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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER)
COMPANY FOR A GENERAL ADJUSTMENT) CASE NO. 2009-00459
OF ELECTRIC RATES)

INTERVENOR CAK'S TESTIMONY OF ROGER McCANN

Comes Community Action Kentucky, Inc. ("CAK"), and hereby tenders the pre-filed, written testimony of Roger McCann in support of its position in this matter.

1. Can you please state your name and give the Commission a summary of your professional background and education.

RESPONSE: My name is Roger McCann and I have served as the Acting Executive Director of Community Action Kentucky, Inc. ("CAK"), located at 101 Burch Court, Frankfort, Kentucky 40601, since . Prior to that I served as the Chief Information Officer since 2007. I have a Bachelors degree from Eastern Kentucky University, Business Administration. CAK operates the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program for the state of Kentucky and directly subcontracts to 22 Community Action Agencies and one unit of local government. CAK has been actively involved in the collaboratives of many demand side management and energy assistance programs since 1994 including programs at American Electric Power, Western Kentucky Gas, Cinergy Union Heat Light & Power, Kentucky Utilities, and Louisville Gas and Electric. CAK has also intervened in many rate case and other regulatory proceedings at the PSC.

2. Has KACA worked with American Electric Power on its DSM programs?

RESPONSE: Yes, and CAK appreciates what an advocate and supporter of programs that AEP have been over the years. The DSM program that works with five Community Action Agencies in Eastern Kentucky has been in operation continuously since 1995. We appreciate that support.

3. Please describe the organization providing a description of its activities with a particular emphasis on energy related programs.

RESPONSE: CAK is a 501(c) 3 not for profit organization domiciled in the Commonwealth of Kentucky. CAK represents the 23 Community Action Agencies, which provide social services to nearly 500,000 low income individuals in all 120 counties every year through a variety of programs. Those programs run the gamut from energy assistance to head start to transportation services to energy conservation services to senior services to self sufficiency to emergency services and more.

CAK operates the federally funded Low Income Home Energy Assistance Program (LIHEAP) from the beginning of November until the end of March, or until funds are exhausted, through its network of 23 Community Action Agencies. In two recent heating seasons (2005-2006 and 2006-2007), we helped prevent shutoffs and reduce crisis situations to over 220,000 households with approximately \$32 million in benefits each year. In the 2007-2008 heating season CAK was only able to serve 175,000 households with approximately \$24 million in benefits. The program assisted households in all 120 counties of the state. As a result, over 45,000 families had to be turned away this past year as a result of a lack of resources.

LIHEAP is an important program for a wide variety of reasons not the least of which is because it assists a large number of senior citizens, disabled persons, and families with children

under the age of six. Without LIHEAP services, many of our most vulnerable residents would be at a far greater health risk. The Program is funded by the Federal Department of Health and Human Services and in 2006 was also funded by the Kentucky General Assembly for the first time. Legislation in the 2008 General Assembly was stalled because of a lack of state resources. Funding for the program for the last few years has been uneven to say the least. While federal funding has been increased for the 2008-2009 heating season, there is no guarantee that will occur again in the future.

CAK also operates the federally funded Weatherization Assistance Program from the Department of Energy. CAK operates the program statewide through a network of 22 Community Action Agencies and one unit of local government. The Weatherization program provides a wide variety of energy conservation measures including furnace repair, attic insulation, stopping air infiltration, wall insulation, repairing ducts and vents, furnace replacement, floor insulation, hot water heater wraps, refrigerator replacement (in limited cases), installation of compact fluorescent light bulbs, and more. The program also includes energy education for the households. In the 2006-2007 year, the

Weatherization program in Kentucky provided these comprehensive services to over 2,500 households in all 120 counties of the state. Due to a decrease in funding there were approximately 2,20 homes that were weatherized in 2007- 2008.

The Weatherization Program is extremely important because it reduces energy usage over the long term as opposed to providing a one time benefit, such as LIHEAP assistance. Federal Department of Energy studies have shown that Weatherization may reduce a household's energy

usage by up to 30%. Under CAK's adept management, these programs have worked together very closely.

CAK has also overseen and worked with two Residential Energy Assistance Challenge (REACH) grants, one with CAC in Lexington and one with Louisville Metro Community Action Partnership. Both sought to combine extensive energy conservation services with more extensive energy education to reduce energy cost burdens on low- income households.

CAK operates a demand side management program (DSM) with a contract from the Cabinet for Health and Family Services (CHFS) that seeks to create additional energy conservation and energy assistance services for low income households. As part of these efforts, CAK has intervened in many rate cases and other regulatory proceedings and offered testimony to help support those efforts. Because of this work and the work of other low income advocates, there are presently utility and ratepayer funded energy assistance and energy conservation programs in place with Kentucky Utilities, Louisville Gas and Electric, Duke Energy, American Electric Power, Columbia Gas, and Atmos.

CAK operates the Rural Community Assistance Program (RCAP), which seeks to provide low income communities with solutions to water, waste water, and community development problems. CAK's RCAP program has helped numerous communities leverage millions of dollars in water and sewer utility improvements through its training and technical assistance program.

CAK operates a housing program in conjunction with the Kentucky Housing Corporation (KHC), which assists local Community Action agencies in providing more services in rehabilitating existing housing stock.

CAK and 22 of its member agencies utilize the Castanet computerized software intake and information management system. The system is also able to incorporate data from the IRIS system that CAC utilizes. The data system is able to help CAK track necessary information from the households that we serve and to be able to generate the necessary reports for funding sources as well as data for our annual report and other documents.

4. Are there programs through which CAK partners with AEP? Please discuss.

RESPONSE: CAK has a contract with American Electric Power (AEP) to operate a home energy assistance program in eastern Kentucky that provided services to approximately 1,500 households this past year. CAK assists five Community Action agencies in eastern Kentucky that provide services in approximately 20 AEP served counties.

5. What are KACA's concerns with the rate case proposal submitted by AEP?

RESPONSE: The first concern is that the size of the rate increase is very large both in the terms of real dollars, \$123,600,000, and the percentage of proposed increase, nearly 40%, for the residential sector. That increase for the residential sector of electric customers dwarfs anything that has been proposed to and or approved by the Public Service Commission. I recognize that AEP filed for a rate case merely four years ago and did not receive the entire rate increase requested at that time, but this proposed increase is simply too large an increase at one time.

Another concern is that the increase is much larger for the residential customers than it is for the industrial or commercial customers. The argument that the company may be proposing is that residential customers have been subsidized by industrial and commercial cases. If this was true then why weren't AEP electric rates for residential customers lower than KU's, the only other major all-electric investor-owned utility operating in the state. Another factor to take into

consideration is that this will have a disparate impact on low income customers in eastern Kentucky.

In 2004 the poverty rate in America was 13.1%, while in Kentucky the poverty rate was 17.4% – a difference of approximately 33% more compared to the national average. In eastern Kentucky counties, where AEP operates, the percentage of people in poverty in 2003 was about 23%¹, which is 32% higher than the state average in 2003 (17.4%) and 81% higher than the national average (12.7%). Low income AEP electric residential customers in those areas simply do not have the ability to absorb a 27% increase in base rates. This will lead to greater demand for LIHEAP, which served over 134,028 crisis households last year, and 118,067 subsidy households.

In addition to the residential rate increase requested, AEP is proposing to increase significantly several charges that will disproportionately affect low-income customers. For example, they propose to increase the service charge from \$5.86 to \$8.00 per month, the reconnection fee from \$12.94 to \$40.00, the reconnect fee for non-payment when work continues into overtime, from \$17.26 to \$47.00, and the reconnect fee when call-out is required from \$35.95 to \$83.00. This will have a severe impact on those customers who struggle paying their bills each month.

In addition, the tremendous increase in gasoline prices in the last few years will further affect the ability of households to pay such a big increase in electric rates. Finally, approval of this rate increase will likely cause an increase in shut-offs for low income households, a greater risk of house fires due to households that are heating their homes with unsafe methods because

¹All poverty statistics are based on 2004 and 2003 Census Data. Eastern Kentucky counties used in this calculation include: Pike, Martin, Floyd, Letcher, Knott, Harlan, Perry, Leslie, Breathitt, Magoffin, Morgan, Johnson, Lawrence, Boyd, Greenup, Carter, and Elliott.

of high electricity costs, and an increase in bad debt for the company, which will ultimately rest on all rate payers.

6. What kinds of things would you suggest to remedy the effects of the proposed increase?

RESPONSE: The first thing I would recommend would be a significant decrease in the proposed rate increase for residential electric customers, and a more fair distribution of the proposed increase among all three rate classes. My second recommendation would be an expansion of the existing DSM programs, which produces energy savings, and cuts demand. Finally, the company must increase the per meter charge for the energy assistance program designed to help low income households, and make matching shareholder contributions to the energy assistance program.

7. Does this conclude your testimony?

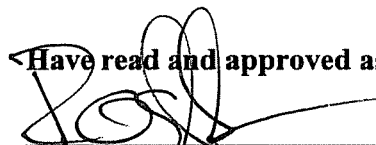
RESPONSE: Yes it does


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Have read and approved as accurate:


ROGER McCANN, ACTING
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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing document has been served on the following persons by United States mail on this the 7th day of April, 2010:

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