COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

CASE NO. 2014-00371

TESTIMONY OF
EDWIN R. “ED” STATON
VICE PRESIDENT, STATE REGULATION AND RATES
KENTUCKY UTILITIES COMPANY

Filed: November 26, 2014
Q. Please state your name, position and business address.

A. My name is Ed R. Staton. I am Vice President of State Regulation and Rates for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU" or the "Company") (collectively, the "Companies"), and an employee of LG&E and KU Services Company. My business address is 220 West Main Street, Louisville, Kentucky 40202.

Q. Please describe your educational and professional background.

A. A complete statement of my work experience and education is contained in the Appendix attached hereto.

Q. Have you previously testified before this Commission?

A. Yes, I have testified before the Commission on multiple occasions, including two KU applications for Certificates of Public Convenience and Necessity for the construction of transmission facilities,\(^1\) the Commission’s administrative proceeding considering the implementation of smart grid and smart meter technologies,\(^2\) and most recently in the Companies’ application for Certificates of Public Convenience and Necessity for the construction of generating facilities.\(^3\)

Q. What are the purposes of your testimony?

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\(^1\) In the Matter of: Application of Kentucky Utilities Company Concerning the Need to Obtain Certificates of Public Convenience and Necessity for the Construction of Temporary Transmission Facilities in Hardin County, Kentucky, Case No. 2009-00325; In the Matter of Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for Construction of Transmission Facilities in McCracken County, Kentucky, Case No. 2010-00164.

\(^2\) In the Matter of: Consideration of the Implementation of Smart Grid and Smart Meter Technologies, Case No. 2012-00428.

A. The purposes of my testimony are: (1) to support certain exhibits required by the Commission’s regulations; (2) to present the bill impacts to the average residential customer; (3) to describe the methods by which KU informed its customers of the proposed rate adjustment; and (4) to describe the various ways KU assists customers with low incomes.

Q. Are you supporting the schedules that are required by the Commission regulations 807 KAR 5:001?

A. Yes, I am sponsoring the following schedules for the corresponding filing requirements in 807 KAR 5:001 Rules of Procedure:

- Name, Address, Facts           Section 14(1)   Tab 1
- Corp. – Incorporation, Good Standing Section 14(2)   Tab 1
- LLC – Organized, Good Standing   Section 14(3)   Tab 1
- LP – Agreement                   Section 14(4)   Tab 1
- Reason for Rate Adjustment       Section 16(1)(b)(1) Tab 2
- Certificate of Assumed Name      Section 16(1)(b)(2) Tab 3
- Proposed Tariff                  Section 16(1)(b)(3) Tab 4
- Proposed Tariff Changes          Section 16(1)(b)(4) Tab 5
- Statement about Customer Notice  Section 16(1)(b)(5) Tab 6
- Notice of Intent                 Section 16(2)    Tab 7
- Testimony                        Section 16(7)(a) Tab 14
- Mix of Gas Supply (Gas)          Section 16(7)(h)(8) Tab 29
- Customer Notice Information      Section 17(4)    Tab 67
Although I am sponsoring KU’s proposed tariff and proposed tariff changes, Robert M. Conroy’s testimony will address issues of rate structure and specific rates, as well as changes to the terms and conditions of KU’s electric service in detail.

**KU Values Its Customers**

Q. **Please describe the importance and value the Company places on its customers.**

A. Customer focus is a key value to KU, and customer satisfaction is important to us. Therefore, the Company is dedicated to providing the best customer experience possible at every point of contact, and as explained in Mr. Staffieri’s testimony, the decision to file for rate increases is a serious matter. We understand it will impact all customers and their experience with the Company. KU specifically understands the needs of its low- and fixed-income customers through its numerous engagements and relations with these customers. I will describe in detail later in my testimony a number of initiatives KU has for these customers. Our Company’s culture also includes service to the community through donations of personal and shareholder funds and through volunteering in the communities KU serves. When the Company makes the decision to seek additional revenues by a rate increase, our customers may rest assured that the persons making these decisions recognize and respect the impact on customers by such a request.

**KU’s Proposed Revenue Increase**

Q. **Please briefly describe the increase in revenues requested by KU.**

A. KU is requesting a 9.6 percent, or approximately $153 million, increase in its annual electric revenue. Kent Blake and Paul Thompson describe in their testimonies the primary drivers of the needed revenue increase.
Bill Impact

Q. If the Commission approves the proposed base rates, what will be the percentage increases in monthly residential electric bills?

A. The average monthly residential electric bill increase due to the proposed electric base rates will be 9.57 percent, or approximately $11.01, for a residential customer using an average of 1,200 kWh of electricity. A detailed explanation of the bill increase is contained in Mr. Conroy’s testimony.

Q. How does KU’s average residential rate compare to the average residential rate of investor-owned utilities across the United States?

A. KU strives to ensure its residential customers receive reasonably priced energy. Based on the Edison Electric Institute’s *Typical Bills and Average Rates Report Winter 2014*, which provides data covering the 12-month period ending December 31, 2013, KU’s average residential rate is approximately 28 percent lower than the average residential rate of investor-owned utilities across the United States.

Q. If the Commission approves KU’s requested electric rate adjustment in this case, how will KU’s average residential electric rate compare with the average residential electric rate of investor-owned utilities across the United States?

A. Even with this rate adjustment, KU’s projected average retail rate for 2015-2016 is approximately 16 percent lower than the 2013 average retail rate of investor-owned utilities in the U.S.

Customer Notice

Q. Please describe the methods by which KU informed its customers of its proposed rate adjustment.
A. Notice to the public of the proposed rate adjustment is being given as prescribed in the Commission’s regulations. On November 5, 2014, KU delivered a notice of the filing of KU’s application, including its proposed rates, to the Kentucky Press Association, an agency that acts on behalf of newspapers of general circulation through the Commonwealth of Kentucky in which customers affected reside, for publication in the applicable newspapers once a week for three consecutive weeks beginning on November 19, 2014.

Furthermore, KU is posting the notice to the public along with a complete copy of the application for public inspection at KU’s main business office, One Quality Street, Lexington, Kentucky. KU is also posting the notice to the public at every KU business office where customers can transact business with the Company.

KU is also posting a complete copy of its application in this case on its website (www.lge-ku.com), along with a link to the Commission’s website where the case documents are available.

Finally, beginning on November 26, 2014, KU began including a notice of the proposed rate adjustment and general statement explaining the application in this case with the bills for all Kentucky retail customers during the course of their regular monthly billing cycle.

**Low-Income Customer Assistance**

Q. **Does KU provide assistance its low-income customers?**

A. Yes. KU is keenly aware of its low-income customers’ needs through direct contact with such customers and through KU’s relationships with a number of organizations engaged in community-assistance programs and efforts, including the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties,
Inc. (“CAC”). KU meets and communicates with these groups on a regular basis to understand low-income customers’ needs, how community organizations are working to meet those needs, and how KU can help.

KU has turned awareness into action, having worked on its own and in conjunction with community groups to provide various forms of assistance to low-income customers over the years. For example, KU matches customer donations to the WinterCare Energy Assistance Fund, which assists low-income customers with their utility bills during winter months. Due to delay of the distribution of the Low-Income Home Energy Assistance Program (“LIHEAP”) funds caused by the federal government shutdown in October 2013, KU announced it would match $2.00 for every $1.00 donated by KU’s residential customers to the program from October 1, 2013 through March 31, 2014. In the 2013-14 heating season alone, KU’s shareholders contributed $96,488 to WinterCare. Since 2009, customer donations and matching funds from the Companies have raised nearly $2 million for WinterCare and LG&E’s Winterhelp. For the 2014-2015 heating season, KU’s shareholders will once again match $1.00 for every $1.00 donated by KU’s residential customers to WinterCare. Moreover, KU’s employees participate in Winterblitz, an annual weatherization effort performed in conjunction with CAC. Each November, hundreds of employees join volunteers and community organizations to weatherize the homes of low-income senior citizens and the disabled. KU provides the weatherization materials for Winterblitz, and in 2013, 22 KU employees weatherized 45 homes through their participation and donations.
Also, KU responded proactively during the extreme cold of the 2014 winter season. KU and LG&E jointly relaxed installment plan restrictions that helped customers defer payments from January through April 2014. Customers were issued more than 12,000 installment plans resulting in the deferment of approximately $5 million in payments. During the same timeframe, the Companies also donated more than $200,000 to various organizations that assist low-income customers in need.

In addition, KU committed in its most recent base rate case (Case No. 2012-00221) to make annual shareholder contributions of $407,500 per year beginning in 2013.\(^4\) The $407,500 comprises a $100,000 contribution to the WinterCare program and a $307,500 contribution to the Home Energy Assistance (“HEA”) program, both of which CAC administers.\(^5\) KU further agreed in that case to increase its monthly residential meter charge for the HEA program from the current $0.16 per meter to $0.25 per meter.\(^6\) KU’s shareholder contribution amounts will continue until the effective date of the new base rates proposed in this proceeding, and will thereafter cease absent a settlement extending the contributions.\(^7\)

**Q. Does KU propose to continue the current HEA charge ($0.25 per meter per month)?**

**A.** Yes, although KU maintains discretion to discontinue or reduce the monthly residential HEA charge, KU proposes to continue the charge at $0.25 per meter, the same amount currently charged under its tariff.

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\(^5\) Id.

\(^6\) Id.

\(^7\) Id.
Q. In addition to KU’s significant shareholder contributions and the support the HEA charge provides to low-income customers, has KU implemented any policy or tariff measures to assist fixed- and low-income customers?

A. Yes. In its 2012 rate case KU made it easier for all customers to pay their bills on time by extending payment due dates from 12 calendar days to at least 22 calendar days after issuance, and KU reduced late-payment charges from 5 percent to 3 percent for all schedules to which a 5 percent charge was previously applied, including residential customers. Since increasing the time to pay bills, assessment of late-payment charges has reduced by approximately 25 percent across all customer segments. Additionally, customer satisfaction increased almost an entire point from a 7.61 to an 8.44 average score on a 10-point scale when customers were asked about the length of time they had to pay their bills.

But KU has gone even further to assist fixed- and low-income customers. First, KU’s FLEX Program allows residential customers with limited incomes to pay their bills 28 days from issuance. This helps prevent fixed- and low-income customers from incurring late payment charges, increases the time in which such customers may seek financial aid, and helps reduce the issuance of disconnection notices to these customers. The popularity of the FLEX Program indicates it is achieving its intended aims: since KU implemented the program in December 2009 through September 30, 2014, a total of 10,073 KU customers have used it.

Second, since October 1, 2010, a KU residential customer who has received a pledge or notice of low-income energy assistance from an authorized agency is not assessed or required to pay a late payment charge for the bill for which the pledge or

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8 Id.
notice is received. Moreover, the customer will not be assessed or required to pay a
late payment charge in any of the 11 months following receipt of the pledge or notice.
This waiver of the late-payment charge has provided significant benefits to low-
income customers. From September 2013 through August 2014, KU waived
approximately $540,000 in late-payment charges, helping to alleviate the financial
burden KU’s fixed- and low-income customers face.

In addition, KU offers a demand-side management and energy-efficiency
(“DSM/EE”) program to assist low-income customers. Specifically, the Companies’
Low-Income Weatherization Program (“WeCare”) is an education and weatherization
program designed to reduce the energy consumption of KU’s low-income customers.9
The program provides energy audits, energy education, and blower door tests, and
installs weatherization and energy conservation measures. A qualified low-income
customer can receive—at no direct cost to the customer—energy conservation
measures with a value of up to $2,100.10 As a result of WeCare, the Companies have
experienced an energy reduction of 25,317 MWh and a demand reduction of 1.5 MW
through November 2013.11 WeCare is now KU and LG&E’s second largest DSM/EE
program by budget: over $25.5 million total for both Companies for program years
2015-18, an average of over $6.35 million for both Companies for each program year
for that period.12 The Companies project that this significant program will produce
total energy savings for KU’s low-income customers of 17,204 MWh for program

9 In the Matter of: Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company
for Review, Modification, and Continuation of Existing, and Addition of New, Demand-Side Management and
10 Kentucky Utilities Company, P.S.C. No. 16, Second Revision of Original Sheet No. 86.4 (KU’s Kentucky
tariff).
11 Case No. 2014-00003, Application Exhibit MEH-1 at 45.
12 Case No. 2014-00003, Rebuttal Testimony of Michael E. Hornung at 13 (June 16, 2014).
years 2015-18, the value of which energy savings participating customers will receive in the form of relatively reduced energy bills.\textsuperscript{13} In addition, KU offers specific DSM/EE programming for multi-family households, providing yet another opportunity for many low-income customers to participate in KU’s DSM/EE offerings. KU’s Residential Conservation / Home Energy Performance Program is available to multi-family properties, offering financial incentives to customers who implement energy-efficiency measures identified during on-site audits.\textsuperscript{14} Moreover, KU this year requested approval to enhance the program by implementing a tier structure specifically for multi-family properties.\textsuperscript{15} The Commission recently approved KU’s DSM/EE programming for 2015-18, and in doing so noted its appreciation for “the Companies’ efforts in offering low-income programs for its customers” and that the record in the DSM/EE “proceeding reflects the Companies' efforts to work with [community action agencies] and other interested parties to encourage participation by low-income customers in programs such as the WeCare and Residential Conservation/Home Energy Performance programs, which encourage EE and energy savings and aid in reducing the cost of customers' energy bills.”\textsuperscript{16}

Cumulatively, these efforts demonstrate that KU is committed to assisting its fixed- and low-income customers. Through the WeCare program, KU works to weatherize the homes of low-income customers to decrease their monthly energy bills. KU’s FLEX program extends a low-income customer’s bill-due date to 28 days from bill issuance. To the extent further assistance is required, KU has generously

\textsuperscript{13} Case No. 2014-00003, Application Exhibit MEH-1 Appendix B at 69.
\textsuperscript{14} \textit{Id.} at 39-42.
\textsuperscript{15} \textit{Id.}
\textsuperscript{16} Case No. 2014-00003, Order at 27 (Nov. 14, 2014).
increased its giving to agencies that provide financial support, and KU waives late
payment charges for customers receiving assistance from such agencies. In short, KU
provides full-spectrum assistance to its fixed- and low-income customers, from before
energy is consumed until after the bill is issued.

Conclusion

Q. Does this conclude your testimony?

A. Yes, it does.
VERIFICATION

COMMONWEALTH OF KENTUCKY  )
COUNTY OF JEFFERSON  )
    SS:

The undersigned, Edwin R. Staton, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

Edwin R. Staton

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of November 2014.

(SIGNATURE) (SEAL)
Notary Public

My Commission Expires:

(SIGNATURE)
Notary Public, State of Large, KY
My Commission Expires Mar. 18, 2017
Notary ID # 485728
APPENDIX A

Edwin R. “Ed” Staton
Vice President, State Regulation and Rates
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-4314

Work History

Vice President, State Regulation and Rates 2/2013-present
Vice President, Transmission –Kentucky Utilities Company and Louisville Gas and Electric Company 2011-2013
Director Transmission –LG&E and KU Services Company 2007-2011
District Manager – Kentucky Utilities Co. - Elizabethtown, Ky. 1998-2000
Line and Service Technician – Kentucky Utilities Co. 1988-1992

Education

Associate Degree – Business Management, University of Kentucky – Henderson Community College, Henderson, Ky. 1985
Bachelor of Science Degree – Business Administration (minor in Accounting), University of Southern Indiana, Evansville, Indiana 1990
Master of Business Administration – Western Kentucky University 2004

Vocational Training

Kentucky Institute for Economic Development
Public Utilities Regulations Guide

E.ON Academy - International Management Program – IMD (International Institute for Management Development), Lausanne, Switzerland

M.I.T. Sloan School of Management, Executive Program in Corporate Strategy, Boston, Mass.

Community Service

President – Lyon Co. Chamber of Commerce 1996-1997
Co-Chairman – Eddyville Industrial Foundation 1997-1998
Board member – Elizabethtown Chamber of Commerce 2000
Member – Larue Co. Industrial Foundation 1999-2003
Member – Elizabethtown luncheon Rotary Club 1999-2000
Member – Kentucky Industrial Development Council 1996-present

Junior Achievement:
  Classroom instructor
  Coral Ridge Elementary School, Louisville, Ky. 2001-2002
Board member – Junior Achievement of the Bluegrass 2007-present
Junior Achievement:
  Classroom instructor
  Tates Creek Middle School, Lexington, Ky. 2008-present