SINCE 1898
OGDEN
NEWELL &
WELCH
PLLC
ATTORNEYS FOR BUSINESS

J. WADE HENDRICKS

DIRECT DIAL 502-560-4227
DIRECT FAX 502-627-8727

whendricks@ogdenlaw.com

1700 PNC PLAZA
500 WEST JEFFERSON STREET
LOUISVILLE, KENTUCKY 40202-2874
(502) 582-1601
FAX (502) 581-9564
www.ogdenlaw.com

August 10, 2005

RECEIVED
AUG 1 1 2005
PUBLIC SERVICE
COMMISSION

VIA FEDERAL EXPRESS

Elizabeth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2004-00304 (Joint Application of Louisville Gas and Electric Company, Metro Human Needs Alliance, Inc., People Organized and Working for Energy Reform, and Kentucky Association for Community Action, Inc. for the Establishment of a Home Energy Assistance Program)

and

Case No. 2004-00303 (Joint Application of Kentucky Utilities Company, Kentucky Association for Community Action, Inc. and Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. for the Establishment of a Home Energy Assistance Program)

Dear Ms. O'Donnell:

Enclosed please find copies of the executed Agreements between Louisville Gas and Electric Company, Kentucky Utilities Company and the social service agencies administering their respective Home Energy Assistance Programs. Also enclosed are revised three year agency administrative budgets, reflecting start up experience with these Programs. In addition, enclosed is a revised response to Commission Staff Data Request No. 11(b) in Case No. 2004-00304 (pro rata, county by county, calculation for availability of subsidies). LG&E had initially provided Metro Human Needs Alliance incorrect information as to the number of residential meters to be used in calculating the response.

Please do not hesitate to contact the undersigned if you have any questions or if you require additional information.

Very truly yours,

J. Wade Hendricks

JWH/cjg
Enclosure
cc: Elizabeth E. Blackford, (w/enclosures)
Lisa M. Kilkelly (w/enclosures)
Joe F. Childers (w/enclosures)
Kip Bowmar (w/enclosures)
Elizabeth L. Cocanougher (w/o enclosures)
Andrea Martin (w/o enclosures)

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AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into as of October 1, 200~~5~~4 6, by and between **LOUISVILLE GAS AND ELECTRIC COMPANY** ("LG&E"), a corporation organized and existing under the laws of Kentucky, and **AFFORDABLE ENERGY CORPORATION** ("AEC"), a nonprofit corporation organized and existing under the laws of Kentucky and having its business offices at 1113 South Fourth Street, Louisville, Kentucky 4020~~8~~3.

WITNESSETH:

WHEREAS, pursuant to Order of the Kentucky Public Service Commission in Case No. 2004-00304 and in conjunction with various local relief agencies including Metro Human Needs Alliance, Inc. ("MHNA") and a representative of the Attorney General of Kentucky, LG&E has developed a low-income home energy assistance ("HEA") program to be operated as the All Seasons Assurance Plan (hereinafter referred to as "ASAP") to assist low-income households in the LG&E service territory;

WHEREAS, ASAP, as a year-round, monthly utility subsidy program, will help low-income families afford and maintain utility service with LG&E;

WHEREAS, AEC desires to act as the administrative agent with its board of directors, fiscal agent, and service delivery process for eligible residential customers of LG&E; and

NOW, THEREFORE, in consideration of the mutual obligations of the parties hereto, each of them does hereby covenant and agree:

I. LENGTH OF AGREEMENT

The length of this Agreement shall be for a period to begin December 1, 2004 retroactively and terminate December 31, 2007.

II. ADMINISTRATIVE EXPENSES

Pursuant to Section 3.14 of the Partial Settlement Agreement, Stipulation and Recommendation filed in Kentucky Public Service Commission ("Commission") Case No. 2003-0000433 and approved by the Commission on June 30, 2004, AEC will be entitled to recover actual operating expenses not to exceed ten percent of the total HEA funds collected over the length of the Program, which is co-terminus with the length of the contract. The parties acknowledge that the ten percent limitation on operating expenses is based upon total HEA funds collected over the length of the Program, and that funds available for operations, as well as assistance funds, if unused, will "roll-over" to subsequent periods of the Program.

III. AUDITS/QUARTERLY MEETINGS

An outside independent audit of AEC's financial records will be performed annually by an independent certified public accountant, in accordance with AEC's existing audit requirements. The audit will include a detailed accounting of all expenses associated with administration of the program, which shall be filed annually with the Commission. The parties acknowledge and agree that because the start of the ASAP program did not coincide with the beginning of the year, the first "annual" review will cover a 15 month period. The parties also agree to meet quarterly, or more often if needed, to review program status and financial reports for actual expenditures compared to budget. This report should be at the line item detail. AEC shall provide LG&E with an explanation of any variance in program expenses which is plus or minus 10% from the budget. The parties recognize that AEC operates on a cash, rather than an accrual accounting system, and agree that to allow LG&E time to review variances in program expenses, AEC will provide LG&E with the explanation of variances prior to any meetings.

IV. LG&E RESPONSIBILITIES

A. LG&E will include on each residential customer's monthly bill a ten-cent HEA charge for each residential gas or electric meter to fund ASAP.

B. LG&E agrees to respond to general billing questions related to whether or not a participant's account has been credited with the appropriate ASAP subsidy amount.

C. LG&E agrees to work with AEC to evaluate and report on ASAP program results, and to provide regular reports to AEC to assist in the production of quality data in order to determine relevant statistics on ASAP.

D. LG&E agrees to provide to AEC, by no later than the 20th day of the month prior to service provision, one-twelfth of ten percent of the annual proposed program budget, for administrative costs. The actual administrative costs will be trued up at the expiration of the program in December, 2007. As set out in Article II, unused funds for administrative costs will "roll-over" for subsequent periods during the Program.

E. LG&E agrees to provide information to AEC so that actual HEA funds collected can be balanced with HEA funds distributed to customers for each program year. LG&E will provide AEC with quarterly reports of the amount of HEA funds that LG&E is collecting.

F. LG&E agrees to work with AEC to provide a "customer balancing" mechanism at least twice a year for the program year. LG&E will provide its list of customers enrolled in the ASAP program for AEC to compare with its records.

V. AEC RESPONSIBILITIES

A. AEC will operate ASAP and will be responsible for the following: ASAP general policy, staffing, monitoring of program implementation, financial oversight of ASAP, programmatic oversight, contracts associated with intake and recertification, regular reporting and communication to LG&E, and financial audits. The benefits part of the ASAP program and its administration will go through December 2007, to ensure a three year benefit program.

B. AEC and its employees and agents shall manage all monies processed under this Agreement in a diligent manner that reflects sound business practices.

C. AEC will provide LG&E with all requests for payment arrangements as well as budget questions or requests, usage report requests and similar communications electronically, as specified by LG&E. Any requests and similar communications not provided electronically as directed by LG&E from time to time will be addressed under LG&E's routine business rules and procedures.

D. AEC agrees that it will select persons served by funding from ASAP based upon guidelines established to further the goals of the Program and approved by the Commission. AEC acknowledges that these guidelines include certain income limits and the requirement that the participant carry an arrearage of no more than $700 at the time of the data transfer and eligibility designation. Said guidelines shall comply with all non-discrimination provisions of any federal, state or local law, ordinance or statute that applies within the LG&E service area. AEC further agrees to allocate and document participation pro rata over the counties in LG&E's service area based on the number of LG&E customers in each county.

E. AEC agrees to maintain, during the term of this Agreement, complete and accurate records of all receipts and disbursements that are funded by this Agreement and to provide LG&E with monthly financial statements in the form of Exhibit A attached hereto. AEC will also provide LG&E with monthly program updates including number of clients served, attrition, new clients entering the program, and county distribution.

F. LG&E shall have the right, at any reasonable time, and with notice reasonable to the circumstances to inspect and audit the records maintained by AEC either through its own authorized representatives or through any public accounting firm selected by LG&E.

G. AEC acknowledges that, pursuant to the Commission's Order of November, 24, 2004 in Case No. 2004-00304, LG&E has prepared a "Request for Proposal" for third party consulting services required to perform an evaluation of ASAP to be completed by January 1, 2007. AEC agrees to cooperate with the evaluation and to provide the data needed by the third party consultant to conduct the evaluation.

H. AEC will contract with MHNA for administrative support services consistent with the Kentucky Public Service Commission's Order of November 24, 2004. AEC may use other administrative service providers as needed for services that MHNA cannot provide.

I. AEC agrees to maintain, during the term of this Agreement and for two years following expiration of the ASAP program, complete and accurate records of all receipts and disbursements that are funded by this Agreement.

J. AEC agrees to provide LG&E with any and all information necessary to meet KPSC requirements.

VI. REGULATORY APPROVAL

Approval of this Program, as well as its programmatic details, by the Commission is required. As a result, the parties' rights and obligations are expressly contingent upon obtaining and maintaining such approval and AEC will cooperate fully with LG&E in this regard. Furthermore, to the extent that there may be, or later arise, a conflict between this Agreement and Commission requirements, the latter shall be controlling.

VII. DEFAULT AND REMEDIES

A. Each of the following events or occurrences shall constitute an event of default under the Agreement:

1. Declaration of Bankruptcy of AEC; or

2. Failure to administer and implement ASAP in conformity with this Agreement; or

3. Failure to file in a timely manner any financial and progress reports required by this Agreement; or

4. LG&E's failure to properly disburse administrative funds in accordance with this Agreement; or

5. Failure to disclose or to explain to LG&E's satisfaction any variance in program expenses that must be reported pursuant to Article III, however, LG&E acknowledges that variances will occur and agrees to act in the utmost good faith; or

6. Disclosure or discovery that the covenants and representations made by AEC and its provider agencies regarding the fulfillment of any requirement covered under this Agreement or any other document submitted in support of this Agreement is, was, or shall be false or misleading in any material respect.

B. Except as otherwise provided in this Agreement, in the event of any default in or breach of this Agreement, or any of its terms or conditions by AEC, AEC shall, upon written notice from LG&E, proceed immediately to cure or remedy such default or breach. Until such default or breach is cured, and without limiting LG&E's rights under Article XII, LG&E shall have the option of suspending its performance under this Agreement.

VIII. GOVERNING LAW

The rights and obligations of LG&E and AEC and the validity and construction of this Agreement shall be interpreted and enforced in accordance with the laws of the Commonwealth of Kentucky. This Agreement was drafted by LG&E for convenience purposes only but has been negotiated by both parties and shall not be interpreted or construed against LG&E or AEC.

IX. RENEWAL

This contract may be renewed upon agreement of the parties. Should either party elect to discontinue the program, notification in writing shall be given thirty (30) days prior to the ending date of this agreement. In the event that such notice is not timely given, this contract shall remain in effect for an additional thirty (30) days.

X. CONFIDENTIALITY

A. The parties acknowledge that each will have access to Confidential Information, obtained, developed or provided by the other parties with respect to ASAP applicants and participants, or clients or customers of the other parties (the "Confidential Information") and each party providing such information is relying upon the representations contained in this Article in making such disclosure. Nothing herein shall prevent any party from utilizing subcontractors in connection with the performance of its duties, provided that such subcontractors agree or are legally obligated to protect the confidentiality of the Confidential Information.

B. Each of the parties agrees to protect and maintain as confidential all such Confidential Information obtained from another party, and to use such Confidential Information received from another party only in connection with the implementation, operation, evaluation and oversight of ASAP, and not to further disseminate such Confidential Information, internally or externally or to use it for any other purpose.

C. It is understood and agreed that, to the extent that Confidential Information must be used or reflected in LG&E's billing or accounting systems for purposes of ASAP or LG&E's routine operations, then LG&E's usual precautions on dissemination and availability of customer information shall be sufficient for purposes of this Article.

D. All anecdotal reports of Confidential Information shall use fictitious names, addresses, employers, and other identifiers.

E. No individual, firm, partnership, corporation or agency shall be given, sold or otherwise allowed access to Confidential Information.

F. Nothing herein shall limit use of the Confidential Information as necessary to implement, document, evaluate or monitor ASAP or to comply with any court or regulatory agency proceeding or filing to which they may be subject. However, in any such proceeding or filing, they shall make reasonable efforts to protect the confidentiality of such information.

XI. TERMINATION

Either party may terminate this Agreement with or without cause upon giving thirty (30) days prior notice.

XII. DISPUTES

The parties mutually agree to work together in the utmost good faith to resolve any disputes hereunder, and to ensure the successful operation of ASAP.

XIII. ENTIRE AGREEMENT

This Agreement contains all the terms, conditions, and promises of the parties hereto. No modification or waiver of this Agreement, or of any provision thereof, shall be valid or binding, unless in writing and executed by both of the parties hereto. No waiver by either party or any breach of any term or provision of this Agreement shall be construed as a waiver of any succeeding breach of the same or any other term or provision.

XIV. NO OTHER BENEFICIARIES

This Agreement is solely between the parties, and nothing in this Agreement or in ASAP shall be construed as creating any rights or claims in any third party, whether a natural person or otherwise.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Day and year first above written.

BY: ______________________
Louisville Gas and Electric Company

BY: ______________________
Affordable Energy Corporation

Acknowledged:

BY: ______________________
Metro Human Needs Alliance, Inc.

This Agreement Prepared By:

____
Kendrick R. Riggs
J. Wade Hendricks
Ogden Newell & Welch
500 West Jefferson Street, Suite 1700
Louisville, Kentucky 40202
(502) 582-1601
Counsel for
Louisville Gas and Electric Company

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PUBLIC SERVICE COMMISSION

AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into as of October 1, 2004, by and between **KENTUCKY UTILITIES COMPANY** ("KU"), a corporation organized and existing under the laws of Kentucky, the **KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC.** ("KACA"), a nonprofit corporation organized and existing under the laws of Kentucky, and the **COMMUNITY ACTION COUNCIL FOR LEXINGTON-FAYETTE, BOURBON, HARRISON AND NICHOLAS COUNTIES, INC.** ("CAC"), a nonprofit corporation and community action agency organized and existing under the laws of Kentucky.

WITNESSETH:

WHEREAS, in conjunction with various local relief agencies including KACA, CAC and a representative of the Attorney General of Kentucky, KU has developed a low-income home energy assistance program (the "HEA Program") to assist low-income households in the KU service territory;

WHEREAS, KU's HEA Program will help low-income families afford and maintain utility service with KU during peak heating and cooling months;

WHEREAS, KACA and CAC desire to act as administrative agents and to operate KU's HEA Program for eligible residential customers of KU; and

NOW, THEREFORE, in consideration of the mutual obligations of the parties hereto, each of them does hereby covenant and agree:

I. LENGTH OF AGREEMENT

The length of this agreement shall be for a period to begin December 1, 2004 and terminate December 31, 2007.

II. ADMINISTRATIVE EXPENSES

Pursuant to Section 3.14 of the Partial Settlement Agreement, Stipulation and Recommendation filed in Kentucky Public Service Commission ("KPSC") Case No. 2003-0000434 and approved by the KPSC by Order of June 30, 2004 (the "KPSC Order"), KACA and CAC will be entitled to recover actual operating expenses not to exceed in total ten percent of the total HEA funds collected. It is acknowledged and agreed that the total reimbursement of all expenses of KACA, CAC, and the community action agencies contracted by CAC shall, combined, not exceed ten percent of the total HEA funds collected. The parties acknowledge that the ten percent limitation on operating expenses is based upon total HEA funds collected over the length of the Program, and that funds available for operations, as well as assistance funds, if unused, will "roll-over" to subsequent periods of the Program.

III. AUDITS/QUARTERLY MEETINGS

An outside independent audit of KACA's and CAC's financial records will be performed annually by an independent certified public accountant, in accordance with existing audit requirements. The audit will include a detailed accounting of all expenses associated with administration of the program, which shall be filed annually with the KPSC. The parties also agree to meet quarterly, or more often if needed, to review program status and financial reports for actual expenditures compared to budget. This report should be made in line item detail. KACA and CAC shall provide KU with an explanation of any variance in program expenses which is plus or minus 10% from the budget.

IV. KU RESPONSIBILITIES

A. KU will include on each residential customer's monthly bill a ten-cent HEA charge for each electric meter to fund KU's HEA Program.

B. KU agrees to respond to general billing questions related to whether or not a participant's account has been credited with the appropriate HEA subsidy amount.

C. KU agrees to work with KACA and CAC to evaluate and report on HEA Program results, and to provide regular reports to KACA and CAC to assist in the production of quality data in order to determine relevant statistics on the HEA Program.

D. KU agrees to provide to KACA and CAC, by no later than the 20th day of the month prior to service provision, one-twelfth of ten percent of the annual proposed program budget, for administrative costs for eleven months. The actual administrative costs will be trued up for the twelfth month of the program year within 90 days of the close of the program's fiscal year. As set out in Article II, unused funds for administrative costs will "roll-over" for subsequent periods during the HEA Program.

E. KU agrees to provide information to KACA and CAC so that actual HEA funds collected can be balanced with HEA funds distributed to customers for each program year.

F. KU agrees to work with KACA and CAC to provide a "customer balancing" mechanism at least twice a year for the program year. KU will provide its list of customers enrolled in the HEA Program for KACA and CAC to compare with their records.

V. KACA RESPONSIBILITIES

A. KACA will act as liaison to KU and to the KPSC.

B. KACA will monitor both the implementation and ongoing operation of the HEA Program, monitor the data collected and report to KU, CAC and the KPSC. KACA will also provide data reports ongoing and for the final evaluation of the Program as required by the KPSC.

C. KACA will track Program expenditures against budget through monthly financial reports and ensure that the annual OMB A-133 audit is performed by a third party.

D. KACA will provide oversight for the HEA Program, including on-site monitoring as well as review and analysis of monthly program reports.

E. KACA and its employees and agents shall manage all monies processed under this Agreement in a diligent manner that reflects sound business practices.

F. KACA agrees to maintain, during the term of this Agreement and for two years following its termination, complete and accurate records of all receipts and disbursements that are funded by this Agreement and to provide KU with monthly financial statements in the form of Exhibit A attached hereto. KACA will also provide KU with monthly program updates including number of clients served, attrition, new clients entering the program, and county distribution.

G. KU shall have the right, at any reasonable time, to inspect and audit the records maintained by KACA either through its own authorized representatives or through any public accounting firm selected by KU.

H. KACA agrees to provide KU with any and all information necessary to meet KPSC requirements.

I. KACA acknowledges that, pursuant to the Commission's Order of November, 24, 2004 in Case No. 2004-00303, KU has prepared a "Request for Proposal" for third party consulting services required to perform an evaluation of the HEA Program to be completed by January 1, 2007. CAC agrees to cooperate with the evaluation and to provide the data needed by the third party consultant to conduct the evaluation.

VI. CAC RESPONSIBILITIES

A. CAC will, either directly or through contracts with other energy assistance providers operating in KU's service territory, operate the HEA Program and will be responsible for the following: HEA Program general policy formulated by CAC in harmony with the KPSC

Order, staffing, monitoring of program implementation, financial oversight of the HEA Program, programmatic oversight, contracts associated with intake and recertification, regular reporting and communication to KU, and financial audits.

B. CAC will reimburse contracting community action agencies on a fee-for-service basis.

C. CAC will also centralize all program data in the Intake Reporting and Information System ("IRIS"), provide data support and service including data management, software training for contracting community action agencies, technical assistance to contracting community action agencies, data transfers to KU for benefits, distribute all required reporting to KU, KACA and the KPSC, and provide specific programmatic training and technical assistance to contracting community action agencies' staff.

D. CAC will ensure that the contracts with the community action agencies provide that those agencies are responsible for the following activities in their respective service areas (1) program recruitment and outreach; (2) intake; (3) income verification; (4) income re-verification; (5) client follow-up and communications; and (6) recording data real-time in IRIS. CAC will exercise such supervision and oversight as necessary to monitor compliance with the preceding and will maintain, and require the community action agencies to maintain, appropriate records documenting such compliance. It is anticipated that CAC will comply with its oversight responsibilities by ensuring that the community action agencies are aware of the program requirements , have adopted appropriate procedures for following those requirements, and are documenting their compliance.

E. CAC and its employees and agents shall manage all monies processed under this Agreement in a diligent manner that reflects sound business practices.

F. CAC will provide KU with all requests for payment arrangements and enrollment data as well as budget questions or requests, usage report requests and similar communications electronically, to KACA and KU as specified by KU. Any requests and similar communications not provided electronically as directed by KU from time to time will be addressed under KU's routine business rules and procedures.

G. CAC agrees that it or the community action agencies will select persons served by funding from the HEA Program based upon guidelines to further the goals of the Program as approved by the KPSC. Said guidelines shall comply with all non-discrimination provisions of any federal, state or local law, ordinance or statute that applies within the KU service area. CAC further agrees to allocate and document participation pro rata over the counties in KU's service area based on the number of KU customers in each county.

H. KU shall have the right, at any reasonable time, to inspect and audit the records maintained by CAC either through its own authorized representatives or through any public accounting firm selected by KU the costs of which shall be borne by KU.

I. CAC agrees to provide KU with any and all information necessary to meet KPSC requirements.

VII. REGULATORY APPROVAL

Approval of this Program, as well as its programmatic details, by the KPSC is required. As a result, the parties' rights and obligations are expressly contingent upon obtaining and maintaining such approval and KACA and CAC will cooperate fully with KU in this regard. Furthermore, to the extent that there may be, or later arise, a conflict between this Agreement and KPSC requirements, the latter shall be controlling.

VIII. DEFAULT AND REMEDIES

A. Each of the following events or occurrences shall constitute an event of default under the Agreement:

1. Declaration of Bankruptcy of KACA or CAC; or

2. Failure to administer and implement the HEA Program in conformity with this Agreement; or

3. Failure to file in a timely manner any financial and progress reports required by this Agreement; or

4. Failure to disclose or to explain to KU's satisfaction any variance in program expenses that must be reported pursuant to Article III; or

5. Disclosure or discovery that the covenants and representations made by KACA or CAC regarding the fulfillment of any requirement covered under this Agreement or any other document submitted in support of this Agreement is, was, or shall be false or misleading in any material respect.

B. Except as otherwise provided in this Agreement, in the event of any default in or breach of this Agreement, or any of its terms or conditions by KACA or CAC, KACA or CAC shall, upon written notice from KU, proceed immediately to cure or remedy such default or breach. Until such default or breach is cured, and without limiting KU's rights under Article XI, KU shall have the option of suspending its performance under this Agreement.

IX. CONFIDENTIALITY

A. The parties acknowledge that each will have access to Confidential Information, obtained, developed or provided by the other parties with respect to HEA Program applicants and participants, or clients or customers of the other parties (the "Confidential Information") and each party providing such information is relying upon the representations contained in the Article in making such disclosure.

B. Each of the parties agrees to protect and maintain as confidential all such Confidential Information obtained from another party, and to use such Confidential Information received from another party only in connection with the implementation, operation, evaluation and oversight of the HEA Program, and not to further disseminate such Confidential Information, internally or externally or to use it for any other purpose.

C. It is understood and agreed that, to the extent that Confidential Information must be used or reflected in KU's billing or accounting systems for purposes of the HEA Program or KU's routine operations, then KU's usual precautions on dissemination and availability of customer information shall be sufficient for purposes of this Article.

D. All anecdotal reports of Confidential Information shall use fictitious names, addresses, employers, and other identifiers.

E. No individual, firm, partnership, corporation or agency shall be given, sold or otherwise allowed access to Confidential Information.

F. Nothing herein shall limit use of the Confidential Information as necessary to implement, document, evaluate or monitor the HEA Program or to comply with any court or regulatory agency proceeding or filing to which they may be subject. However, in any such proceeding or filing, they shall make reasonable efforts to protect the confidentiality of such information.

X. GOVERNING LAW

The rights and obligations of KU, KACA and CAC and the validity and construction of this Agreement shall be interpreted and enforced in accordance with the laws of the Commonwealth of Kentucky. This Agreement was drafted by KU for convenience purposes only but has been negotiated by both parties and shall not be interpreted or construed against KU, KACA or CAC.

XI. RENEWAL

This contract may be renewed upon agreement of the parties. Should either party elect to discontinue the program, notification in writing shall be given thirty (30) days prior to the ending date of this agreement. In the event that such notice is not timely given, this contract shall remain in effect for an additional thirty (30) days.

XII. TERMINATION

Either party may terminate this Agreement with or without cause upon giving thirty (30) days prior notice.

XIII. ENTIRE AGREEMENT

This Agreement contains all the terms, conditions, and promises of the parties hereto. No modification or waiver of this Agreement, or of any provision thereof, shall be valid or binding, unless in writing and executed by both of the parties hereto. No waiver by either party or any breach of any term or provision of this Agreement shall be construed as a waiver of any succeeding breach of the same or any other term or provision.

XIV. NO OTHER BENEFICIARIES

This Agreement is solely between the parties, and nothing in this Agreement or in the HEA Program shall be construed as creating any rights or claims in any third party, whether a natural person or otherwise.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BY: [signature] 7/6/05
Kentucky Utilities Company

BY: [signature] 7/1/05
The Kentucky Association for Community Action, Inc.

BY: [signature], Acting Executive Director 7.1.05
The Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc.

This Agreement Prepared By:

[signature]
Kendrick R. Riggs
J. Wade Hendricks
Ogden Newell & Welch
500 West Jefferson Street, Suite 1700
Louisville, Kentucky 40202
(502) 582-1601
Counsel for
Kentucky Utilities Company

Community Action COUNCIL

Office of the Executive Director
PO Box 11610
Lexington, Kentucky 40576

859-244-2212
Fax: 859-244-2219
jburch@commaction.org

MEMORANDUM

TO: Gentry C. LaRue, Chairman

FROM: Jack E. Burch, Executive Director

CC: Jon Parker, Manager, Program Development
Cathy Heath, Manager, Program Support Services
David Bratt, General Counsel
Strategic Leadership Group (via email)
Nikki Falconbury, Staff Accountant (via email)

SUBJ: Planned Absences, July 1 and 5, 2005

DATE: June 28, 2005

I will be away from the office July 1, 2005, for personal reasons. Jon Parker, Manager, Program Development, will serve as Acting Executive Director. I will also be away from the office July 5, 2005, taking the birthday holiday. Cathy Heath, Manager, Program Support Services, will serve as Acting Executive Director.

Jon and Cathy are authorized to exercise the functions and authority of the Executive Director, as necessary, and as established by the Board of Directors, and, in the best interests of Community Action Council, during these absences.

I will be in Lexington on both dates and Diane Smith, Administrative Assistant, will be able to reach me if necessary.

Copies of this memorandum should be attached to any funding source reports, contracts or other documents that have a legal character to confirm that he or she has been authorized to act on my behalf on the dates that Jon and Cathy are serving as the Acting Executive Director.

Jack E. Burch, CCAP

KENTUCKY UTILITIES HEA PROGRAM

AMENDED KACA/CAC THREE-YEAR BUDGET DETAIL

Revenue $1,433,166

Based KU revenue projections for year 1 @ $477,722, and the same estimate for years two and three, although actual revenues may vary slightly.

Client Benefits: $1,289,857

If it does not appear that the Program will operate past year 3, the fund balance will be spent down during the final year by adding customers from the waiting list.

Administrative Expenses $143,309

Personnel -

Project Manager	$32,025.00
Fringe Benefits for Project Manager	$10,910.15
CAC Personnel and Fringe Benefits*	$13,066.00

*Fringe Benefits are based on 39% of salaries, representing current costs of fringe benefits.

Contracts $78,500

Cost for fee-for-service by contracting agencies. It is estimated that for years two and three a 27% turnover rate will occur. This rate calculates to 350 new applicants and 950 retained program participants.

Fee-for-service rates:

Initial Intake, verification, enrollment: $25.00

Includes program recruitment and outreach, client intake, income verification.

Annual re-verification, enrollment update: $15.00

Includes communications and follow-up, letters indicating that it is time for income re-verification, update of intake and income re-verification.

Other

Supplies $425.00

Cost for program supplies including customer educational materials, office supplies associated with the program, and other essential materials.

Information Technology $3,380.00

Cost for minor updates to database, building customer history storage mechanism, data management, daily data transfers to KU, and report customization for evaluation.

CAC Indirect Cost $5,003.30

ProRata Calculations For Subsidy Benefits in LG&E Service Territory
Revised attachment to PSC Question No. 11(b), revised June 2005
Public Service Commission First Data Request Dated 9-7-04

County	Agency	Electric	Residential Customers by County	% of Total Residential Electric Customers	Annual Subsidy Allocation	Gas	Residential Customers by County	% of Total Residential Gas Customers	Annual Subsidy Allocation
BARREN	CA of Southern KY					X	1	0.00%	$1
HART	CA of Southern KY					X	27	0.01%	$32
METCALF	CA of Southern KY					X	116	0.04%	$139
Subtotal							144		$173
HARDIN	Central KY CAC	X	489	0.14%	$587	X	4,014	1.37%	$4,816
LARUE	Central KY CAC					X	1,239	0.42%	$1,487
MARION	Central KY CAC					X	223	0.08%	$268
MEADE	Central KY CAC	X	1,361	0.40%	$1,633	X	953	0.33%	$1,143
NELSON	Central KY CAC					X	2,687	0.92%	$3,224
WASHINGTON	Central KY CAC					X	6	0.00%	$7
Subtotal			1,850		$2,220		9,122		$10,945
GREEN	Lake Cumberland					X	32	0.01%	$38
Subtotal							32		$38
JEFFERSON	Louisville Metro CAP	X	318,687	92.90%	$382,424	X	255,695	87.31%	$306,800
Subtotal			318,687		$382,424		255,695		$306,800
BULLITT	Multi-Purpose	X	7,867	2.29%	$9,440	X	15,468	5.28%	$18,560
SHELBY	Multi-Purpose	X	37	0.01%	$44	X	748	0.26%	$898
SPENCER	Multi-Purpose	X	3	0.00%	$4	X	3	0.00%	$4
Subtotal			7,907		$9,488		16,219		$19,461
HENRY	Tri-County CAA	X	39	0.01%	$47	X	1,546	0.53%	$1,855
OLDHAM	Tri-County CAA	X	14,539	4.24%	$17,447	X	9,856	3.37%	$11,826
TRIMBLE	Tri-County CAA	X	3	0.00%	$4	X	248	0.08%	$298
Subtotal			14,581		$17,497		11,650		$13,978
Total			343,025	100%	$411,630		292,862	100%	$351,396

Customers as January, 2004

Source: Customer Accounting, Louisville Gas & Electric

Annual Combined E/G Subsidy
$1
$32
$139
$173
$5,403
$1,487
$268
$2,777
$3,224
$7
$13,165
$0
$38
$38
$689,225
$689,225
$28,000
$942
$7
$28,949
$1,902
$29,273
$301
$31,476

Louisville Gas and Electric HEA Program
Three-Year Budget Detail

Revenue

Electric	Gas	Total
$ 1,278,860	$ 1,086,735	$ 2,365,595

Revenue is based "Estimate of HEA Annual Proceeds; Based on Residential Customers at 6/30/04" projected over three years. See attachment to J. Wade Hendricks letter to the Commission of February 10, 2005.

Client Benefits

Electric	Gas	Total
$ 1,150,974	$ 978,062	$ 2,129,036

Due to the structure of the program, client benefits will begin at month four of collection (for example, January 1, 2005 if collection begins October 1, 2004). A fund base is necessary from which to operate. If it appears that the program will not operate past year three, the fund balance will be spent down during that year by adding customers from the waiting list.

Administrative Expenses **$ 228,887**

Personnel $ 142,538

AEC Personnel $ 121,638

Includes salary, taxes, workers comp., and annual increases for a full-time program manager.

MHNA Personnel $ 7,200

Includes portion of salaries of MHNA staff to replace the discontinued ASAP part-time position. Tasks include clerical support, information and referral for program participants, program coverage in the absence of the manager.

Fringe Benefits (full-time manager) $ 13,700

Includes health insurance for the manager, mileage, accrued vacation and sick leave.

HEA Evaluation	$ 10,000

This is the cost of data analysis, writing and preparing the report.

Contracts	$ 28,050

$ 4800 for annual recertification of program participants by community action staff @ $2.00 per participant, accounting, e.g., financial audit and payroll service, computer technical assistance, and temporary services as needed. Attorney fee if necessary.

Other

Ramp-Up expenses	$ 9,837

Cost for computer purchase, software application update, and staff training.

General Office	$ 24,020

Cost for rent and one telephone line, postage, general insurance, and routine organizational dues.

Office Supplies	$ 4,570

Includes hardware supplies and repair and software updates.

Printing and Advertising	$ 7,592

Recertification forms and releases of information, recruitment for the manager position.

Intake	$ 2,280

Weatherization training and application for service in the final stage of intake; includes participant contracts for service and an explanation of the subsidy and participant payments.