

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY, METRO HUMAN NEEDS)	
ALLIANCE, PEOPLE ORGANIZED AND WORKING)	
FOR ENERGY REFORM, KENTUCKY)	CASE NO.
ASSOCIATION FOR COMMUNITY ACTION, AND)	2001-00323
JEFFERSON COUNTY GOVERNMENT FOR THE)	
ESTABLISHMENT OF A HOME ENERGY)	
ASSISTANCE PROGRAM)	

O R D E R

On January 9, 2002, Louisville Gas and Electric Company (LG&E) filed a petition for rehearing of the Commission's December 27, 2001 Order denying a proposed 5-year Home Energy Assistance Program (HEA) funded by a monthly charge of 46 cents on all residential electric and gas meters. Although that Order denied the proposed HEA on multiple grounds, the Commission offered LG&E the opportunity to join in a partnership with ratepayers to jointly fund an HEA for 5 months, with a monthly residential meter charge of 16 cents. The Commission believed that this was an appropriate opportunity for LG&E to recognize its obligations to the community and customers it serves through the sharing of costs for a program to assist low-income customers in paying their LG&E bills.

The Commission is disappointed by the statements in LG&E's petition that it refuses to partner with its ratepayers to fund any assistance for low-income customers. Considering the limited duration and cost of the HEA offered by the Commission, and the fact that Columbia Gas of Kentucky has for a number of years been sharing with its

ratepayers the cost of a low-income program, LG&E's refusal to participate is most unfortunate. However, LG&E's petition does propose an alternative HEA that would be in effect through May 2002 and be funded solely by residential ratepayers through a 10-cent-per-month charge on all gas and electric meters.

LG&E's co-applicants have indicated their concurrence in the alternative HEA set forth in LG&E's petition for rehearing, while Intervenor Robert L. Madison filed a response in opposition due to the lack of LG&E funding and the lack of geographic diversity of the program participants. Mr. Madison also filed a petition for rehearing, questioning whether the HEA as originally proposed satisfied the requirements under KRS 278.285(1)(f), relating to participation by customer representatives and the Office of the Attorney General (AG). He also argues that once the Commission determined that the proposed HEA did not satisfy the statutory criteria, the Commission had no authority to propose an alternative HEA. He also challenges the use of a per-meter charge to fund such a program, the absence of any specific discussion in the December 27, 2001 Order on his recommendation of an alternative basis for determining the income eligibility of program participants, the need for public notice of all meetings to develop an HEA, and the need for access to information to demonstrate that HEA funds are disbursed based on the demographics of the LG&E service territory.

Based on the petitions for rehearing and being otherwise sufficiently advised, the Commission finds that LG&E's proposal to implement an alternative HEA through May 31, 2002, funded by a monthly charge of 10 cents for each electric and gas meter, is reasonable considering the expiration of the prior funding for low-income customer assistance. The Commission notes that LG&E's petition only addressed the funding

aspect of its alternative HEA, and did not discuss the other components of the modified HEA pilot program proposed by the Commission in the December 27, 2001 Order. Therefore, our approval of LG&E's alternative HEA program also includes the following requirements:

- LG&E should maintain records separately identifying the HEA funds generated from gas meters and electric meters.
- LG&E should maintain records that document the level of assistance provided to gas customers and to electric customers separately. LG&E may need assistance in gathering this information from Affordable Energy Corporation.
- Within 30 days of the end of the pilot program, LG&E should provide the Commission with detailed reports based on the records identifying the gas or electric source of funds and the gas or electric distribution of funds.
- The Commission will approve and adopt the eligibility requirements originally proposed by the Joint Applicants for the HEA program.
- If LG&E determines that for this pilot period a Consultative Board is needed, the composition of that board must be the same as outlined in the Commission's December 27, 2001 Order. A list of the board members and the interests they represent should be filed with the Commission no later than February 15, 2002.
- If LG&E determines that there is no need for a Consultative Board during the pilot period, LG&E will be responsible for the decisions that were to be made by the Consultative Board.

In addition, LG&E's funding proposal includes a request to charge residential ratepayers for the cost of evaluating the HEA. Since LG&E has neither provided a cost estimate for such an evaluation nor explained why the evaluation cannot be done in-house, the Commission finds this request to be unreasonable. The 10-cent-per-month meter charge approved herein should be used exclusively to fund HEA benefits and necessary

administrative costs. Any evaluation should be performed by LG&E and any costs treated as a general cost of service.

The Commission is not persuaded by the arguments raised on rehearing by Mr. Madison. The first issue raised by Mr. Madison, relating to whether the HEA as originally proposed satisfies the statutory criteria, was specifically addressed in the December 27, 2001 Order by the findings that the lack of meaningful involvement by the AG in its development was one of the factors that contributed to its rejection as being unreasonable. While the Commission appreciates Mr. Madison's opinion that the Commission lacks the authority to propose a modified HEA once a proposed HEA is rejected, we do not share his opinion. The Commission is empowered with exclusive jurisdiction over the rates and service of utilities. While the lack of participation of the AG in the development of the originally proposed HEA justified its rejection, the Commission's proposed HEA, as well as the LG&E alternative proposed on rehearing, satisfy the overriding statutory standard of reasonableness based on their limited duration and limited costs.

With respect to his objection to the use of a per-meter charge, while it is true that such a charge does impact other portions of ratepayers' bills such as taxes, a per-meter charge imposes an equal burden on all customers. Since that charge will now be only 10 cents per meter and in effect only through May 31, 2002, a per-meter charge is reasonable. As to the use of his proposed alternative criteria for determining eligibility of program participants, Mr. Madison has failed to demonstrate that the existing guidelines allow individuals with sufficient resources to pay their utility bills to be eligible

for HEA, or that his proposed guidelines would exclude from eligibility only those customers who have the financial resources to pay their bills.

While the Commission included an extensive discussion in its December 27, 2001 Order on the need for the joint applicants to be more inclusive with customer representatives and the AG in developing any future HEA, Mr. Madison's proposal to require public notice of any meeting on the development of an HEA is unnecessary. LG&E and its co-applicants are already on notice of their obligation to fully demonstrate the extent of participation by customer representatives in any future HEA, and any such HEA will be subject to a hearing at the Commission following public notice in the LG&E service territory. Finally, as to the demographic information requested by Mr. Madison, the December 27, 2001 Order rejected his claims that the HEA funds need to be distributed in each county based on the amount collected in that county. The Commission did, however, caution LG&E and its co-applicants that there was a need to ensure that applications from those outside of Jefferson County, Kentucky are processed as promptly as those from within.

In its December 27, 2001 Order, the Commission outlined eight issues that must be addressed and reflected in any new HEA program that may be proposed for the LG&E service territory. The Commission also found that any proposal to implement an HEA for the 2002 heating season or beyond should be filed with the Commission no later than May 31, 2002. The decision herein to approve LG&E's alternative HEA pilot program does not change this finding, and it is still in force.

IT IS THEREFORE ORDERED that:

1. LG&E's petition for rehearing is granted to the extent that LG&E shall implement its proposed alternative HEA on a pilot basis through May 31, 2002 with a monthly charge of 10 cents on each residential gas and electric meter to fund HEA benefits and administrative costs.

2. LG&E shall reflect on its monthly residential bills as a separate line item the 10-cent charge approved herein for bills rendered during the billing cycles commencing February 1, 2002 through May 31, 2002.

3. Intervenor Madison's request for rehearing is denied.

Done at Frankfort, Kentucky, this 29th day of January, 2002.

By the Commission

ATTEST:


Executive Director