

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF)	
KENTUCKY POWER COMPANY AND)	CASE NO.
COMMUNITY ACTION KENTUCKY, INC. TO:)	2018-00311
(1) EXPAND AND MODIFY KENTUCKY)	
POWER COMPANY'S HOME ENERGY)	
ASSISTANCE PROGRAM; (2) APPROVE THE)	
AMENDED OPERATING AGREEMENT; (3))	
APPROVE KENTUCKY POWER'S)	
VOLUNTARY ENERGY ASSISTANCE FUND;)	
(4) APPROVE REVISED TARIFF SHEETS;)	
AND (5) GRANT ALL OTHER RELIEF)	

ORDER

On September 21, 2018, Kentucky Power Company (Kentucky Power) and Community Action Kentucky, Inc. (CAK) (collectively, Joint Applicants) filed an application for an order approving: (1) the amendments to Kentucky Power's existing home energy assistance program; (2) the expansion of Kentucky Power's home energy assistance program to provide limited assistance to eligible persons not otherwise receiving assistance from Kentucky Power; (3) a proposed voluntary energy assistance fund to be established pursuant to KRS 278.287; (4) a new agreement between Kentucky Power and CAK with regard to these programs; (5) proposed revisions to Tariff Sheets 1-2, 2-17 (sample residential bill format), 2-18 (sample residential bill format), 6-1, 6-4, 6-6, 6-8, 6-10, and 25-1; and (6) for all other relief to which they may be entitled.

To permit the modifications and expansion of Kentucky Power's home energy assistance program requested in the joint application to be implemented beginning

November 1, 2018, Kentucky Power requested that the Commission enter its order no later than October 31, 2018. In order to conduct an appropriate review of the application, the Commission established a procedural schedule. To date, there have been no requests for intervention and one public comment in this proceeding. The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (Attorney General) made public comment by letter received October 22, 2018.¹ That letter is attached to this order as an appendix. Joint Applicants responded to two rounds of discovery requests from Commission Staff.

BACKGROUND

Kentucky Power and CAK entered into an agreement dated July 28, 2006, whereby CAK, by arrangement with its member agencies, would provide certain administrative and oversight services for Kentucky Power's home energy assistance program by, *inter alia*, taking applications for assistance and identifying eligible applicants to Kentucky Power for participation.² That program sought to improve the affordability of electric service for low-income customers by providing billing assistance during peak heating and cooling months. Joint Applicants state that participation in the program allowed customers receiving benefits to become more energy self-sufficient and reduce the number of disconnections.³ The Commission approved Kentucky Power's existing home energy assistance program, and the operating agreement with CAK, by order dated December 14, 2006, in Case No. 2006-00373.⁴ The Attorney General was granted

¹ Letter from Andy Beshear, Attorney General, to the Public Service Commission (filed October 22, 2018)(Beshear Letter).

² Joint Application of Kentucky Power Company and CAK at 3.

³ *Id.*

intervention and participated in that proceeding. The Attorney General did not intervene in the instant proceeding but did file a letter with the Commission stating his general support for the proposed modifications and expansion to Kentucky Power's existing home energy assistance program.⁵ Kentucky Power states that many of the proposed amendments and modifications under consideration were ideas or input from interested stakeholders, such as customers, CAK, Kentucky and federal legislators, and other elected officials.⁶

KENTUCKY POWER'S EXISTING HOME ENERGY ASSISTANCE PROGRAM

Participants in Kentucky Power's existing home energy assistance program must be Kentucky Power customers or must have applied for service. Participants must be enrolled in the federal Low Income Home Energy Assistance Program (LIHEAP) and must be the ratepayer of record for their household. LIHEAP benefits due to a participant, as well as any benefits paid to the participant under Kentucky Power's existing home energy assistance program, are paid to Kentucky Power and are used to reduce the amount due to Kentucky Power through bill credits.⁷

Program slots are allocated on a county-by-county basis to each of the five currently participating community action agencies: 1) Northeast Kentucky Community Action Agency, Inc.; 2) Middle Kentucky Community Action Partnership, Incorporated; 3) Big Sandy Area Community Action Program; 4) Gateway Community Action Agency; and

⁴ Case No. 2006-00373, *Joint Application of Kentucky Power Company and Kentucky Association for Community Action, Inc. for the Establishment of a Home Energy Assistance Program*, (Ky. PSC Dec. 14, 2006).

⁵ Beshear Letter.

⁶ Horeled Testimony at 18.

⁷ Joint Application at 4.

5) LKLP Community Action Council, Inc.⁸ Each county is allocated the percentage of slots equal to the proportion of Kentucky Power residential customers living in that county in relation to the total number of Kentucky Power residential customers.⁹ Each participating community action agency identifies potentially eligible participants, and participation in the program is based on, among other things, a final eligibility determination, the relative need of the potential participant, and the availability of a program slot in the potential participant's designated area.¹⁰ The initial assignment of program slots is made by mid-December of each year for the applicable program year. A waiting list is developed by each participating community action agency, and new potential participants are ranked in accordance with the program criteria, including need. As applicable slots become available, eligible participants are assigned benefit slots. If a slot remains unfilled, it can be transferred to another county or community action agency with unmet demand.¹¹ Information for determining eligibility, including income levels, household composition, heating energy source, and other criteria, is collected by the participating community action agency.¹² Kentucky Power then provides other information, including the level of the applicant's energy use. Based on all of that information, CAK submits eligible participants to Kentucky Power to place them in available benefit slots.¹³ Participants receive a credit on their electric bill during the

⁸ Kentucky Power's Response to Commission Staff's First Request for Information, Item 1. LKLP Community Action Council, Inc. serves the counties of Leslie, Knott, Letcher, and Perry.

⁹ Joint Application at 5.

¹⁰ Joint Application at 5.

¹¹ *Id.*

¹² *Id.* at 5–6.

program months and they are responsible for paying the portion of the bill not covered by the credit.¹⁴ Participation in the program terminates: (a) upon the participant's failure to meet the eligibility requirements; (b) at the participant's request; or (c) following service disconnection, whether voluntary or for failure to pay all outstanding charges.¹⁵

PROPOSED AMENDMENTS TO HOME ENERGY ASSISTANCE PROGRAM

Kentucky Power proposes to amend its existing home energy assistance program in the following ways:

- (a) to increase the monthly "winter heating season" benefit amounts from \$65.00 per month to \$115.00 per month for participating residential customers whose primary source of heat is electric heating;¹⁶
- (b) to increase the monthly "winter heating season" benefit amounts from \$33.00 per month to \$58.00 per month for participating residential customers whose primary source of heat is something other than electric heating;¹⁷
- (c) to change the "winter heating season" during which benefits will be paid from the December through March revenue months to the January through April revenue months;¹⁸
- (d) to rename and reconfigure the existing Home Energy Assistance Program (HEAP) by creating the Home Energy Assistance in Reduced Temperatures (HEART Program) in order to mitigate customer confusion of this program with the separate LIHEAP program;¹⁹

¹³ *Id* at 6.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id* at 7.

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

- (e) to discontinue the current "summer cooling season" credits made during the July, August, and September revenue months as a means of providing increased funding for winter heating season amounts;²⁰
- (f) to establish a separate energy assistance program to provide assistance in an amount not to exceed \$175.00 each program year to participating customers who require more limited assistance than is available through HEART. This second program will be named Temporary Heating Assistance in Winter (THAW Program);²¹
- (g) to establish Kentucky Power's voluntary energy cost assistance fund pursuant to KRS 278.287 through customer donations to fund a subpart of Kentucky Power's HEART Program (the Donation HEART Program);²²
- (h) to approve the necessary changes to Kentucky Power's tariffs;²³
- (i) and to seek approval of its new agreement with CAK to provide administrative and oversight services for these programs as set out in that agreement.²⁴

HEART Program participants will be required to enroll in Kentucky Power's Average Monthly Payment (AMP) plan, which, according to the Joint Applicants, helps to level customers' highest bills thereby making payments more affordable.²⁵ The higher bills that typically occur over the winter heating months result from relatively higher kWh usage during these colder months because of a greater reliance on electric heating source, and are more likely to cause customers to fall into arrears.²⁶ Kentucky Power asserts that the leveled bill amounts produced by participation in AMP can make it easier

²⁰ *Id.*

²¹ *Id.* at 8.

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.* at 9.

²⁶ *Id.*

for customers to anticipate and thereby manage their electric bills.²⁷ Kentucky Power maintains that this will, in turn, assist participants to transition off the HEART Program.²⁸ In addition, participation in the HEART Program will be limited to those customers who are current in their payments or not more than 59 days in arrears.²⁹ HEART Program participants will receive a credit of \$115.00 for electric heat homes and \$58.00 for non-electric heating homes on their electric bill for each of the four program months of January through April,³⁰ and they are responsible for paying the portion of the bill not covered by the credit.³¹ HEART Program benefits will not be available to customers who receive THAW Program benefits during the same program year.³² HEART is directed at those customers who require sustained assistance to meet their winter heating season electric bills.³³

Kentucky Power's THAW Program intends to assist customers who are at risk of losing their electric service because of a temporary or limited condition and who could benefit from more limited assistance in paying their electric bill than that provided by the HEART Program.³⁴ These customers include those who are just above the income threshold for the HEART Program or other assistance programs but nevertheless require

²⁷ Kentucky Power's Response to Commission Staff's Supplemental Request for Information, Item 10.

²⁸ *Id.*

²⁹ Joint Application at 9.

³⁰ Horeled at 9.

³¹ Joint Application at 6.

³² *Id.* at 10.

³³ Horeled at 15.

³⁴ Joint Application at 10.

help with one or perhaps two bills to assist them through the winter months.³⁵ The THAW program offers assistance credits of up to \$175.00 per winter heating season for each eligible residential customer. THAW would be administered by the local community action agencies on a first come, first serve basis. The program would begin in January and continue to the end of April or until allocated benefits are expended, whichever is earlier.³⁶

The funding for Kentucky Power's home energy assistance programs is partly provided by the monthly residential meter charge of \$0.30 per residential meter per month. This amount is matched dollar-for-dollar by Kentucky Power. For the twelve months ended August 31, 2018, the meter charge collected was \$382,341, with Kentucky Power contributing an equal amount for the same time period.³⁷ The HEART Program will be allocated 75 percent of the meter charge funds and the matching Kentucky Power funds. The THAW Program would be allocated 25 percent of the monthly residential meter charge funds as well as the matching Kentucky Power funds. The funds designated for the HEART Program will be divided between electric heated homes and non-electric heated homes. Electric heated homes will be allocated 85 percent of the funds and non-electric will be allocated the remainder. Kentucky Power projects available funding for the HEART Program for 1,535 electric heating customers and 537 non-electric heating customers for the benefit year beginning January 2019.³⁸ Kentucky Power projects

³⁵ Horeled at 13.

³⁶ *Id.*

³⁷ Joint Application at 3.

³⁸ *Id.* at 10.

providing funding for approximately 1,530 THAW participants in the upcoming program year beginning January 2019.³⁹

Additionally, Kentucky Power proposes to establish a voluntary energy cost assistance program, pursuant to KRS 278.287, to receive special contributions from its customers on a voluntary basis.⁴⁰ Kentucky Power will solicit voluntary energy cost assistance contributions from customers through various means and will then match, with shareholder money, dollar-for-dollar and up to \$20,000 annually, all voluntary energy cost assistance contributions received.⁴¹ Kentucky Power proposes to create an area on its monthly customer bill, where customers with the means and inclination to do so, can choose to make a special contribution to support the HEART Program. Kentucky Power avers that the additional funds that would be provided through the voluntary assistance program would enable Kentucky Power to expand the HEART Program to provide assistance to more customers.⁴² Donations received through this program will not be used to fund THAW, nor will the matching shareholder contributions,⁴³ as the designated customer base does not meet the more limited qualifications required for recipients of voluntary assistance funds.⁴⁴ For the 2019 HEART Program year, Kentucky Power requests the authority to hold contributions received in 2018 and 2019 for use in the 2020

³⁹ *Id* at 12.

⁴⁰ KRS 278.287 provides for the establishment of programs by electric utilities to receive voluntary contributions from customers to fund residential customer energy assistance benefits.

⁴¹ Joint Application at 13.

⁴² Horeled Testimony at 16.

⁴³ Joint Application at 12.

⁴⁴ Horeled Testimony at 16.

HEART Program year as adequate time is needed to implement the program and begin accepting voluntary customer contributions.⁴⁵

Finally, Kentucky Power and CAK seek approval of a new agreement between them for services related to the operation and administration of the HEART programs and the THAW Program. The new agreement reflects the operational processes for the programs and addresses the expansions and variations in Kentucky Power's home energy assistance programs proposed in its application. The new agreement also reflects a modification of the ceiling on the amounts payable to CAK in connection with the costs associated with the services it, and its member community action agencies, would provide in administering the proposed programs.⁴⁶ The agreement requires that at least 60 days before the start of the program year, Kentucky Power will inform CAK of the estimated funds that Kentucky Power anticipates will be collected for the programs. CAK will prepare an annual budget for the provision of its services based on the Funding Estimates. The two entities will then prepare a mutually-agreeable final budget for the upcoming program year. In reference to the HEART programs, the agreement allows CAK to be entitled to recover the actual reasonable costs of providing the administrative services, including technology costs, not to exceed 7 percent of the total funds collected during all of such program years.⁴⁷ In reference to the THAW Program, the agreement allows CAK to be entitled to recover the actual reasonable costs of providing the

⁴⁵ *Id* at 18.

⁴⁶ Joint Application at 13.

⁴⁷ Joint Application, Exhibit 2 at 3.

administrative services, including technology costs, not to exceed 10 percent of the total funds collected during all of such program years.⁴⁸

DISCUSSION

KRS 278.285 provides for the approval and recovery of costs associated with utility demand-side management (DSM) plans. KRS 278.285(4) provides that home energy assistance programs may be part of a demand-side management program. KRS 278.285(1) states, “The Commission may determine the reasonableness of demand-side management plans proposed by any utility under its jurisdiction”.⁴⁹

KRS 278.285(1)(f) requires that the Commission consider the extent to which customer representatives and the Attorney General have been involved in the development of the home energy assistance plan and the amount of support for the plan by each participant. The statute does not require unanimous support for the plan as a condition for Commission approval. As noted previously above, the Attorney General was granted intervention and participated in Case No. 2006-00373 but did not intervene in this matter. Kentucky Power states that it presented its proposals, including a draft of the joint application and prepared direct testimony, to the Attorney General’s Office of Rate Intervention.⁵⁰ The Attorney General did file a letter with the Commission stating that, “[t]he proposed changes, such as expanding the universe of consumers who are

⁴⁸ *Id.*

⁴⁹ KRS 278.285(1).

⁵⁰ Horeled Testimony at 18.

eligible for help and providing funding in a more flexible way, will ultimately serve to benefit customers.”⁵¹ The Attorney General further wrote:

The attorney general understands that the proposed changes are intended to provide additional assistance to families at the time of year the energy burden is the highest and to provide additional streams of possible assistance, such as utility and customer donations. Given Community Action Kentucky’s status as a joint-applicant in this matter, and having reviewed the substance of the proposal, the attorney general believes the Kentucky Public Service Commission should give serious consideration to the application and if it deems it to be in the public interest, approve it accordingly.⁵²

Under these facts, the proposed amendments to Kentucky Power’s and CAK’s existing HEAP satisfy the intent of KRS 278.285(1)(f).

The Commission finds that, based on the record in this case, the proposed modifications and expansion of Kentucky Power’s home energy assistance program requested in the joint application, and their manner of implementation, are reasonable under KRS 278.285(1). Kentucky Power and CAK have sought to broaden these programs in order to provide more meaningful assistance during the winter season to low-income residential Kentucky Power customers. In this proceeding the Joint Applicants have shown how focusing the bill credits on the winter heating months provides customers with assistance when they most require it and also enables Kentucky Power to provide larger bill credits, thereby making a bigger impact on the customers’ monthly bills when they are most likely in need of assistance.⁵³ Providing the increased bill credits

⁵¹ Attorney General Andy Beshear. “*In Re: Electronic Joint Application of Kentucky Power Company and Community Action Kentucky, Inc. To: 1) Expand and Modify Home Energy Assistance Program; 2) Approve the Amended Operating Agreement; 3) Approve Voluntary Energy Assistance Funds; 4) Approve Revised Tariff Sheets; and 5) Grant All Other Relief; Case 2018-00311.*” Received by Kentucky Public Service Commission, 22 Oct. 2018.

⁵² *Id.*

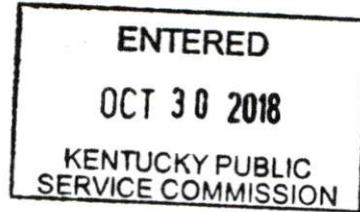
during the winter heating season to a larger number of participants appropriately serves the needs of Kentucky Power's most vulnerable customers.

IT IS THEREFORE ORDERED THAT:

1. Kentucky Power's proposed amendments and expansion of its existing home energy assistance program as described in the joint application are approved.
2. Kentucky Power's proposed voluntary energy assistance fund is approved. Kentucky Power shall report the amounts collected under this program in its annual demand side management true-up filing.
3. Kentucky Power is permitted to hold contributions received in 2018 and 2019 for use in the 2020 HEART Program year.
4. The proposed September 21, 2018 agreement between Kentucky Power and CAK with regard to these programs is approved.
5. The proposed changes to Kentucky Power's tariffs are approved.
6. Within 20 days of the date of the entry of this Order, Kentucky Power shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the modifications approved herein and reflecting their effective date and that they were authorized by this Order.
7. This case is hereby closed and removed from the Commission's docket.

⁵³ Horeled Testimony at 10.

By the Commission



ATTEST:


Executive Director

Case No. 2018-00311

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