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BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

COLUMBIA, SOUTH CAROLINA

HEARING #19-11759 FEBRUARY 20, 2019 10:06 A.M.

2018-319-E:

DUKE ENERGY CAROLINAS, LLC — Application for Adjustments in Electric Rate Schedules and Tariffs and Request for an Accounting Order

Request by AARP Regarding: Effects of Proposed Rate Adjustment on Consumers

ALLOWABLE EX PARTE BRIEFING

COMMISSION MEMBERS PRESENT: Comer H. 'Randy' RANDALL, *Chairman*; and COMMISSIONERS John E. 'Butch' HOWARD, Florence P. BELSER, Thomas J. 'Tom' ERVIN, Swain E. WHITFIELD, and Justin T. WILLIAMS

ADVISOR TO COMMISSION: Joseph Melchers, Esq.
GENERAL COUNSEL

STAFF: B. Randall Dong, Esq., Josh Minges, Esq., and David W. Stark, III, Esq., Legal Advisory Staff; Jerisha Dukes, Esq., Commissioners' Staff; Douglas K. Pratt and John Powers, Technical Advisory Staff; Randy Erskine, Information Technology Staff; Afton Ellison and Rob Bockman, Clerk's Staff; and Jo Elizabeth M. Wheat, CVR-CM/M-GNSC, Court Reporter

APPEARANCES:

ADAM PROTHEROE, ESQUIRE, together with ***JOHN RUOFF, Ph.D.*** *[Principal, The Ruoff Group]* representing and presenting on behalf of **AARP**

JENNY R. PITTMAN, ESQUIRE, appearing as designee of the Executive Director of the **SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

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P R O C E E D I N G S

CHAIRMAN RANDALL: Please be seated. Good morning, everyone. Welcome to this allowable ex parte. I'll ask Mr. Melchers to read the docket, please.

MR. MELCHERS: Thank you, Mr. Chairman.

Commissioners, we are here pursuant to a Notice of Request for Allowable Ex Parte Briefing that was filed on behalf of AARP, scheduled for today, February 20, 2019, at 10 a.m., here in the Commission's hearing room. And the subject matter to be discussed at the briefing today is relating to Docket No. 2018-319-E: Effects of Proposed Rate Adjustment on Consumers.

Thank you, Mr. Chairman.

CHAIRMAN RANDALL: Thank you, Mr. Melchers.

Ms. Pittman, it looks like you're up, for ORS.

MS. PITTMAN: Thank you, Mr. Chairman.

Good morning. My name is Jenny Pittman; I'm a staff attorney for the Office of Regulatory Staff, and I am here today as the designee of the Executive Director of the ORS at this allowable ex parte.

As the ORS representative, it is my duty to certify the record of this proceeding to the Chief

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1 Clerk of the PSC within the next 72 hours and
2 verify that this briefing was conducted in
3 compliance with the provisions of S.C. Code Section
4 58-3-260(C).
5 The requirements of that statute are, in part,
6 that the allowable ex parte be confined to the
7 subject matter which has been noticed. In this
8 case, the issue noticed was "Effects of Proposed
9 Rate Adjustment on Consumers," in Docket No. 2018-
10 319-E, Application of Duke Energy Carolinas, LLC,
11 for adjustments in electric rate schedules and
12 tariffs, and request for an accounting order. I,
13 therefore, ask that the presenters, Commissioners,
14 and Staff all please refrain from discussing any
15 matters not related to this specific topic.
16 Secondly, the statute prohibits any
17 participant, Commissioners, or Commission Staff
18 from requesting or giving any commitment,
19 predetermination, or prediction, regarding any
20 action by any Commissioner as to any ultimate or
21 penultimate issue which either is or is likely to
22 come before the Commission.
23 Third, I would ask that the participants,
24 Commissioners, and Staff refrain from referencing
25 any report, article, statute, or documents of any

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1 kind that are not included in today's presentation.
2 A copy of any document which is referenced during
3 the briefing must be provided to me for inclusion
4 in the record, which I will certify to Ms. Boyd.
5 And, finally, everyone in attendance today
6 must sign and — and must also read, sign, and
7 return the form which you were given at the door
8 when you came in today. This form must be signed
9 by each attendee to certify that the requirements
10 contained in Section 58-3-260(C) have been complied
11 with at this presentation.
12 I thank you all for your time and attention.
13 Thank you, Mr. Chairman.
14 **CHAIRMAN RANDALL**: Thank you, ma'am.
15 Okay. We'll turn it over to AARP. Welcome.
16 **MR. PROTHEROE**: Thank you, Mr. Chairman.
17 My name is Adam Protheroe; I'm here on behalf
18 of AARP, with Dr. John Ruoff. Dr. Ruoff has
19 prepared a briefing for the Commission on the
20 subject we discussed earlier regarding the effects
21 of the proposed rate adjustments in these dockets.
22 Of course, nothing in this briefing should be seen
23 as a recommendation or a request for any action on
24 the part of the Commission, but we believe this
25 information is critically important to the

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1 Commission's ultimate decision.
2 And I will turn it over to Dr. Ruoff.
3 **CHAIRMAN RANDALL**: Dr. Ruoff, welcome.
4 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Thank
5 you, Mr. Chairman.
6 [Reference: Presentation Slide 1]
7 Members of the Commission, we want to thank
8 you for holding this briefing. I appear today on
9 behalf of AARP and our 625,000 members: 50-plus
10 citizens and residents of South Carolina.
11 My name is John Ruoff. I live in Columbia. I
12 am an AARP volunteer at both the State and national
13 levels. In my day job, I'm the principal of The
14 Ruoff Group, which is a research and policy
15 analysis firm. I earned a Ph.D. in history at the
16 University of Illinois at Urbana-Champagne,
17 preceded by a Master's in history at Illinois and a
18 Bachelor's in history at Seattle University.
19 For 40 years, I have engaged in policy
20 analysis and advocacy on energy and utility issues
21 in South Carolina, including participating as a pro
22 se intervenor in rate proceedings before the
23 Commission from 1979 through 2005, testifying
24 before the Commission on issues affecting low-
25 income consumers, and representing consumer

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1 interests before the South Carolina General
2 Assembly from 1987 to 2011 for South Carolina Fair
3 Share, a Statewide public interest organization.
4 A substantial proportion of that work was
5 related to regulatory policy for electric, gas, and
6 telecommunications utilities. I continue to engage
7 in legislative and stakeholder processes on behalf
8 of AARP and the Appleseed Legal Justice Center. I
9 have testified in state and federal courts as an
10 expert on, among other matters, statistics,
11 demography, socioeconomic characteristics of
12 populations, and household economics.
13 My presentation today regards the impact of
14 the proposed rate increase, in the docket, on
15 consumers. My special focus will be on low-income
16 consumers and senior consumers, especially low-
17 income elderly and the disproportionate effect that
18 Duke Energy Carolinas' proposed rate increase will
19 have on low-use and low-income consumers.
20 [Reference: Presentation Slide 2]
21 The DEC service — I think I just cut myself
22 off.
23 **MR. MELCHERS**: No, you're — you just turned it
24 off.
25 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Yes.

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CHAIRMAN RANDALL: Cut it back on.

MR. MELCHERS: Turn it back on, please.

CHAIRMAN RANDALL: Yeah.

JOHN C. RUOFF, Ph.D. [The Ruoff Group]: [Indicating.]

MR. MELCHERS: There you go.

JOHN C. RUOFF, Ph.D. [The Ruoff Group]: Okay.

CHAIRMAN RANDALL: You're good.

JOHN C. RUOFF, Ph.D. [The Ruoff Group]: The DEC service territory includes portions of 18 counties in the Upstate and, as you can tell from the — and as you know from the map on the right, because we also have lots of co-ops and munis in the Upstate, that territory is somewhat of a speckled beast, and that creates some problems for doing statistical analysis of what's going on in the DEC service territory.

So what I have done is, for most of the demographic data, I have relied upon the best data available, which is the US Census Bureau's Public Use Microdata, a subset of the American Community Survey, for the 2013-to-2017 period. That data does not allow you to home in, in ways that would let me precisely match it to the Duke territory, but, as I frequently say, God does not make perfect

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1 data, and so you do the best you can with what is
2 available. So the statistics I give you are from
3 the PUMAs in that lower map. A PUMA is a Public
4 Use Micro-Area. This data simply does not allow
5 you to home in further. These are the PUMAs that
6 most closely represent the Duke service territory.
7 It doesn't — again, it does not perfectly represent
8 it.
9 [Reference: Presentation Slide 3]
10 Among the population in that area, 16 percent
11 of the population are age 65 and above. Another 20
12 percent are 50 to 64. So 36 percent of the
13 population in that area would be eligible to be
14 AARP members.
15 [Reference: Presentation Slide 4]
16 Seventy-five percent of the 18-plus population
17 in the Duke — in the DEC service territory are
18 white alone, 20 percent are black or African-
19 American alone, and 5 percent are Latino.
20 [Reference: Presentation Slide 5]
21 Among households reporting that they are
22 owners or renters, 27 percent are renters, and 3
23 percent live without payment of rent.
24 [Reference: Presentation Slide 6]
25 Eighteen percent of the households live below

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1 the federal poverty level. Thirty-five percent of
2 those households live below 200 percent of the
3 federal poverty level. The poverty level is
4 presented as an approximation on sort of a minimal
5 living standard. I think most folks who study
6 these issues would tell you that, in reality, to
7 have something even approaching a reasonable
8 economic status, you would need to be below[sic] 200
9 percent of the federal poverty level. And one-
10 third — more than one-third of the population in
11 the DEC service territory lives below that 200
12 percent.
13 [Reference: Presentation Slide 7]
14 Those are the current federal poverty
15 guidelines, which I know, for myself, I look at
16 those — and I'm old. So when I look at those
17 numbers, I think back to numbers in my youth, and
18 they look like, "Well, that's not a bad living."
19 But the reality is that, because of inflation over
20 the years, it's gone up quite a bit since I had my
21 first job at $1.15 an hour. Those numbers really
22 represent just a bare living, and yet a substantial
23 proportion of the population in this district — in
24 this area lives below that.
25 [Reference: Presentation Slide 8]

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In the 18 counties served by DEC, on an average month from July '18 through January 2019, 120,205 households received SNAP benefits. That's what we used to call food stamps. Supplemental Nutrition Assistance Program. In October of 2018, the average monthly household benefit in South Carolina was $268.40. For an individual, the average monthly benefit was $124.95, or $4.03 per day. I don't know how many of you do the shopping in your household. I do it in mine, and I can't even imagine trying to shop for my wife and I on $8.06 a day. But that is what — you know, when it's suggested folks have all of these benefits, that's the kind of typical benefits low-income folks would have. And SNAP benefits, basically, for most folks, eligibility goes to 130 percent of the federal poverty level.

[Reference: Presentation Slide 9]

Duke Energy — well, persons in the DEC territory, age 62 and above, included 268,000 folks who receive Social Security benefits. The average monthly benefit is $1204 dollars. And the percent of recipients for whom Social Security is their entire income is 38 percent. So almost two in five Social Security recipients in the Upstate, that is

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1 their total income. And for those who have no
2 other income, their Social Security check averages
3 $1059 dollars. Again, I can't imagine trying to
4 live on $1059 dollars, but that's what a
5 substantial proportion of our Social Security
6 recipients in the Upstate do.
7 [Reference: Presentation Slide 10]
8 The average rent in the DEC area was $829 per
9 month. That includes better-off and lower-income
10 folks, although lower-income folks are much more
11 likely to be renters. If you look at rental
12 housing costs, which are defined as rent plus
13 utilities — and that's all utilities — as a percent
14 of household income in those 18 counties, it ranged
15 from 28.1 percent in McCormick to 49.7 percent in
16 Greenwood County, compared to the — compared to the
17 standard of 30 percent. You know, if you happen to
18 live in public housing — of which there's
19 practically none left in the State, but, much of
20 the subsidized housing in the State, the target is
21 that your rent plus utilities would be 30 percent
22 of your income. And, clearly, for a large number
23 of low-income folk, in those counties, the rent
24 plus utilities already exceed that 30 percent
25 target.

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1 [Reference: Presentation Slide 11]
2 Economic fragility, one way to represent that
3 is the number of evictions that happen, folks who
4 cannot meet their obligations of paying rent. In
5 14 of the 18 relevant counties, the Eviction Lab at
6 Princeton found more than 250,000 eviction filings
7 and 69,637 evictions in 2016. That happens not to
8 include Greenville County, the one that's the
9 largest, where they did not have data for that
10 year. In most covered counties, eviction rates
11 have substantially increased over the last several
12 years. So folk are already hurting, and evictions
13 are substantially going up.
14 [Reference: Presentation Slide 12]
15 Transportation is critical to living, whether
16 you own a car or you access public transportation.
17 Without it, you have limited access to employment,
18 healthcare, or social life. In general, our cities
19 have better public transportation than small towns
20 and rural areas, which effectively have none, but
21 even those fail to provide adequate coverage for
22 zero-vehicle households.
23 A 2011 study ranked Greenville as the worst in
24 the country, in terms of folks having access to
25 public transportation, if they did not have a

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1 vehicle in their homes. The Greenville-Malden-
2 Easley Metropolitan area provided only 28 percent
3 of working adults with access to transit.
4 [Reference: Presentation Slide 13]
5 DEC has proposed a significant rate increase
6 request in this docket. They are seeking to raise
7 electric rates for their typical residential
8 customer — you know, the 1000 kilowatt-hour
9 customer that we always hear referenced, even
10 though, frankly, that is slightly below the average
11 customer — by 14 percent. A large component of
12 that is increasing the basic facilities charge from
13 $8.35 monthly to $28.89 per month, a 246 percent
14 increase.
15 Overall, DEC seeks to increase revenues from
16 residential customers by 12.1 percent. Regardless
17 of rate design questions, an overall 12.1 percent
18 rate increase request will have a significant
19 impact on all customers. Lower-income, lower-use
20 customers will face added economic pressure to an
21 already tough life.
22 [Reference: Presentation Slide 14]
23 The DEC proposal substantially increases the
24 effective per kilowatt-hour from lower-use
25 customers. The less you use in a month, the more

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1 substantial is that increase to the per kilowatt-
2 hour effective price. Not the volumetric rate,
3 which goes down, but the effective price of buying
4 the electricity, when you combine the basic
5 facilities charge with the volumetric price. But
6 at the upper end, the effective per-kilowatt price
7 actually goes down, combining those two. Other —
8 this is for the RS rate. Other residential rate
9 schedules, particularly for the RE rate, which is
10 the other large one for DEC in South Carolina, they
11 show the same shape, because of substantial
12 increase in the basic facilities charge.
13 [Reference: Presentation Slide 15]
14 Low-usage customers who would most certainly
15 be hurt by the radical rate shift to fixed charges
16 included a majority of low-income households, a
17 majority of households with somebody who's 65 or
18 older, most apartment dwellers, and customers who
19 consume energy more effectively than the average
20 person.
21 [Reference: Presentation Slide 16]
22 Utilities, including Duke Energy, have long
23 argued that low-income customers are, because of
24 poor housing stock, inadequate energy efficiency
25 programs — I mean improvements, inefficient heating

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1 and cooling equipment, and inefficient appliances,
2 high-use customers. But they never produce data to
3 support this position. No doubt, for some lower-
4 use customers, you know, if you live in a trailer,
5 an old trailer that uses old strip heating, you're
6 going to use comparatively a high amount of
7 electricity. But those can be addressed through
8 solutions such as weatherization and other
9 programs. There is no way for the majority of low-
10 income customers who are low-use customers to
11 mitigate a large basic facilities charge.
12 [Reference: Presentation Slide 17]
13 Electric consumption rises with income. The
14 numbers I give you in this section are from the
15 RECS data produced by the Energy Information
16 Administration. The most recent survey data is
17 from 2015; it was released in 2018. Because of the
18 sample size, this data does not home in even at the
19 State level, but the numbers I'm giving you are for
20 the South Atlantic Division, Census Division, which
21 is basically from Delaware to Florida and some of
22 the island territories of the United States, like
23 the Virgin Islands. Again, this is the best data
24 available to address these issues. And what they
25 show is that annual kilowatt-hour energy

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consumption goes up by income. On average, lower-income consumers are not high users; they are lower users. Customers with 2015 household incomes up to $20,000 used only 10,219 kilowatt-hours in the previous year, or 900 kilowatt-hours per month. That's lower than both the nominal typical customer and the average customer in the DEC territory, who uses about 1100. That compares to nearly twice the consumption: 19,971 kilowatt-hours annually and 1660 kilowatt-hours monthly, for those making over $140,000.

[Reference: Presentation Slide 18]

I produced this scatter plot by income to show that, even though there are some higher-use, low-income customers, the bulk of the lower-income customers are lower-use customers. The size of those dots is based on weighting the survey data, so that shows you how many folk at that level were using that amount of electricity for that income level.

Low-income customers have a high energy burden. That is not because they're spending so much money on electricity and using so much electricity, but because they don't have much money. If you — as a portion of their income, the

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1 light bills that lower-income users receive monthly
2 are just a large portion of their income. And
3 that's shown by this chart.
4 Low-income people simply reduce electricity
5 consumption. They have fewer of the fancy
6 appliances. Even if theirs may be inefficient,
7 they don't have as much of the electronics. They
8 don't — they keep their houses cooler; they keep
9 their houses — or hotter, depending on the season.
10 They keep their houses darker, because that's a
11 necessity.
12 [Reference: Presentation Slide 19]
13 Renters are lower-use customers. In this
14 area, the 858 kilowatt-hours per month for renters
15 compares to 1257 kilowatt-hours per month for
16 homeowners.
17 [Reference: Presentation Slide 20]
18 For seniors, the evidence is not quite
19 overwhelming that seniors are lower-income or
20 lower-use customers. But if you look particularly
21 at the lower-income groups, you will see that
22 lower-income seniors are low-use customers. And
23 generally, seniors use less electricity than
24 younger folk do.
25 [Reference: Presentation Slide 21]

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1 So what do you do if your bill goes up and you
2 have limited or fixed income? Sometimes, of
3 course, you live without electricity — I didn't
4 even list that on here — because you get cut off.
5 You can't pay the bill, you get cut off. You can't
6 pay the cutoff fee, you can't find the money to pay
7 that bill, and you just simply go without. I don't
8 have numbers on that for the Duke territory. They
9 may be buried in the Application, but I did not see
10 them.
11 More typically what you do is you reduce use.
12 As I've explained, that means you live in a colder
13 or hotter life, in a darker home. You know,
14 already, 16 percent of the lowest-income customers
15 don't have air conditioning in this area. That's
16 one of the reasons every summer we see the calls
17 for fans, so that lower-income folks — and
18 especially older, lower-income folk — have some
19 kind of relief from life-threatening heat that we
20 suffer in South Carolina. You cut back on — you
21 shuffle things around. You cut back on needed
22 healthcare expenditures for both care and medicine.
23 Particularly — you know, as you get older, one of
24 the things that happens is you spend a lot — you
25 get sicker. Your body breaks down and you spend a

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1 lot more time in doctors' offices. I have two
2 doctors' appointments this week. I get around.
3 And, you know, the number of medicines you take
4 increases, so paying for those becomes more and
5 more of a challenge. And what happens when you're
6 pressed financially is that you cut back on those
7 things, even though that undermines your overall
8 health, it undermines your quality of life, it
9 reduces your life expectancy. I mean, I know some
10 of my low-income advocacy colleagues would come in
11 here and tell you, "People will die." Well, it's
12 not like they're going to fall over dead. But,
13 their health deteriorates when they have additional
14 stresses. And particularly for low-income seniors,
15 they're already pretty stressed.
16 They reduce already limited food intake or
17 convert from healthy eating to calorie eating. You
18 know, we oftentimes hear stories of folks judging
19 people in the grocery store because they are,
20 frankly, buying crap. But the truth of the matter
21 is that healthy food is much more expensive, and
22 oftentime provides fewer calories. At some point,
23 you've got to have calories to live, so what people
24 buy is stuff that provides calories. And so when
25 you are more economically stressed, your eating

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1 goes down. It goes down in quantities; it goes
2 down in the healthiness of the food that you're
3 eating.
4 For a couple 51 to 70, a thrifty food plan
5 requires $365 per month, while a moderate plan
6 costs $588.50 per month. Those are USDA estimates
7 of what it costs to have even a moderate food plan.
8 That's not eating filet mignon; it is eating
9 somewhat healthy. If you're living on $1054 as a
10 Social Security recipient with no other income, and
11 maybe you receive food stamps at $4.03 a day per
12 person, you're pretty stressed to eat in any
13 reasonable way. And raising rates obviously
14 provides additional stress.
15 You delay purchase or maintenance of a car,
16 threatening your ability to work. You may lose
17 your home to bankruptcy or eviction. You know,
18 it's easy to say, "Well, you know, it's just X
19 amount of dollars more," but when you're living at
20 the margin, it does not take what is already an
21 economic house of cards to come tumbling down. You
22 know, you're at a tipping point, and just a little
23 bit more pushes you over that edge to where you
24 just can't make it anymore.
25 Now, borrowing money to pay your light bill is

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1 not wise economic policy. You know, most of us
2 would not recommend it. No economist would
3 recommend it. But the simple reality is that a lot
4 of folk, when they are shuffling, trying to move
5 things around, trying to barely eke through, not
6 paying Peter so that you can pay Paul, and not
7 paying Paul the next month so that you can pay
8 Peter — you know, when you're in that circumstance,
9 far too many South Carolinians seek to borrow that
10 money. And the available resources — if you're
11 low-income, you can't just walk into a bank and
12 borrow money if you're low-income. Simply is not
13 available to you. So where do you go? You go to a
14 payday lender. In South Carolina, a payday lender
15 will make you a loan of up to $550 at 391 percent
16 interest. We do limit the number of times you can
17 do what's called flipping the loan, which is
18 essentially borrowing money to pay back the money
19 you borrowed like two weeks ago. You know, you
20 would have 140 percent of what you borrowed when
21 you run out of that. I think it's seven — I'm
22 trying to recall the number. I think it's seven
23 times you can borrow that. In a year, you'd have
24 paid 140 percent of what you initially borrowed,
25 because you couldn't afford not to have that $550,

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1 $400. You could go to a title lender and pay,
2 basically, 150 percent to 300 percent APR. Or you
3 could go to a pawnbroker, risking your collateral,
4 for a loan of $100 to $1000 and pay somewhere
5 between 141 percent and 270 percent APR. Those are
6 the sorts of things folks do when the house of
7 cards start coming down and they're shuffling and
8 scuffling, trying to find ways to just make it.
9 [Reference: Presentation Slide 22]
10 A high basic facilities charge undermines
11 energy efficiency and removes your ability to
12 control your bills. That's true for all customers.
13 It particularly hits on lower-income, lower-use
14 customers, because it reduces the incentive to
15 reduce usage. Every additional kilowatt-hour I buy
16 costs less than the last one I bought. Any
17 economist will tell you that, with a declining
18 marginal cost, that encourages you towards buying
19 electricity rather than doing energy efficiency
20 improvements on your home. More demand also pushes
21 the need to build new plant and transmission-and-
22 distribution facilities that drives up costs for
23 all electric consumers.
24 [Reference: Presentation Slide 23]
25 For lower-income and fixed-income customers,

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1 energy efficiency investments are already a
2 budgetary challenge. A high fixed charge makes it
3 much harder to afford even smaller-dollar
4 efficiencies like caulking and replacing less
5 efficient light bulbs. Tripling the fixed charge
6 to $28.89 — almost $350 per year — takes housing
7 repairs, duct improvements, and insulation off the
8 table.
9 [Reference: Presentation Slide 24]
10 And we have programs. And, you know, there
11 are several of them, but they're inadequate. They
12 are limited and inadequate. Our Office of Economic
13 Opportunity for fiscal year 2016 allocated
14 $2 million to the weatherization assistance fund
15 and $4.4 million to the LIHEAP weatherization
16 assistance funding. And they helped a total of 509
17 individuals and families Statewide, including 212
18 elderly and 132 disabled individuals.
19 I had a colloquy in a public meeting with the
20 Director of the Office of Economic Opportunity, and
21 I asked him, "Do y'all do a needs assessment?" And
22 he essentially said, "There's no point, because
23 we're never going to meet it." You know, to be
24 able to do 509 individuals and families in a year
25 just pales compared to the number of low-income

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1 folks living in inadequate housing that we have in
2 South Carolina.
3 [Reference: Presentation Slide 25]
4 LIPHEAP is a capped block grant program, a
5 federal program. The funding only serves a small
6 percentage of the population eligible to receive
7 the benefits it provides. South Carolina received
8 a net total of $38.9 million in 2014, with which
9 about 53,000-54,000 households were provided energy
10 assistance. Those funds are so scarce that the
11 community action agencies which distribute them,
12 for the most part, don't even advertise them,
13 because they're gone before anybody who read the
14 advertisement would show up.
15 [Reference: Presentation Slide 26]
16 In addition to the federal programs, there are
17 other programs. I happen to serve on the board of
18 something called the Senior Weatherization Fund,
19 which is, you know, essentially an endowment set up
20 by the monies left over when there was a portrait
21 fund at the General Assembly for former Lieutenant
22 Governor Glenn McConnell. And, you know, we do
23 what we can do, but — you know, we make an
24 allocation of $25,000 every six months, or so, to
25 one nonprofit, sometimes another, sometimes two

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1 nonprofits, that do weatherization for seniors.
2 And the IOUs have their programs; there's no
3 doubt about it. And they're currently and will
4 soon do more community solar programs, which are
5 probably, to my mind, the only reasonable way that
6 you can get solar energy to low-income customers
7 and save them money. But the expected savings of
8 $62 per month for DEC's community-solar, low-to-
9 moderate-income customers would be cut by a third
10 by the proposed fixed charge increase.
11 [Reference: Presentation Slide 27]
12 And there's no doubt that DEC invests in
13 energy efficiency programs. They have a number of
14 those programs: Weatherization programs, community
15 solar programs, with low-income features in it.
16 But the question is, how many homes do they
17 actually weatherize? And what portion of the need
18 does that meet? When we hear actual numbers, they
19 are small relative to the huge inventory of poor
20 housing stock that confronts the DEC territory —
21 manufactured homes, housing like mill villages that
22 was not built for energy efficiency, and housing
23 that is run down.
24 [Reference: Presentation Slide 28]
25 Those weatherization and energy efficiency

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1 resources are woefully inadequate to meet the need.
2 They may be the gold standards for how you help
3 low-income customers by improving weatherization,
4 energy efficiency in the home, but the resources
5 available just don't meet the need. Much of our
6 housing stock — such as older mobile homes not
7 built for energy efficiency and heating with
8 electric strip heating, that I talked about — cost
9 more to weatherize and make energy efficient than
10 the returns in lower electricity costs, are
11 difficult to achieve. It's my understanding that
12 it costs you twice as much to weatherize a trailer
13 — manufactured housing, I guess they expect us to
14 call them — than it does a stick-built home.
15 We support these programs, but also recognize
16 for most low-income consumers, including low-income
17 older persons, they simply are not available to
18 mitigate the effects of increasing light bills.
19 [Reference: Presentation Slide 29]
20 You know, we have a Lifeline program in South
21 Carolina for telephone customers, low-income
22 telephone customers, but we don't have any such
23 kind of a financial support program for low-income
24 electric customers.
25 During the Act 236 2.0 stakeholders'

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1 discussions that were organized by the Office on
2 Energy at ORS, stakeholders' discussions included a
3 Low- to Moderate-Income Solutions Committee —
4 Subcommittee, on which I served — I don't want DEC
5 coming in later and say, "Well, he didn't tell us
6 he was part of this." — which would provide a bill
7 credit of $50 per month for SNAP recipients, funded
8 by a per kilowatt-hour, or I guess I said there
9 megawatt-hour — it's all the same — charge of about
10 $2 on all electric customers, regardless of class.
11 That would be resi- — the $2 would be on
12 residential customers. The subcommittee noted that
13 if low-income electric consumers were not given
14 some relief, we did not have a true State energy
15 plan, but an energy plan for those South Carolina
16 citizens who can afford it.
17 [Reference: Presentation Slide 30]
18 The DEC service territory includes substantial
19 numbers of low-income and fixed-income consumers
20 for whom a substantial increase in their bills will
21 have serious negative effects.
22 The particular rate design proposed in Docket
23 2018-319-E, with its tripling of the basic facility
24 charge, will fall particularly on low-income, low-
25 use customers, including a majority of low-income

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1 households, the majority of households with someone
2 who is 65 or older, most apartment dwellers, and
3 customers who consume — conserve energy more
4 efficiently than the average person. Resources to
5 mitigate those effects through bill-paying
6 assistance, weatherization, and energy efficiency
7 improvements are simply inadequate to the need.
8 Dumping costs onto the fixed charge robs
9 consumers of the full benefit of their energy
10 conservation efforts and denies them the full value
11 of those efforts. Large fixed charges take away
12 customer control over their energy bills.
13 Thank you, Mr. Chairman.
14 **CHAIRMAN RANDALL**: Thank you, Dr. Ruoff.
15 Questions, Commissioners. Anybody have
16 questions for Dr. Ruoff?
17 **COMMISSIONER HOWARD**: I do, Randy.
18 **CHAIRMAN RANDALL**: Commissioner Howard.
19 **COMMISSIONER HOWARD**: In your — in your
20 numbers, let's just say 600,000, how many of those
21 are AARP members, or what is your membership in the
22 State?
23 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Six
24 hundred and twenty-five thousand [625,000].
25 **COMMISSIONER HOWARD**: Those are just your

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1 members.
2 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Just
3 our members, yes.
4 **COMMISSIONER HOWARD**: Thank you.
5 **CHAIRMAN RANDALL**: Other questions — any
6 others? Commissioner Whitfield.
7 **COMMISSIONER WHITFIELD**: Thank you, Mr.
8 Chairman.
9 Thank you, Dr. Ruoff, for this presentation.
10 Haven't seen you in a long time, I think since your
11 days in Fairfield, but —
12 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Yeah.
13 **COMMISSIONER WHITFIELD**: — good to have you
14 with us, and you provided a lot of statistical and
15 demographic data, and I don't think there's
16 probably a slide or an area maybe that you didn't
17 cover. There is maybe one area I'd like to maybe
18 ask you about just a little bit. You cited some
19 numbers, everything from the 200 percent below[sic]
20 the poverty level, and costs, and cost of, you
21 know, what the increase in the basic facilities
22 charge might do. Do you have any numbers — when
23 you talk about these costs, do you have any numbers
24 for people over 65 that are — or maybe we could go
25 below that, that fit your membership of AARP, that

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1 what their percentage of their power bill is and/or
2 would be of their total income? And I'm not — I
3 know you provided several different subsets, the
4 under 200 percent, the —
5 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**:
6 Right.
7 **COMMISSIONER WHITFIELD**: But do you have any
8 numbers of percentages — in other words, what are
9 the other bills that are really — outside of
10 utility bills — that are, in percentage terms, if
11 you can — you know, hardships or large portions of
12 their income?
13 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Well,
14 I think I gave you the numbers for low-income folk
15 below age 65, and 50 to 64. And our membership, as
16 I'm sure any of you who have passed age 50 and had
17 your mail person cursing at you because of the
18 delivery of all of the solicitations from AARP —
19 **COMMISSIONER WHITFIELD**: I'm getting those.
20 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: You
21 know, so those numbers are included in one of the
22 slides, the proportions of how many of our eligible
23 folk — and unfortunately, not all eligible folk
24 join. But the proportion of eligible folk from 50
25 and above, 16 percent are age 65 and above, 50 to

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64 are — age 50 to 64. So 36 percent, combined, are in that age range, and I did not break it out otherwise.

One of the things I think it's important to recognize about AARP is we don't just advocate for seniors. You know, at the core of our values is intergenerational equity. So while we would like you to take care of old folk, we'd also like you to take care of all low-income people. You know, hopefully they'll live to be AARP members one day.

COMMISSIONER WHITFIELD: Do you happen to have any numbers, though, of what percentage or what portion of their income goes to the utility bill and other necessities — you know, necessary expenses, monthly expenses.

JOHN C. RUOFF, Ph.D. [The Ruoff Group]: Well, if you are a low-income older person, it's 100 percent goes to necessities.

COMMISSIONER WHITFIELD: Right.

JOHN C. RUOFF, Ph.D. [The Ruoff Group]: You know, because there's not much — since, for the most part, that income is inadequate to support a really good lifestyle, it's also inadequate to support anything beyond scuffling month-to-month.

COMMISSIONER WHITFIELD: I understand. I

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1 guess what I'm asking you, do you have any numbers
2 of what percentage goes to utilities, what goes to
3 food, what goes to medicine?
4 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: I
5 don't have that broken out.
6 **COMMISSIONER WHITFIELD**: All right. Okay.
7 That's all I have, Mr. Chairman.
8 **CHAIRMAN RANDALL**: Thank you.
9 Any other — Commissioner Williams.
10 **COMMISSIONER WILLIAMS**: Thank you, Mr.
11 Chairman.
12 Thank you, sir, for your testimony here today.
13 I'm curious how Duke's current basic facility
14 charge compares to other similarly situated IOUs,
15 and their proposed basic facility charge, how that
16 compared to similarly situated investor-owned
17 utilities.
18 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: I
19 think its current charge is in line with basic
20 facilities charges around the country. While some
21 commissions have allowed increases in basic
22 facilities charges, I don't think any has allowed
23 an increase to this level. I haven't done a
24 specific study of that, but that is my
25 understanding from reading in the area. Some

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1 commissions have allowed some increases. You know,
2 when I look at my — whatever we're calling SCE&G
3 today — when I look at my bill, it's a $10 per
4 month charge. North Carolina just — the North
5 Carolina Commission recently turned down a charge
6 in this range of what they're proposing, and
7 reduced it to, I think, $14-and-change.
8 **COMMISSIONER WILLIAMS**: So do you think the
9 current charge is reasonable?
10 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Yes.
11 **COMMISSIONER WILLIAMS**: Okay, thank you.
12 **CHAIRMAN RANDALL**: Thank you, Commissioner
13 Williams.
14 Commissioner Ervin.
15 **COMMISSIONER ERVIN**: Thank you, Mr. Chairman.
16 And I was trying to make some notes as we went
17 along, and I may have just missed it in your
18 written slide materials. But what is the current
19 basic facilities charge?
20 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: You
21 know, I've been saying so many numbers. I think
22 it's $8.85. And it's in one of the slides.
23 **COMMISSIONER ERVIN**: Okay.
24 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Yeah.
25 **COMMISSIONER ERVIN**: So they've requested an

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1 increase to $28.89 per month?
2 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**:
3 Right.
4 **COMMISSIONER ERVIN**: For residential
5 customers?
6 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Yes.
7 It's $8.35, and they propose going to $28.89.
8 **COMMISSIONER ERVIN**: Thank you. Since you're
9 familiar with how to best weatherize some of these
10 mobile homes or trailers, so to speak, is there
11 much you can do at all, if you have weatherization
12 monies? I know some of the co-ops have gone out
13 and put this material on the roofs that reflect the
14 heat. Kool Seal, or something like that. I mean,
15 is that a significant savings, if you go out and do
16 that?
17 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Well,
18 I don't know particularly about that film on the
19 roof, but you can add — it's my understanding that
20 you can add some insulation to a mobile home. You
21 can also replace some of those old strip-heating
22 heating systems.
23 **COMMISSIONER ERVIN**: Where would you add the
24 insulation, under the floor? Because there's not a
25 crawlspace in the top.

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1 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Well,
2 you'd — I haven't done any of these.
3 **COMMISIONER ERVIN**: Right.
4 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: So I
5 don't —
6 **COMMISSIONER ERVIN**: Sure.
7 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: — I —
8 so I'm not going to tell you how to go out and —
9 **COMMISSIONER ERVIN**: Right.
10 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: —
11 weatherize your neighbor's mobile home. But, you
12 know, I would think that you could put some on the
13 roof, with additional roofing material above that —
14 you could put some inside and, you know, add a new
15 ceiling. You know, more modern mobile homes have
16 better energy efficiency than the old ones.
17 **COMMISSIONER ERVIN**: What nonprofit agencies
18 in the Midlands are currently doing weatherization
19 for low-income people? You said you —
20 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Yeah,
21 we used to have a Midlands community action agency,
22 and I think it's Wateree that handles that. And
23 SCE&G does some. The co-ops do some, you know —
24 some co-ops more, some less.
25 **COMMISSIONER ERVIN**: Have you done a study of,

you know, what's the best bang for the buck in terms of trying to address some of these weatherization issues? Have you looked into that?

JOHN C. RUOFF, Ph.D. [The Ruoff Group]: No, I haven't.

COMMISSIONER ERVIN: That should be readily available, though, shouldn't it?

JOHN C. RUOFF, Ph.D. [The Ruoff Group]: Yeah. I mean, there's — you know, there's a world of literature out there on weatherizing low-income homes.

COMMISSIONER ERVIN: Thank you, sir.

JOHN C. RUOFF, Ph.D. [The Ruoff Group]: And a lot of it — you know, a lot of it depends on what shape is the house in. When I lived in Fairfield, for a while I lived in a house where you could literally see through the walls. You know, obviously, that was not particularly well winterized.

CHAIRMAN RANDALL: Thank you.

Commissioner Whitfield.

COMMISSIONER WHITFIELD: Thank you.

We still have lots of houses like that up there.

JOHN C. RUOFF, Ph.D. [The Ruoff Group]: Yes,

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1 I'm well aware.
2 **COMMISSIONER WHITFIELD**: Dr. Ruoff, when I was
3 questioning you a minute ago, I meant to turn back
4 to kind of jog my memory. There is a specific
5 question kind of going down the path that I was
6 questioning you on a minute ago. Could y'all go
7 back to Slide 10?
8 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**:
9 [indicating].
10 [Reference: Presentation Slide 10]
11 **COMMISSIONER WHITFIELD**: When you say the
12 average rent in the DEC area was $829 per month,
13 and then I guess the percentages I was trying to
14 get at, you've got percentage of household income,
15 you know, there in McCormick County, 28.1 to 49.7
16 in Greenwood County. When you say $829 per month,
17 is that just the rent or are you factoring — are
18 you throwing out that number of $829 as rent and
19 utilities?
20 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**:
21 That's just the rent. Some of the numbers in the
22 Census in the PUMs data is a little tricky. You
23 know, I would have been delighted to tell you
24 electricity costs, but the way they ask the
25 question is, "What was your electricity cost in the

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1 previous month?" I know when I looked at the
2 history of my bills the other night, I saw that,
3 you know, there's months when we used 400-and-
4 change kilowatt-hours, and months when we used
5 1200-and-change in kilowatt-hours, depending on the
6 weather. So lumping those all together is, I
7 think, methodologically problematic, and that's why
8 I've not presented that number to you.
9 **COMMISSIONER WHITFIELD**: I see. So that $829
10 is just an average for the entire DEC service
11 territory and those 28.1 figures and 49.7 figures
12 would take into account whatever the rent is in
13 McCormick or Greenwood County, plus —
14 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**:
15 Whatever the utilities —
16 **COMMISIONER WHITFIELD**: — whatever — okay.
17 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**:
18 Right.
19 **COMMISSIONER WHITFIELD**: So those figures
20 don't include whatever their utility bill would be.
21 I mean, the percentages do, but the average rent —
22 you didn't have it broken out. I was looking —
23 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: No.
24 **COMMISSIONER WHITFIELD**: I was trying to find
25 some numbers, but you don't have like specific

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1 numbers broken out.
2 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: It
3 could be broken out, by PUMA, and then trying to
4 add them back up, so getting that level of detail
5 is a challenge. You can get more detail if you go
6 to the American Community Survey, if they happen to
7 ask the same question that you did, on their table
8 site, which is referenced in the lower set.
9 **COMMISSIONER WHITFIELD**: Thank you.
10 Thank you, Mr. Chairman.
11 **CHAIRMAN RANDALL**: All right. Thank you,
12 Commissioner Whitfield.
13 Commissioner Williams, you —
14 **COMMISSIONER WILLIAMS**: Yes, sir. Thank you,
15 Mr. Chairman.
16 Sir, I just wanted to get a little more
17 clarity on your position regarding basic facility
18 charges. You're not fundamentally opposed to the
19 concept, are you?
20 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: No.
21 It should represent the actual cost of providing
22 the service. And, you know, AARP has argued in
23 other jurisdictions that it should only include the
24 drop, the meter, and the cost of billing.
25 **COMMISSIONER WILLIAMS**: Thank you, very much.

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1 **CHAIRMAN RANDALL**: Thank you.
2 Okay. Mr. Protheroe, Dr. Ruoff, we appreciate
3 you being here today.
4 **JOHN C. RUOFF, Ph.D. [The Ruoff Group]**: Thank
5 you for having us.
6 **CHAIRMAN RANDALL**: Absolutely. Okay. If not,
7 we are adjourned.
8 [WHEREUPON, at 11:07 a.m., the
9 proceedings in the above-entitled matter
10 were adjourned.]
11 _____
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C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, Notary Public in and for the State of South Carolina, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had regarding a requested allowable ex parte briefing in the above-captioned matter before the PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA;

IN WITNESS WHEREOF, I have hereunto set my hand and seal, on this the 21st day of February, 2019.

Jo Elizabeth M. Wheat, CVR-CM/M-GNSC
Hearings Reporter, PSC/SC
My Commission Expires: January 27, 2021.