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MAR 20 2013

PUBLIC SERVICE  
COMMISSION

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IRIS G. SKIDMORE

**Via Hand-Delivery**

March 20, 2013

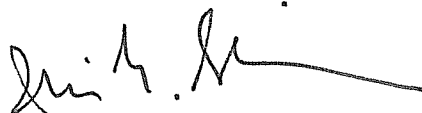
Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

**Re: Case No. 2012-00428: Consideration of the Implementation of Smart Grid  
and Smart Meter Technologies**

Dear Mr. Derouen:

Enclosed for filing in the above styled action are an original and fourteen copies of the Response of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. to East Kentucky Power Cooperative, Inc. Information Request.

Sincerely,



Iris G. Skidmore

Enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 20 2013

PUBLIC SERVICE  
COMMISSION

In the Matter of:

CONSIDERATION OF THE IMPLEMENTATION )  
OF SMART GRID AND SMART METER ) CASE NO.  
TECHNOLOGIES ) 2012-00428

**RESPONSE OF COMMUNITY ACTION COUNCIL FOR LEXINGTON-FAYETTE,  
BOURBON, HARRISON, AND NICHOLAS COUNTIES, INC. TO EAST KENTUCKY  
POWER COOPERATIVE, INC. INFORMATION REQUESTS**

\* \* \* \* \*

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

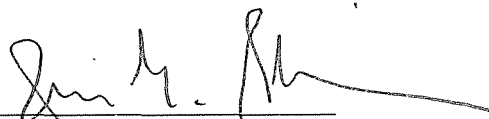
CONSIDERATION OF THE IMPLEMENTATION )  
OF SMART GRID AND SMART METER ) CASE NO.  
TECHNOLOGIES ) 2012-00428

**RESPONSE OF COMMUNITY ACTION COUNCIL FOR LEXINGTON-FAYETTE,  
BOURBON, HARRISON, AND NICHOLAS COUNTIES, INC. TO EAST KENTUCKY  
POWER COOPERATIVE, INC. INFORMATION REQUESTS**

\* \* \* \* \*

Comes the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (CAC), by counsel, and submits the following Response to Information Requests from East Kentucky Power Cooperative, Inc.:

Respectfully submitted,



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COUNSEL FOR CAC

DATA REQUEST 1:

Please describe Mr. Lanter's professional training and experience in the following areas:

- a. Familiarity with established rate-making practices and procedures applied by the Kentucky Public Service Commission ("Commission").
- b. Preparation of cost-of-service studies and application of results to the development of utility rate design.

RESPONSE:

Witness: Charles D. Lanter

- a. Community Action Council has intervened in cases before the Kentucky Public Service Commission since the 1980s and represents the interests of ratepayers with low-incomes. The Commissioners are aware of the Council's familiarity with established rate-making practices and procedures, but it is not Mr. Lanter's role in this case to file expert testimony regarding technical rate-making practices and procedures. Mr. Lanter's role in this case is strictly to advocate on behalf of customers with low-income and to raise issues which may impact those customers specifically.
- b. See response to 1.a.

## DATA REQUEST 2:

Please refer to page 2 of Mr. Lanter's direct testimony, lines 7 through 10. Mr. Lanter states that he has personally provided the research, analysis, program design, and all other necessary support for CAC in more than a dozen cases before the Commission.

- a. Please specifically list each such case by case name, case number, and provide a brief summary of all the activities which he performed in the case, including the final result of the case as it relates to CAC.
- b. Please specifically list any other cases in which Mr. Lanter provided similar support in any other jurisdiction for any other individual or organization, by case name, case number, and provide a brief summary of all the activities which he performed in the case, including the final result of the case as it relates to such individual or organization.

## RESPONSE:

Witness: Charles D. Lanter

- a. The activities Mr. Lanter performed in each case are stated in his testimony as referenced in the question – research, analysis, program design, and other necessary support. Mr. Lanter has conducted this work since his employment at the Council in January 2005. Since 1983, the Council has intervened in the general base rate cases filed by Kentucky Utilities Company and Columbia Gas of Kentucky and in most of their Demand Side Management filings, as well as KU's 2011 Certificate of Public Convenience and Necessity and Recovery by Environmental Surcharge case, and in and some of the cases for approval of acquisition of KU. In the rate cases the Commission approved rates lower than requested, and in most of the cases some relief for ratepayers with low-incomes. This relief has come in the form of energy subsidy programs such as the HEA and EAP programs discussed in the Lanter testimony or in contributions to direct assistance programs like the WinterCare Energy Fund. In each case it is the Council's goal to seek the best possible resolution for customers with low-incomes.
- b. The Council's intervention has been restricted to cases within or affecting its service area of Lexington-Fayette, Bourbon, Harrison, and Nicholas counties in Kentucky.

### DATA REQUEST 3:

Please refer to page 5 of Mr. Lanter's direct testimony, lines 1 through 4. Mr. Lanter implies that potential Smart Grid investments are essentially capital improvements in utility infrastructure which have been deferred for decades on both regulatory and profit motive basis.

- a. Please explain in detail how Mr. Lanter reached the conclusion that potential Smart Grid investments are the result of utility decisions to defer infrastructure improvements.
- b. Please provide copies of or Internet website links to independent third-party studies or analysis Mr. Lanter relied upon in preparing his direct testimony to reach the conclusion that potential Smart Grid investments were the result of utility deferrals of needed infrastructure improvements.

### RESPONSE:

Witness: Charles D. Lanter

- a. One needs merely to examine the age and quality of the nation's electricity infrastructure to reach that conclusion. The Galvin Electricity Initiative, founded by former Motorola executive Bob Galvin, reports that the U.S. electricity infrastructure is deteriorating due to "age and neglect. In fact, today's electric power industry spends less on research and development than the dog food industry." On average in the U.S., power generation was built in the 1960s utilizing technology that was not even current at the time. Substation transformers have an average age of 42 years but were designed to last 40 years.<sup>1</sup> While we can certainly debate how much regulated utilities are to blame versus regulators, policymakers, etc., the facts are the facts – the infrastructure is aging and the deployment of SmartGrid technology is essentially the deployment of an upgraded, replacement infrastructure.
- b. The referenced sections of Mr. Lanter's testimony are his own opinions and analysis and reflect consultation within the staff of Community Action Council including its longtime Executive Director Jack Burch, who has previously testified in cases before the Commission on matters involving customers with low-incomes.

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<sup>1</sup> "The Electric Power System is Unreliable." Galvin Electricity Initiative.  
<http://galvinpower.org/resources/library/fact-sheets-faqs/electric-power-system-unreliable>

DATA REQUEST 4:

Please refer to page 5 of Mr. Lanter's direct testimony, lines 6 and 7. Mr. Lanter states that regulated utilities are guaranteed and receive a reasonable return on their book of business. Was Mr. Lanter aware that the Commission authorizes, but does not guarantee, a reasonable rate of return base or capitalization?

RESPONSE:

Witness: Charles D. Lanter

While it may be true that the Commission "authorizes, but does not guarantee," a reasonable rate of return, regulated utilities are insulated from risk as they have the option to seek rate relief through the regulatory process and are not subject only to market forces. When the Commission approves an acceptable rate of return it is acting in belief – and so are intervenors – that the utility will operate as efficiently and effectively as proposed in their filing and thus receive the proposed rate of return or otherwise return for additional rate relief.

The Council would point out KRS 278.030 which states that utilities "may demand, collect and receive fair, just and reasonable rates for the services rendered or to be rendered by it to any person." It has been our experience that most regulated utilities do demand and collect that reasonable return.

DATA REQUEST 5:

Please refer to page 5 of Mr. Lanter's direct testimony, lines 14 through 16. Mr. Lanter states, "The Commissioners should insist that every dollar saved by the implementation of Smart Grid investments rely in part on Time of Use rate structures to recoup investment costs, limiting TOU raises broader questions about the benefits of the Smart Grid."

- a. When Mr. Lanter references "reasonable capital expenses" does he mean only the return on the capital investment authorized by the Commission or does he also include the recovery of operation and maintenance expenses associated with the capital investment? Please explain the response.
- b. Would Mr. Lanter agree that generally when savings result from the implementation of capital investments by a regulated utility those savings are not specifically identified nor are they directly returned to ratepayers?
- c. Would Mr. Lanter agree that generally when savings result from the implementation of capital investments by a regulated utility those savings are used to offset increases in operating expenses and possibly delay the filing of the next base rate case?
- d. Please explain in detail why Mr. Lanter believes the implementation of Smart Grid devices and systems warrants different regulatory treatment than is usually followed for other utility investments where savings in expenses are achieved.

RESPONSE:

Witness: Charles D. Lanter

- a. The quote from Mr. Lanter's testimony in Question 5 is inaccurate. Page 5, lines 14 through 16 states: "The Commissioners should insist that every dollar saved by the implementation of Smart Grid devices and systems is returned to the ratepayers after the utilities have recovered reasonable capital expenses." In response to the question, however, it was Mr. Lanter's intention that "reasonable capital expenses" includes the return authorized by the Commission and the recovery of operation and maintenance expenses associated with the investment.
- b. No, I would not agree. When savings result from the implementation of capital investments by a regulated utility then that utility has a responsibility to ratepayers to utilize every reasonable means necessary to identify and account for those savings so that they may be shared with ratepayers.
- c. I would agree that a regulated utility may utilize those savings to offset increases in operating expenses and possibly delay the filing of the next base rate case as a means of sharing that savings with the ratepayers. The effect would be the same.
- d. See CAC's response to the First Set of Data Requests from the staff of the Public Service Commission, item 10.



DATA REQUEST 6:

Please refer to page 5 of Mr. Lanter's direct testimony, lines 36 and 37. Mr. Lanter states, "And, since Smart Grid investments rely in part on Time of Use rate structures to recoup investment costs, limiting TOU raises broader questions about the benefits of the Smart Grid."

- a. Does Mr. Lanter contend that every utility that has deployed Smart Grid and specifically Smart Meter investments has also implemented Time of Use rate structures? Please explain the response in detail.
- b. Please explain in detail how Mr. Lanter concluded that Smart Grid investments rely in part on Time of Use rate structures to recoup investment costs. Please provide copies of or Internet website links to independent third-party studies or analyses Mr. Lanter relied upon in preparing his direct testimony to reach this conclusion.

RESPONSE:

Witness: Charles D. Lanter

- a. No. Please also reference CAC's response in the First Set of Data Requests from the Staff of the Public Service Commission, Item 5.b.
- b. Please see CAC's response in the First Set of Data Requests from the Staff of the Public Service Commission, Item 5.b.

DATA REQUEST 7:

Please refer to page 6 of Mr. Lanter's direct testimony, lines 1 through 16.

- a. Would Mr. Lanter agree that the utility's ability to terminate service due to non-payment is governed by 807 KAR 5: 006, Sections 14 through 16?
- b. Please provide copies of or Internet website links to any studies or analyses reviewed Mr. Lanter in the preparation of his direct testimony that examined if there was a correlation between the deployment of Smart Meters with the capacity to remotely disconnect a customer for non-payment and the number of shutoffs in that same service area.
- c. Is the "human element" that Mr. Lanter contends would be removed from the disconnect process when Smart Meters with remote disconnect capability are utilized the dispatch of an actual person to disconnect the utility service?
  - i. If yes, please indicate on average how many additional days are normally added to the disconnect process when a person actually has to go out and perform the disconnection.
  - ii. If no, please explain in detail what Mr. Lanter means by the "human element."
- d. Is Mr. Lanter aware of any utility deploying Smart Grid or Smart Meter technologies that was also required to change customer accounts to prepaid metering or to alter customer billing cycles? If yes, please explain in detail the situation and circumstances of each such deployment.

RESPONSE:

Witness: Charles D. Lanter

- a. Yes, and as approved in the utility's tariff. However, in practice there has been a delay between shutoff orders and actual, physical shutoffs due mostly to the logistical requirements of conducting a shutoff with existing infrastructure.
- b. The 280 staff members of Community Action Council operate multiple utility assistance programs for customers of regulated utilities with low-incomes. I do not need to rely on "Internet websites" to conduct analysis of the impact. The staff members of Community Action Council deal daily with the consequences of utility shutoffs and understand the processes involved.

That said, the connection between installation of Smart Meters and an increase in shutoffs has been established, particularly in California where there were so many problems with Smart Meters that the California Public Utilities Commission has ordered utilities to provide an opt-out option for customers. In fact, Pacific Gas & Electric reported before rolling out its Smart Meter program that it expected to shut off 85 percent of customers eligible for disconnection compared to just 37 percent in the year before without Smart Meters.<sup>2</sup> In fact, according to the same article, disconnections in California rose by 8.8 percent from September 2008 through August 2009 but PG&E disconnections – likely due to the utility having the largest number of Smart Meters –

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<sup>2</sup> "PG&E SmartMeters likely to boost shut-offs." Baker, David R. San Francisco Chronicle. January 26, 2010.

increased 40 percent over that same period. Unfortunately, in April 2010, a fatal fire in Fairfield, Ca., killed four children in a home where PG&E had disconnected service via Smart Meter. The family, to compensate for lack of electricity, was burning candles that caused the fire.<sup>3</sup> For the first five months of 2009 PG&E had used SmartMeters to shut off service to 4,300 customers. During the same period in 2010 that number increased to nearly 52,000.

c. Yes. The average number of additional days added to the disconnect process would vary by utility. It has been the experience of the hundreds of staff members at Community Action Council that this could add about 1 to 3 days to the shutoff process within the markets where CAC operates.

d. I am not aware of any utility deploying Smart Grid or Smart Meter technologies that was required to utilize prepaid metering. However, it is one of the uses available for Smart Meters and one which concerns the Council. We are concerned about the “slippery slope” of even piloted prepaid metering utilizing existing technologies for the reasons stated in my testimony.

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<sup>3</sup> “Power shutoffs increase with rise in SmartMeters.” Finney, Michael. WKGO-TV, Sacramento, Ca. July 14, 2010.

DATA REQUEST 8:

Please refer to page 6 of Mr. Lanter's direct testimony, lines 29 through 37.

a. Was Mr. Lanter aware that since the early 1980's the Commission has supported the use of cost-of-service studies as a basis for the design of rates, consistently taken the position that rates should be cost-based, and supported the position that rates charged to each class should be designed to reflect the cost to serve each class?

b. Would Mr. Lanter agree that utility rates should be designed so that the utility will recover its fixed costs through fixed rates like the customer charge and recover variable costs through variable rates like the energy charge? Please explain the response.

c. Mr. Lanter contends that lower energy charges produce a disincentive for customers to participate in conservation programs. Would Mr. Lanter agree that if utilities are required to shift more of their fixed cost recovery to the energy charge, there is a disincentive for the utilities to promote conservation programs because lower energy sales will result in an under-recovery of the fixed costs? Please explain the response.

d. Based on Mr. Lanter's experience, when considering their monthly electric bill are low income customers more concerned about the energy they use each month (kWh used), the energy charge rate, or the total amount of the bill?

e. Would Mr. Lanter agree that low income electric customers generally have higher kWh usage than the residential class average kWh usage due to reasons like the condition of their housing, age and type of heating and/or cooling systems, and the efficiency of any appliances they may have?

f. Assume a utility has adjusted its rate structure to increase its customer charge and lowered the energy charge, with no increase in the total revenues generated by the residential class. Based on this assumption, would Mr. Lanter agree that customers with higher kWh usage than the residential class average kWh generally will see a reduction in their total monthly electric bill when the new rate structure is utilized? Please explain the response.

RESPONSE:

Witness: Charles D. Lanter

a. Yes.

b. No, I would not agree with that statement. Even the fixed rate is based essentially on estimates and projections of the utilities operations and maintenance costs and utilities have and do seek rate relief when necessary to recover costs as they change.

c. No. I believe that if the rate has been designed responsibly based on realistic projections of costs, load growth, etc., that the utility may still recover its fixed costs from the energy charge.

d. The question is gratuitous. However, customers generally accept that they can lower their bill by using less electricity. A shift from energy charges to fixed charges makes that less true.

e. That is a common supposition not backed up by any data I have seen. Some customers with low-income live in newly developed, highly efficient and affordable housing while others live in older, inefficient housing.

f. The question assumes customers with low-incomes generally have higher kWh usage than the residential class average. I have not agreed with that assumption (see response to Question 8.e.).

DATA REQUEST 9:

Assume for purposes of this question the following facts. A utility has a current customer charge of \$10.00 and energy charge of \$0.08645 per kWh. The utility requests and is approved to raise the customer charge to \$16.00 and lower the energy charge to \$0.08068 per kWh. A customer of the utility has an average monthly kWh usage of 1,400 kWh. The customer decides to participate in several DSM and energy efficiency programs offered by the utility and lowers his average monthly kWh usage to 1,200 kWh. For purposes of this question, assume the total bill is composed of only the customer charge and the energy charge.

- a. Would Mr. Lanter agree that under the current rates, the total bill for a monthly usage of 1,400 kWh would be \$131.03 and for a monthly usage of 1,200 kWh would be \$113.74?
- b. Would Mr. Lanter agree that the difference in the total bill at current rates reflecting the reduction in usage is \$17.29 or a 13.20 percent reduction?
- c. Would Mr. Lanter agree that under the new rates, the total bill for a monthly usage of 1,400 kWh would be \$128.95 and for a monthly usage of 1,200 kWh would be \$112.82?
- d. Would Mr. Lanter agree that the difference in the total bill at new rates reflecting the reduction in usage is \$16.13 or a 12.51 percent reduction?
- e. Would Mr. Lanter agree that the difference between the total bill at current rates for 1,400 kWh usage of \$131.03 and the total bill at new rates for 1,200 kWh usage of \$112.82 is \$18.21 or a reduction of 13.90 percent?
- f. Given the results of this scenario, please explain Mr. Lanter's contention that "By shifting a greater percentage of the bill into the customer charge, customers lose their incentive to conserve and customers with low-income lose their ability to control the size of their bill."


RESPONSE:

Witness: Charles D. Lanter

- a. The hypothetical example is flawed and incomplete. To state that "For purposes of this question, assume the total bill is composed of only the customer charge and the energy charge" is to create a scenario that does not exist and, therefore, makes the question irrelevant. For example, it does not account for any DSM charges associated with the programming the customer takes advantage of. The rate structure in this hypothetical takes advantage of DSM programming without accounting for cost.
- b. See response to Question 9.a.
- c. See response to Question 9.a.
- d. See response to Question 9.a.
- e. See response to Question 9.a.
- f. See response to Question 9.a.

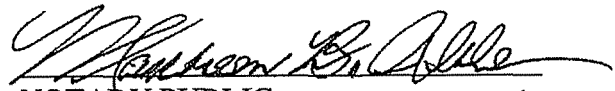
VERIFICATION

I prepared the foregoing responses on behalf of CAC and I affirm that they are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

  
\_\_\_\_\_  
CHARLES D. LANTER

COMMONWEALTH OF KENTUCKY )  
COUNTY OF FAYETTE )

Subscribed to and sworn to before me by Charles D. Lanter on the 15<sup>th</sup> day of March, 2013.

  
\_\_\_\_\_  
NOTARY PUBLIC  
My commission expires: 6/25/13

## CERTIFICATE OF SERVICE

I hereby certify that on March 20, 2013, a true and accurate copy of the Response of CAC to East Kentucky Power Cooperative, Inc. Information Requests was served by United States mail, postage prepaid, to the following:

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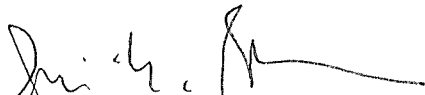
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