation incentives to entities in "environmental justice communities." Please respond.**

A. The Companies already support transportation electrification in a way that is cost-effective and beneficial to all customers, including those in low-income communities. The Companies have implemented a multifaceted strategy to promote electric vehicle adoption, including public charging infrastructure, hosted station programs, and the Optimized Electric Vehicle ("EV") Charging Program. Site selection for charging stations already considers proximity to major roadways, availability of amenities, and opportunities to locate within low-income communities. While Mr. Colton does not define the term "environmental justice communities," the Companies are already considering opportunities to locate in low-income areas. For example, recent installations include locations such as the Norton Healthcare Sports and Learning Center in West Louisville.

## DSM-EE

**Q. Mr. Colton is concerned that the Companies are not doing enough to support low-income customers through DSM-EE programs. How do you respond?**

A. The Companies are currently in the process of delivering their current DSM-EE Plan, which the Commission approved less than two years ago. The Plan represents the Companies' most significant investment in DSM-EE over the Companies' 30-year history of DSM-EE programming. The Companies have a long history of supporting low-income customers through targeted, cost-effective DSM-EE portfolios, including the long-running single-family WeCare program and the new WeCare multi-family program. These programs are designed to deliver meaningful energy savings and bill reductions to income-eligible customers through weatherization, energy education, and direct-install measures. Additionally, the Companies' DSM-EE offerings include other low- or no-cost programs available to all customers, including the Residential Online Audit, Bring Your Own Device, Online Marketplace, Peak Time Rebates, and Appliance Recycling.

**Q. Mr. Colton notes that the number of homes served by WeCare has declined. Can you explain why?**

A. Yes. After observing a recent decline in single-family WeCare participation, the Companies proactively engaged with the Kentucky Housing Corporation ("KHC") to better understand the trend. KHC informed us that it has received funding through the Infrastructure Investment and Jobs Act ("IIJA"), which allowed it to meet the needs of many low-income clients directly without referring those customers to WeCare. In other words, customers are being served, just through a different funding channel.

**Q. Does the decline in single-family participation mean the Companies are falling short of their DSM-EE goals?**

A. No. While single-family participation is down, the Companies have exceeded targets in the multifamily segment of the WeCare program. The multifamily expansion has allowed us to serve a greater number of income-qualified households living in rental complexes through whole-building direct install measures. Overall, the Companies expect to remain on track to meet the WeCare program objectives of the approved seven-year DSM-EE plan.

**Q. Mr. Colton expresses concern that the Companies are not doing enough to reach low-income customers with information about WeCare. What is the Companies' strategy for outreach?**

A. The Companies use a multi-channel approach to outreach, including, but not limited to, bill inserts, newsletters, social media, printed advertising, direct mail and email to customers, attending community functions, and direct engagement with community organizations. The Companies are always open to constructive suggestions and welcome collaboration with stakeholders to enhance outreach and engagement.

**Q. Is a redesign or expansion of the Companies' DSM-EE portfolio necessary at this time?**

A. No. As I previously mentioned, the Companies are currently in the process of delivering their most robust DSM-EE portfolio. This portfolio is designed to maximize benefits while minimizing cost impacts on the broader customer base.

## CONCLUSION

**Q. Do you have a recommendation for the Commission?**

A. The Companies respectfully request the Commission reject Mr. Colton's recommendations. While we appreciate his advocacy for low-income customers, many of his proposals are either duplicative of existing efforts, inconsistent with sound regulatory and ratemaking principles, or would result in increased costs to all customers.

**Q. Does this conclude your testimony?**

A. Yes, it does.

## VERIFICATION

**COMMONWEALTH OF KENTUCKY )**
**)**
**COUNTY OF JEFFERSON )**

The undersigned, **Shannon L. Montgomery**, being duly sworn, deposes and says she is the Vice President, Customer Services for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, that she has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein are true and correct to the best of her information, knowledge, and belief.

Shannon Montgomery
**Shannon L. Montgomery**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 29th day of September 2025.

Caroline J. Davison
Notary Public

Notary Public ID No. KYNP 63286

My Commission Expires:

January 22, 2027

CAROLINE J. DAVISON
COMM EXPIRES 01/22/2027
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STATE AT LARGE, KENTUCKY