

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 03 2006

PUBLIC SERVICE  
COMMISSION

In The Matter Of::

JOINT APPLICATION OF KENTUCKY POWER )  
COMPANY AND KENTUCKY ASSOCIATION FOR )  
COMMUNITY ACTION, INC. FOR THE ) CASE NO. 2006- 373  
ESTABLISHMENT OF A HOME ENERGY )  
ASSISTANCE PROGRAM )

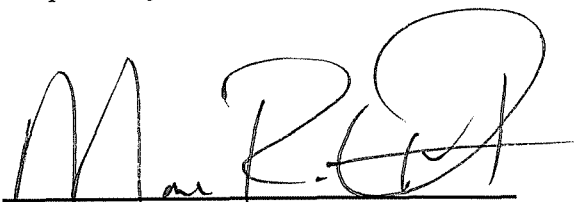
**MOTION FOR INFORMAL CONFERENCE**

Kentucky Power Company moves the Public Service Commission of Kentucky pursuant to 807 KAR 5:001, Section 4(4) for an informal conference to discuss the Company's filing of even date seeking approval of the operational aspects of its Home Energy Assistance Program. In support thereof, Kentucky Power states:

The informal conference will allow Kentucky Power and the Kentucky Association for Community Action, Inc. to explain to the Staff and the Attorney General the proposed program, how and why it differs from the Kentucky Utilities program and to discuss procedural issues and a schedule for the Commission's review of the Joint Application.

Wherefore, Kentucky Power Company respectfully requests the Commission to convene an informal conference in this matter at a mutually convenient time after August 4, 2006.

Respectfully submitted,



Mark R. Overstreet  
STITES & HARBISON PLLC  
421 West Main Street  
P. O. Box 634  
Frankfort, Kentucky 40602-0634  
Telephone: (502) 223-3477

COUNSEL FOR KENTUCKY POWER  
COMPANY

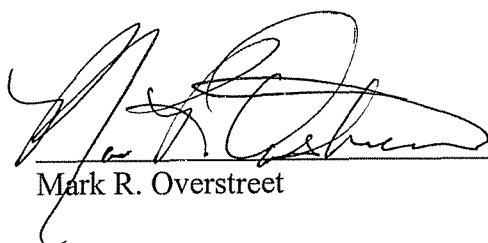
**CERTIFICATE OF SERVICE**

I hereby certify that a true and accurate copy of the foregoing was served by United States Mail, Postage Pre-paid, upon:

Joe F. Childers  
201 West Short Street  
Suite 310  
Lexington, Kentucky 40507

Elizabeth E. Blackford  
Dennis Howard II  
Kentucky Attorney General's Office  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601-8204

on this the 3<sup>rd</sup> day of August, 2006.



By RBC  
Mark R. Overstreet

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COMMUNITY ACTION, INC. FOR THE )  
ESTABLISHMENT OF A HOME ENERGY )  
ASSISTANCE PROGRAM )

CASE NO. 2006- 373

**JOINT APPLICATION**

Kentucky Power Company (“Kentucky Power” or “KPCo”) and Kentucky Association for Community Action, Inc. (“KACA”) (collectively “Joint Applicants”) petition the Public Service Commission of Kentucky (the “Commission”) pursuant to the Commission’s Order dated March 14, 2006 in P.S.C. Case No. 2005-000341, *In the Matter of: A General Adjustment In The Rates of Kentucky Power Company* and KRS 278.285(2) and (4) for an order approving the programmatic details of a new Home Energy Assistance (“HEA”) Program in Kentucky Power’s service territory and recovery of start-up costs through Kentucky Power’s demand side management mechanism.

In support of this Application, Joint Applicants state as follows:

Introduction

1. Kentucky Power’s post office address is 101A Enterprise Drive, P.O. Box 5190, Frankfort, Kentucky 40602-5190. A certified copy of Kentucky Power’s Articles of Incorporation were filed with the Commission in *Joint Application of Kentucky Power Co., American Electric Power Co., Inc. and Central and South West Corporation Regarding a*

*Proposed Merger*, Case No. 99-149, as Exhibit “1” and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

2. KACA’s post office address is 101 Burch Court, Frankfort, Kentucky 40601. A certified copy of KACA’s Articles of Incorporation was filed with the Commission in Case No. 2004-00303, *In The Matter Of: 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*, and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

3. Communications regarding this Application should be addressed to:

Kentucky Power:

Mark R. Overstreet  
Stites & Harbison, PLLC  
421 West Main Street  
P.O. Box 634  
Frankfort, Kentucky 40602-0634  
Telephone: 502-223-3477

Errol K Wagner  
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KACA:

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201 West Short Street  
Lexington, Kentucky 40507  
Telephone: 606-253-9824

Thomas "Kip" Bowmar  
Kentucky Association of Community Action  
101 Burch Court  
Frankfort, Kentucky 40601

**Description of the Program**

A. Program Purpose and Participant Eligibility.

4. By its Order dated March 14, 2006 in P.S.C. Case No. 2005-000341, *In the Matter of: A General Adjustment In The Rates of Kentucky Power Company*, the Commission approved a settlement of Kentucky Power's application to adjust its rates. The settlement as approved by the Commission provided for the establishment of a Home Energy Assistance Program ("HEA Program") by Kentucky Power. The program is to be funded by a ten cent per month charge on each residential meter. In addition, the Settlement as approved by the Commission requires Kentucky Power to contribute a sum equal to that raised by the monthly residential meter surcharge during the first two years of the program. This application is filed pursuant to the Commission's March 14, 2006 Order.

5. Although approving the Settlement Agreement, the Commission's March 14, 2006 Order directed the Kentucky Power and KACA to submit the programmatic details to the Commission for approval. This application is made pursuant to that requirement.

6. The Kentucky Power HEA Program is modeled on the Kentucky Utilities program approved by the Commission by its Order in Case No. 200~~4~~<sup>5</sup>-00303. Nevertheless, there were certain modifications, detailed below, to reflect the unique characteristics of Kentucky Power's service territory or because of changed circumstances. Representatives of Kentucky Power and KACA met by telephone and in person on several occasions in May and June, 2006 to negotiate the details of the Kentucky Power HEA Program and to discuss the necessary changes and additions to their IT systems. Both parties participated in the development of this

Application, made recommendations for the program and agreed to the details as set forth in this Joint Application. A copy of the Operating Agreement between Kentucky Power and KACA is attached hereto as EXHIBIT 1.

7. The Kentucky Power HEA Program is intended to improve the affordability of electric service for low-income customers by providing a subsidy during peak heating and cooling months. It is anticipated that participation in the program will allow customers to become more energy self-sufficient and reduce the incidence of disconnections.

8. Program participants 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 the ratepayer of record for their household. LIHEAP benefits due a participant will be paid to Kentucky Power. Participants’ income must not exceed the then effective maximum income level for participation in the federal LIHEAP program (currently 130% per cent<sup>1</sup> of the Federal Poverty guidelines for the contiguous 48 states as published in the Federal Register for the applicant’s family unit size for the applicable year. A copy of the applicable 2006 Federal Poverty Guidelines are attached as EXHIBIT 2.)

B. Nature and Amount of Benefits Under the Program.

9. Because of the more limited penetration by Columbia Gas in Kentucky Power’s service territory, as compared to Columbia Gas’ penetration in Kentucky Utilities’ service territory, a smaller percentage of low-income Kentucky Power customers who do not use electricity to heat their homes have access to programs, such as Columbia Gas’ WinterCare Program, to assist with high energy costs. After detailed discussions, the Joint Applicants

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<sup>1</sup> The Kentucky Utilities program uses 110% of the federal poverty guidelines, which the LIHEAP qualification level at the time the Kentucky Utilities program was initiated.

concluded it was in the public interest for a portion of the funds to be made available to low-income customers who do not use electricity to heat their homes. In making this decision the Joint Applicants also considered the fact that all residential customers, including those who do not use electricity to heat their homes,<sup>2</sup> are subject to the ten cent per meter per month assessment. Finally, the Joint Applicants considered the fact that loss of electric service, even if electricity is not the primary heating source, oftentimes makes a residence uninhabitable, particularly by older persons and infants because of the loss of light and refrigeration. As a result, the Joint Applicants believe that providing reduced benefits to low income persons who do not use electricity to heat is in the public interest and will allow the Program to provide benefits to a greater number of people.

10. Initially subsidies will be \$65 per month for participants who use electricity to heat their homes. This compares with the minimum LIHEAP benefit of \$70 for fiscal year 2005 and \$42 in monthly benefits under the Kentucky Utilities program. The benefit amount was increased over that provided by the Kentucky Utilities program in light of the fact that Kentucky Power's rates are approximately 26% percent higher than Kentucky Utilities' rates. In addition, KACA and Kentucky Power considered the fact that Kentucky Power's service territory has a higher incidence of poverty than the remainder of the Commonwealth, as well as the fact that the depth and severity of poverty in Kentucky Power's service territory is greater than the remainder of the state. Benefit levels for persons who use electricity as their primary source of heat will be reviewed annually to determine whether they should be adjusted in light of changes in available funding and effectiveness of benefit levels.

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<sup>2</sup> Kentucky Power has approximately 82,762 residential customers who use electricity as their principal source of heat and approximately 62,251 residential customers who use other sources of heat. Thus, approximately 43% of the revenues are generated by residential customers not using electricity as their primary source of heat. Source: March 2006 Page 9-1B.

11. Persons who do not use electricity as their primary source of heat will be eligible to receive \$33 in monthly benefits. In calculating that amount the Joint Applicants principally considered the fact that the monthly usage (March, 2006) for residences not using electricity as their principal source of heat was approximately one-half the usage of residences using electricity as the primary source of heat (approximately 1,146 kWh vs. approximately 2,049 kWh.) The Joint Applicants also considered the need to make the benefit for customers who do not use electricity as their principal source of heat meaningful in terms of both size of the benefit and number of customers receiving the benefit, without unduly limiting the amount of funds available to fund benefits for customers who use electricity as their principal source of heat. Benefit levels for persons who do not use electricity as their primary source of heat will be reviewed annually to determine whether they should be adjusted in light of changes in available funding and effectiveness of benefit levels.

12. Benefits will be paid to eligible participants for bills rendered during revenue months of December, January, February and March (winter heating season) and July, August and September (summer cooling season). The Kentucky Utilities program utilizes the same benefit months.

C. Allocation of Benefits Under The Program.

13. The program is expected to generate revenues of \$350,000 in its first two years. The revenue will be generated by the ten cent per residential meter charge<sup>3</sup> and a matching annual contribution of approximately \$175,000 by Kentucky Power in the first two years of the program. Consistent with the Kentucky Utilities program approved by the Commission, up to

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<sup>3</sup> \$ .10 x 145,013 residential customers x 12 months a year = \$174,015 (March 2006).



ten percent of the revenues (or \$35,000) may be expended on administrative expenses. Net funds available to pay benefits in each of the first two years are expected to total \$315,000.

14. Because the program's primary emphasis is to provide assistance to low-income households using electricity as the primary source of heat, the Joint Applicants, after discussion and considering other alternatives, elected to use eighty five percent (85%) of net proceeds to pay benefits to persons using electricity as their principal source of heat and 15% for non electric-heating households. The Joint Applicants believe this allows for a meaningful number of participants in each benefit sector while reflecting both the fact that households using means other than electricity as their primary source of heat constitute approximately 43 percent of Kentucky Power's residential ratepayers and the need to pay higher benefit amounts to households using electricity as their primary source of heat.

15. \$266,239 (85% x \$313,222) will be available to pay benefits to households using electricity as the primary source of heat. These funds should generate benefits for 585 participants.<sup>4</sup> \$46,983 (15% x \$313,222) will be available to pay benefits to households using means other than electricity as their primary source of heat. These funds should generate benefits for 203 participants.<sup>5</sup> See, EXHIBIT 3.

16. By agreement of the participating community action agencies, KACA and Kentucky Power program slots will be allocated among the participating community action agencies based upon the proportion that the number of Kentucky Power residential customers living with the area served by a community action agency bears to the total number of Kentucky Power residential customers. Because of the low number of Kentucky Power residential

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<sup>4</sup>\$266,239/ (\$65/mo x 7 months) = 585 participants.

<sup>5</sup>\$46,983/ (\$33/mo x 7 months) = 203 participants.

customers residing within the counties they serve, and with the agreement of the two agencies, the Daniel Boone Development Council and Licking Valley Community Action Program will not participate in the program because the administrative costs and overhead are expected to exceed the benefits available to be distributed. Combined, the Daniel Boone Development Council (19 residential customers) and the Licking Valley Community Action Program (219 residential customers) account for less than 0.2% of the total Kentucky Power residential customers. Using the March, 2006 customer census, the parties agreed to distribute participant slots as follows:

Community Action Agency	Counties	Percent Kentucky Power Heating Customers	Number of Participant Slots for Residences Heating With Electricity	Percent Kentucky Power Non-Heating Customers	Number of Participant Slots for Residences Non Heating With Electricity
Northeast Community Action Agency	Boyd, Carter, Elliott, Greenup, and Lawrence	27.47%	161	39.20%	74
Gateway Community Service Organization	Rowan and Morgan	1.43%	9	1.30%	2
Big Sandy Community Action Program	Floyd, Johnson, Magoffin, Martin and Pike	39.84%	232	36.45%	69
Middle Kentucky River Area Development Council	Breathitt and Owsley	3.20%	19	3.13%	17

LKLP Community Action Council, Inc.	Leslie, Knott, Letcher and Perry	28.06%	164	19.92%	41
<b>Total</b>		<b>100%</b>	<b>585</b>	<b>100%</b>	<b>203</b>

17. Applications will be ranked and slots assigned based upon need. Need will be determined using factors similar to those used to determine receipt of weatherization assistance, including the proportion of income required to pay energy costs and the presence of a senior citizen or a child under six in the household. The initial assignment of slots will be made on or before December 15, 2006. Once the slots are filled, a waiting list will be developed by each participating community action agency and new applicants ranked based upon their need. As slots become available they will be assigned to the neediest applicants from the waiting lists. The participating community action agencies, KACA and Kentucky Power have agreed that if a slot remains unfilled it may be transferred to another community action agency with unmet demand.

**Implementation and Administration of the Program.**

A. Recruitment and Intake.

18. Potential program participants will be recruited through a data search by participating agencies. Participants will be recruited based upon their history of high energy bills and repeat requests for energy assistance including LIHEAP Crisis. KACA and its participating agencies will develop fliers to use as a method to educate potential program participants about the program. Fliers will also be available at Kentucky Power customer service points and Kentucky Power will promote the program through inserts to customers' bills or messages on customers' bills.

19. Intake staff at the contracting community action agency will conduct screenings and assessments. When an applicant presents at the community action agency, staff will explain the program and inquire about the applicant's level of interest. The applicant's most recent Kentucky Power bill will be assessed for program eligibility, including whether the applicant is a high energy user. The community action agency will also verify applicant's type of heating. Income will be verified and filed at the community action agency at the time of enrollment and annually thereafter. Verification will be made using income records (check stubs, employer verification, IRS W-2 form, etc.). Re-verification will be required annually in order to remain enrolled. Failure to re-verify will result in dismissal from the program. Re-verification of income will also be required to re-enroll in the program should a program default occur.

20. Eligibility, enrollment, initial income verification and re-verification will be tracked in CASTinet. The information will be transmitted in "real-time" using CASTinet over a secure Internet connection.

B. Benefits And Termination.

21. Participants will receive a credit on their bill during the designated months and be responsible for the portion of the bill not paid by the subsidy. If the credit exceeds the balance due at billing (including any arrearages), the credit will carry forward to the next month's bill. If a participant changes residences, the participant may remain on the program if the participant remains a Kentucky Power customer and he or she notifies the enrolling agency of the change of address. If the participant does not continue as a member of the program all unspent benefit amounts will remain in the program pool. Participants may also elect to participate in Kentucky Power's budget plans (Equal Payment Plan or Average Monthly Plan). Budget participants will

go through the normal annual budget review and the budget review will take into consideration all eligible subsidy credits the participant is to receive when calculating the budget amount.

22. Participants will remain eligible for other assistance such as LIHEAP Subsidy, LIHEAP Crisis, WinterCare. Any LIHEAP subsidy assistance received by the participant will be directed to Kentucky Power and credited to the participant's bill.

23. Participation in the program will terminate: (a) upon the participant's failure to meet the eligibility requirements; (b) at the participant's request; and (c) following service disconnection for failure to pay. If the final bill results in a credit balance, a refund will only include the portion of the credit balance in excess of the subsidy assistance provided in the then current program year.

24. Disconnections will be handled in accordance with Kentucky Power's tariffs and applicable Commission regulations. If service is disconnected, a participant may continue in the program if the past due amount and all other required charges are paid in full within five (5) working days of the disconnection.

C. Reports and Program Review.

25. KACA will provide Kentucky Power with the following reports:

(a) Request File. Will be sent for each program participant prior to beginning of receipt of benefits and will notify Kentucky Power to begin crediting participant's account. Initially it will be sent on or before December 15, 2006. Thereafter, it will be sent on an as-needed basis. It will provide:

(i) name of household to be enrolled;

- (ii) address of household to be enrolled;
- (iii) account number of household to be enrolled;
- (iv) level of benefit to be credited to household to be enrolled.

(b) Ineligibility File. Will be sent upon determination that program participant is no longer eligible to receive benefits.

(c) Quarterly Status File. Will be sent quarterly and will provide a report of the operational details of the program for the previous quarter.

26. Kentucky Power will provide KACA with the following reports:

- (a) Billing File. Sent daily when enrolled customer is billed. It provides:
  - (i) KPCo indicative data -Customer name, KPCo account number;
  - (ii) KACA indicative data - Customer request ID;
  - (iii) Current month kWh usage;
  - (iv) Current month billing data (Current bill & Arrears amount);
  - (v) HEAP subsidy amount credited to current bill; and
  - (vi) HEAP subsidy date.

(b) History File. Sent in response to KACA's enrollment file to acknowledge acceptance of customer in to HEAP program. It provides:

- (i) Kentucky Power indicative data - Customer name, KPCo account number;
- (ii) KACA indicative data - Customer request ID
- (iii) Customer electric consumption data - 12 Months of KWH use; and

(iv) Customer DNP (Disconnect for non pay) history - number of times service was disconnected in previous 12 months.

c. Disconnect File. Sent to KACA when service to enrolled customer has been discontinued. Service may be discontinued at customer request or at end of five working days when service has been disconnected for non-payment (DNP) and required payment amount has not been received. It provides:

(i) KPCo indicative data -Customer name, KPCo account number;  
and

(ii) Service discontinuance code (Customer request / DNP)

All files will be transmitted electronically by Kentucky Power to KACA using File Transfer Protocol (FTP).

D. Program Evaluation.

27. The HEA program will be regularly reviewed by KACA and Kentucky Power staff responsible for the program. KACA will provide oversight for the project, which includes on-site monitoring as well as review and analysis of monthly program reports. This information will be available to Kentucky Power and the Commission upon request.

28. Joint Applicants will file a quantification of the cost savings achieved along with their evaluation of the HEA program by February 28, 2009 (which is 90 days after the conclusion of the second year in which benefits are paid under the program.) However, it is difficult to attribute variations in the amount of arrearages, the number of disconnects and the amount of bad debt solely to the HEA program. For example, changes in such measures can be

related to economic fluctuations, fuel supply costs, the amount of other available energy assistance funding and other causes. To the extent actual net savings are produced from this program, those savings will be addressed in Kentucky Power's next general rate case.

29. On or before February 28, 2009, Joint Applicants will file a comprehensive program assessment with the Commission. The assessment will be performed by KACA with input from Kentucky Power. The program will be measured against the following benchmarks:

(a) **Increased energy savings in combination with weatherization programs** – Enrollees in the HEA who were also enrolled in other weatherization programs experienced at least a z% reduction in energy costs.

*Baseline:* Participants' previous year's energy consumption.

*Evaluation:* Compare annual energy consumption before and after weatherization.

(b) **Reduce loss of service due to non-payment** – Reduce by z% the percentage of participants losing service because of non-payment.

*Baseline:* Kentucky Power will provide data for each participant reporting the number of disconnect notices and actual disconnections for one year prior to enrollment.

*Evaluation:* Number of disconnect notices and actual disconnections per year will be compared to number of notice and disconnections per year during program.

(c) **Reduce arrearages** – Reduction in participant arrearages by x%.

*Baseline:* Kentucky Power will provide the amount of arrearages currently associated with customer account.



*Evaluation Procedure:* Compare arrearage data for participants every six (6) months during enrollment in the program.

(d) **Reduce the need for LIHEAP Crisis Assistance** – x% of enrollees in the HEA were free of need for LIHEAP Crisis Assistance.

*Baseline:* Upon enrollment, match enrollee with history of Crisis Assistance using statewide LIHEAP data for past three (3) years.

*Evaluation Procedure* Compare Crisis Assistance requested and approved during enrollment in the program.

(e) **Other** –

(i) Total households served, total amount of assistance provided;

(ii) An assessment of how program benefits were distributed to customers in all of the counties eligible to participate in the program;

(iii) An assessment of movement of participants in and out of the program to determine if benefits to participants are short-term or long-term in nature.

30. The HEA Program financial records will be audited annually in accordance with OMB A-133 auditing standards by a third-party independent auditor.

#### **Annual Budget**

31. KACA's proposed operating budget for Kentucky Power's HEA program is attached hereto as **EXHIBIT 4**.

**Recovery of Technology Implementation Costs Through  
Kentucky Power's Demand Side Management Mechanism**

32. KRS 278.285(2) and (4) permit the recovery of costs associated with home energy assistance programs through demand side management programs.

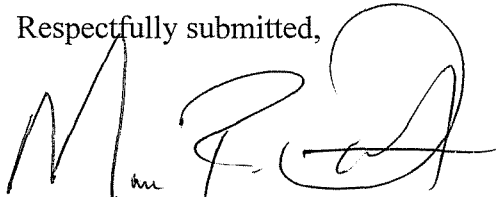
33. One-time information technology implementation costs incurred by both KACA and Kentucky Power are properly recoverable through Kentucky Power's DSM mechanism. Based upon information to date, and as set out in **EXHIBIT 5**, Kentucky Power and KACA estimate these costs to be \$74,668 (\$58,968 and \$15,700 respectively) . Kentucky Power proposes to revise its DSM tariff to include these programming costs in a February, 2007 progress report following the Commission's Order in this proceeding.

**WHEREFORE**, the Joint Applicants respectfully request that the Commission issue an Order:

1. Approving the programmatic details of a Home Energy Assistance program in the Kentucky Power service territory;
- 2 Approving the recovery of Kentucky Power and KACA's one-time information technology implementation costs through Kentucky Power's DSM mechanism; and
3. Conduct an informal conference with the Joint Applicants to discuss the Joint Application and to address any initial questions staff may have.

Dated this the 28<sup>th</sup> day of July, 2006.

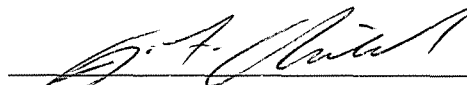
Respectfully submitted,



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Mark R. Overstreet  
STITES & HARBISON, PLLC  
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Frankfort, Kentucky 40602-0634  
Telephone: 502-223-3477

COUNSEL FOR:  
KENTUCKY POWER COMPANY



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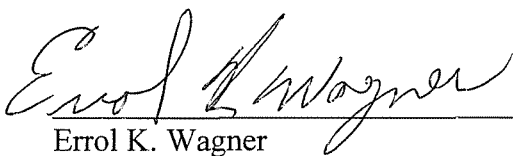
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COUNSEL FOR:  
KENTUCKY ASSOCIATION FOR  
COMMUNITY ACTION

**VERIFICATION**

COMMONWEALTH OF KENTUCKY     )  
  ) SS  
COUNTY OF FRANKLIN            )

The undersigned, Errol K. Wagner, being first duly sworn, deposes and says he is Director of Regulatory Services of Kentucky Power Company, that he has personal knowledge of the matters set forth in the foregoing Joint Application, and the facts contained therein are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_ Errol K. Wagner

Subscribed and sworn to before me, a Notary Public in and before said State and County, this the 28<sup>th</sup> day of July, 2006.

  
\_\_\_\_\_ Notary Public

My Commission Expires:

2/1/2010

**VERIFICATION**

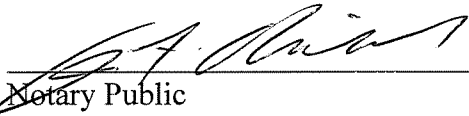
COMMONWEALTH OF KENTUCKY )  
 ) SS  
COUNTY OF FRANKLIN )

The undersigned, Thomas "Kip" Bowmar, being first duly sworn, deposes and says he is the Executive Director of Kentucky Association for Community Action, Inc., that he has personal knowledge of the matters set forth in the foregoing Joint Application, and the facts contained therein are true and correct to the best of his information, knowledge and belief.



\_\_\_\_\_  
Thomas "Kip" Bowmar  
Executive Director

Subscribed and sworn to before me, a Notary Public in and before said State and County,  
this the 28<sup>th</sup> day of July, 2006.

  
\_\_\_\_\_  
Notary Public

My Commission Expires:

2/1/2010

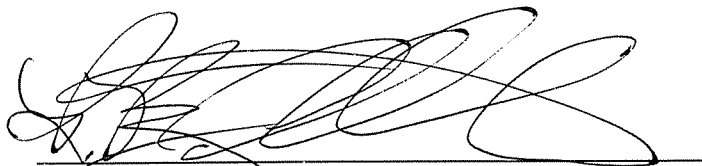
**CERTIFICATE OF SERVICE**

I hereby certify that a true and accurate copy of the Joint Application was served via the United States Postal Service, First Class Mail, postage prepaid, upon:

Elizabeth E. Blackford  
Kentucky Attorney General's Office  
Suite 200  
1024 Capital Center Drive  
Frankfort, Kentucky 40601-8204

Joe F. Childers  
Suite 310  
201 West Short Street  
Lexington, Kentucky 40507

on this the 3<sup>rd</sup> day of August, 2006.



COUNSEL FOR:  
KENTUCKY POWER COMPANY

KE057:KE186:14273:4:FRANKFORT

# **Exhibit**

**1**

## AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into as of this the 28th day of July, 2006, by and between KENTUCKY POWER COMPANY ("Kentucky Power" or "KPCo"), a corporation organized and existing under the laws of Kentucky, and KENTUCKY ASSOCIATION FOR COMMUNITY ACTION, INC. ("KACA"), a nonprofit corporation organized and existing under the laws of Kentucky.

### W I T N E S S E T H:

WHEREAS, the Public Service Commission of Kentucky ("KPSC") by Order dated March 14, 2006 in P.S.C. Case No. 2005-000341, *In the Matter of: A General Adjustment In The Rates of Kentucky Power Company*, approved the parameters of a low-income home energy assistance program (the "HEA Program") to assist low-income households in the Kentucky Power service territory, conditioned upon Commission approval of a definitive agreement between KACA and Kentucky Power governing the program;

WHEREAS, KACA and Kentucky Power have entered into this definitive Agreement to govern the HEA Program;

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

WHEREAS, KACA is willing to act as administrative agent and to operate Kentucky Power's HEA Program for eligible residential customers of Kentucky Power; and

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

### **I. TERM OF AGREEMENT**

This Agreement shall be for an indefinite term beginning April 1, 2006. In the event funds remain unexpended at the termination of this Agreement, including any contributions by Kentucky Power for the period ended March 31, 2008, the parties agree the program may continue for an additional period necessary to expend the funds, which period shall not exceed 90 days.

A. Either party may terminate this Agreement without cause at the end of any Program Year by giving written notice of intent to do so no less than thirty days prior to the end of the Program Year. Termination of this Agreement shall not relieve KACA of its obligation to continue to perform its duties under this Agreement for the remainder of the Program Year, including the filing of the Audit required by Section III, unless requested not to do so by Kentucky Power. While performing its services under this Agreement, KACA will continue to be compensated pursuant to the terms of this Agreement.



B. Nothing in this paragraph shall authorize Kentucky Power to collect the ten cent per residential customer monthly charge beyond the date its authority to do so under the Orders of the KPSC and Kentucky Power's duly filed tariffs expires. As used in this Agreement, the term "Program Year" shall run from the Company's revenue months December 1 to November 30 the following year except that the first program year shall run from April 1, 2006 to November 30, 2006.

**II. ADMINISTRATIVE EXPENSES**

A. Pursuant to Paragraph 8 of the Settlement Agreement in KPSC Case No. 2005-00341 and approved by the KPSC by its Order dated March 14, 2006 (the "KPSC Order"), KACA is entitled to recover its actual reasonable operating expenses in administering the HEA Program in an amount up to but not to exceed in total ten percent (10%) of the total HEA funds collected during the life of the program. The parties acknowledge that the ten percent (10%) limitation on reasonable operating expenses to be reimbursed from the Program funds shall be calculated based upon total HEA funds collected over the life of the Program and that funds available for operations, as well as assistance funds, if unused, will "roll-over" to and be available for expenditure in subsequent periods of the Program.

B. During the first program year Kentucky Power and KACA shall be entitled to recover KRS 278.285(4) their actual IT implementation costs not to exceed \$59,968 and \$15,700 respectively. Such IT implementation costs shall be in addition to and not be charged against the 10% limitation imposed by paragraph II(A) and shall be collected pursuant to KRS 278.285(4). Budgets for IT Implementation Costs are attached as **EXHIBIT 5**.

**III. BUDGET/AUDITS/QUARTERLY MEETINGS**

A. Within time to file for the necessary approval by the KPSC and in no event no later than 30 days following the execution of this Agreement and thereafter at least thirty days prior to the beginning of each Program Year, KACA shall prepare and present to Kentucky Power for its approval an annual budget for the HEA Program. Kentucky Power shall provide KACA in a timely fashion such information as may be reasonably required for the preparation of the budget.

B. An outside independent audit of KACA's financial records will be performed annually by an independent certified public accountant, in accordance with existing federal audit requirements. The audit will include a detailed accounting of all expenses associated with administration of the Program, which shall be filed by KACA annually with the KPSC and provided to Kentucky Power. 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 shall be made in line item detail. KACA shall provide Kentucky Power with an explanation of any variance in Program expenses that vary from budget (either greater or less than) by 10% or more.

**IV. KENTUCKY POWER RESPONSIBILITIES**

A. Kentucky Power will include on each residential customer's monthly bill for service beginning April 1, 2006 a ten-cent HEA charge to fund Kentucky Power's HEA

Program. The charge shall be recovered pursuant to KRS 278.285(4) and shall be set forth as a separate line item on each such bill.

B. For the period May 1, 2006 through April 30, 2008 Kentucky Power shall contribute to the HEA Program a sum equal to the amount collected from residential customers from the ten cent per residential bill charge described in paragraph IV(A). Contributions shall be made monthly. Contributions shall be made in the month following the month in which the charge is collected.

C. Kentucky Power 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.

D. Kentucky Power agrees to work with KACA in evaluating the HEA Program and to provide KACA with data reasonably necessary for KACA to make all required reports and to assist in the evaluation of the HEA Program. Kentucky Power also agrees to provide to KACA all information reasonably necessary to permit KACA to balance the actual HEA funds collected with HEA funds distributed to customers for each Program year. Upon request by KACA Kentucky Power agrees to work with KACA to provide a list of customers participating in the HEA Program for KACA to compare with its records.

E. Beginning no later than the 20<sup>th</sup> day of the month preceding the actual expenditure of funds in connection with the HEA Program, and the 20<sup>th</sup> day of each succeeding month during the term of this Agreement, Kentucky Power shall pay KACA one-twelfth (1/12) of ten percent (10%) of the annual estimated Program budget, for administrative costs. No such payment shall be made for the twelfth month of each year of the program. Instead, within 90 days of the close of each program year KACA's actual operating expenses in administering the HEA Program for the twelve months of the program year shall be compared to the amounts paid by Kentucky Power for the first eleven months of the program year and any difference remitted to or by KACA. As set out in Article II, unused funds for administrative costs will "roll-over" for subsequent periods during the HEA Program, except that in no event shall KACA be paid more than its actual reasonable costs in administering the program.

F. Kentucky Power shall notify KACA whenever a participant is mailed a disconnect notice. Kentucky Power shall provide KACA with the participant's name, billing address, account number and telephone number if available.

G. Kentucky Power shall provide KACA with the following reports:

1. Billing File. Sent daily when enrolled customer is billed. It provides:

- (a) KPCo indicative data -Customer name, KPCo account number;
- (b) KACA indicative data - Customer request ID;
- (c) Current month kWh usage;

- (d) Current month billing data (Current bill & Arrears amount);
- (e) HEAP subsidy amount credited to current bill; and
- (f) HEAP subsidy date.

2. History File. Sent in response to KACA's enrollment file to acknowledge acceptance of customer in to HEAP program. It provides:

- (a) Kentucky Power indicative data - Customer name, KPCo account number;
- (b) KACA indicative data - Customer request ID
- (c) Customer electric consumption data - 12 Months of KWH use; and
- (d) Customer DNP (Disconnect for non pay) history - number of times service was disconnected in previous 12 months.

3. Disconnect File. Sent to KACA when service to enrolled customer has been discontinued. Service may be discontinued at customer request or at end of five working days when service has been disconnected for non-payment (DNP) and required payment amount has not been received. It provides:

- (a) KPCo indicative data -Customer name, KPCo account number; and
- (b) Service discontinuance code (Customer request / DNP)

These files shall be transmitted electronically by Kentucky Power to KACA using File Transfer Protocol (FTP).

## **V. KACA GENERAL RESPONSIBILITIES**

A. KACA acting through its member community action agencies shall administer the HEA Program on behalf of Kentucky Power by identifying and certifying to Kentucky Power the identity of eligible participants. KACA shall also immediately notify Kentucky Power when participants are no longer eligible to participate in the HEA Program.

B. KACA will monitor both the implementation and ongoing operation of the HEA Program, monitor the data collected and report to Kentucky Power and the KPSC 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. All such audits shall be seasonably provided to Kentucky Power and the Commission.

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

E. KACA and its employees, agents and member community action agencies shall manage and expend all monies paid to reimburse the reasonable costs in administering the HEA Program in a diligent manner that embodies 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 Kentucky Power with monthly financial statements in the form of **EXHIBIT 6**, attached hereto. KACA will also provide Kentucky Power with monthly Program updates including number of clients served, attrition, new clients entering the Program, and county distribution.

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

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

I. As part of its screening and qualification procedures KACA or its member Community Action Agencies shall obtain from all applicants a written release permitting Kentucky Power to divulge customer information necessary for the administration of the program to KACA and the applicable community action agency. KACA or its member Community Action Agencies also shall obtain a signed release absolving Kentucky Power of liability in connection with the administration of the HEA Program. The form of the release shall be provided by Kentucky Power. A copy is attached as **EXHIBIT 8**.

J. As part of its screening and qualification process KACA or its member Community Action Agencies shall require applicants to read and initial the following statement:

The program, including benefit amounts and eligibility requirements, may be changed from time to time upon approval by the KPSC. Benefits will be paid only so long as funding is available and the participant remains eligible.

K. When submitting approved applications KACA will provide Kentucky Power with a Request File containing the following information:

- (i) name of household to be enrolled;
- (ii) address of household to be enrolled;
- (iii) account number of household to be enrolled;

- (iv) level of benefit to be credited to household to be enrolled.

The Request File shall be transmitted electronically using File Transfer Protocol (FTP).

L. On or before February 28, 2009, KACA, in conjunction with Kentucky Power shall prepare and file with the KPSC an evaluation of any cost savings resulting from the HEA program along with a comprehensive program assessment. In addition to any requirements imposed by the KPSC, the program assessment shall report on the indices set out in **EXHIBIT 9** this Agreement.

## **VI. PROGRAM OPERATION**

A. **Scope of Program.** The HEA Program is intended to provide assistance with residential electric bills to low income individuals who are customers of Kentucky Power. Assistance shall be provided for the revenue months of December, January, February and March (winter heating season) and July, August and September (summer cooling season) during the term of the HEA Program.

B. **Eligibility.** Participants must:

1. Be individuals whose income shall not exceed the then effective maximum income level for participation in the federal Low Income Home Energy Assistance Program ("LIHEAP) program ( currently 130% per cent of the Federal Poverty guidelines for the contiguous 48 states as published in the Federal Register for the applicant's family unit size for the applicable year. A copy of the applicable 2006 Federal Poverty Guidelines are attached as **EXHIBIT 2;**

2. Be a customer of Kentucky Power Company with service in the applicant's name or have applied for service in the applicant's name;

3. Be enrolled in the LIHEAP program and direct LIHEAP payments to Kentucky Power;

4. Apply for available weatherization programs and accept services if eligible and available.

5. Not reside in a multi-unit single meter building;

6. Provide Kentucky Power with access for the monthly meter reading; and

7. Agree that no part of any benefit shall be refunded to a participant. If a final bill otherwise shows a credit balance a refund will be made of only that portion, if any, of the final credit balance that exceeds the total benefits applied during the current Program Year.

C. The program, including benefit amounts and eligibility requirements, may be changed from time to time upon approval by the KPSC.

D. Allocation of Funding.

1. Funding shall be made available to residential electric customers. Initially, 85% of the funding shall be made available to residential customers who use electricity as their primary source of heat with the remainder (15%) being provided to customers who use other sources of energy for heating.

2. The monthly benefit level for participants who use electricity as their primary source of heat shall be \$65. The monthly benefit for participants who do not use electricity as their primary source of heat shall be \$33.

3. Within each of the two sectors of residential customers (electric heating and non-electric heating) funding slots initially shall be allocated on a community action agency basis based upon the proportion that the number of Kentucky Power residential customers residing within a community action agency bears to the total number of Kentucky Power residential customers residing in the following Kentucky Counties: Boyd, Carter, Elliott, Greenup, Lawrence, Rowan, Morgan, Floyd, Johnson, Magoffin, Martin, Pike, Breathitt, Owsley, Leslie, Knott, Letcher and Perry Counties. Because of the limited number of Kentucky Power customers in the areas served by Daniel Boone Community Action Agency and Licking Valley Community Action Agency no slots will be provided for customers in Lewis and Clay Counties. The initial allocation of slots is attached hereto as **EXHIBIT 7**.

4. In the event no qualified applicants are seasonably available within a community action agency's region, a slot may be transferred to another Community Action Agency.

5. Kentucky Power and KACA shall meet annually to evaluate the formula for allocating slots and the amount of the monthly payments.

E. Screening and Certification.

1. KACA or its member community action agencies shall be responsible for screening all applicants seeking to participate in the HEA Program to determine their eligibility under the criteria set out in Paragraph VI(B) of this Agreement. If KACA or the member agency determines an applicant meets the eligibility criteria KACA shall certify that fact to Kentucky Power along with the applicant's name and residential service address.

2. Participants shall be screened and certified no less frequently than once every 12 months. If KACA determines a participant is no longer eligible to participate KACA shall notify Kentucky Power and the applicant immediately.

3. KACA shall pay member community action agencies \$25.00 per approved application and \$15.00 per approved recertification.

**F. Manner of Distribution of Funds.**

1. Upon certification an applicant shall be eligible to participate if the community action agency within whose territory the applicant lives has an available Program Slot. If there is no available Program Slot, the applicant shall be placed on a waiting list and admitted to the program when a slot becomes available based upon the date of their certification. If more than 12 months have elapsed since an eligible applicant was certified the applicant shall be re-certified prior to being admitted from the waiting list into the program.

2. Participation in the HEA program shall begin at the beginning of the applicable billing cycle for applicant's residence following the applicant's admission to the program.

3. Program participants shall receive benefits under the program in the form of a credit to their Kentucky Power bill in the amount of the Uniform Monthly Benefit. If a HEA Program participant's service is terminated for any reason during a billing cycle the subsidy benefit shall be terminated retroactive to the last billing. In no event shall a participant receive payment of any unused credit.

**G. Termination of Participation.**

1. Except as set out in subparagraph 3 of this paragraph, participation in the program shall terminate when a participant no longer meets the eligibility requirements of Paragraph VI(B) or the participant's electric service is terminated for any reason.

2. Credits to a participant's account shall terminate the billing month following the date the customer is no longer eligible to participate in the program.

3. In the event the customer's service is disconnected for non-payment, the customer shall have five business days after disconnection in which to pay all past due amounts plus all associated charges. If all past due amounts and associated charges are not paid within five business days of disconnection the customer's participation in the program shall end.

**VII. REGULATORY APPROVALS**

Approval of this Agreement and the details of the HEA Program by the KPSC is required. As a result, the parties' rights and obligations are expressly contingent upon obtaining and maintaining such approval and KACA will cooperate fully with Kentucky Power 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. KACA and Kentucky Power agree to cooperate in obtaining all necessary KPSC approvals for the HEA Program.

**VIII. DEFAULTS 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
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 Kentucky Power's satisfaction any variance in Program expenses that must be reported pursuant to Article III; or
5. Disclosure or discover that the covenants and representations made by KACA requiring 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, KACA shall, upon written notice from Kentucky Power, proceed immediately to cure or remedy such default or breach. Until such default or breach is cured, and without limiting Kentucky Power's rights under this Agreement, Kentucky Power 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 with respect to HEA Program applicants and participants (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, intentionally 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 Kentucky Power's billing or accounting systems for purposes of the HEA Program or Kentucky Power's routine operations, then Kentucky Power's usual precautions on dissemination and availability of customer information shall be sufficient for purposes of this Article.

D. All anecdotal reports containing or using 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 AND CONSTRUCTION OF CONTRACT**

The rights and obligations of Kentucky Power and KACA 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 Kentucky Power for convenience purposes only but has been negotiated by both parties and shall not be interpreted or construed against Kentucky Power or KACA.

**XI. 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.

**XII. NO OTHER BENEFICIARIES.**

This Agreement is solely between KACA and Kentucky Power, 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. Notwithstanding the forgoing, KACA hereby represents that it is authorized to bind its member participating community action agencies to the confidentiality requirements of paragraph IX of this Agreement. KACA acknowledges Kentucky Power is relying upon this representation.

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

Kentucky Power Company

BY: Errol K Wagner  
Its: Director of Regulatory Services

The Kentucky Association for  
Community Action, Inc.

BY: Mr "Yip" Pu  
Its: Executive Director

# **Exhibit**

# **2**

**EXHIBIT 2**

**2006 Federal Poverty Guidelines**

<b><u>Size of Household</u></b>	<b><u>100% of Poverty</u></b>	<b><u>110% of Poverty</u></b>	<b><u>130% of Poverty</u></b>
1	\$ 9,800	\$10,780	\$12,740
2	\$13,200	\$14,520	\$17,160
3	\$16,600	\$18,260	\$21,580
4	\$20,000	\$22,000	\$26,000
5	\$23,400	\$25,740	\$30,420
6	\$26,800	\$29,480	\$34,840
7	\$30,200	\$33,220	\$39,260
8	\$33,600	\$36,960	\$43,680
For each additional Family member add:	\$ 3,400	\$ 3,740	\$ 4,420

# **Exhibit**

# **3**

**EXHIBIT 3****Kentucky Power Company  
Home Energy Assistance Program (HEAP)**

<b>Ln No (1)</b>	<b>Description (2)</b>	<b>For Years 1 &amp; 2 (3)</b>	<b>For Years 3 and After (4)</b>		
1	No. of Residential Customers at March 31, 2006 *	145,013	145,013		
2	Monthly Rate	<u>\$0.10</u>	<u>\$0.10</u>		
3	Monthly Revenues	\$14,501	\$14,501		
4	Annual Number of Months	<u>12</u>	<u>12</u>		
5	Annual Revenues	\$174,012	\$174,012		
6	Company Match	<u>\$174,012</u>	<u>\$0</u>		
7	Total Funds Available	\$348,024	\$174,012		
8	Less: 10% Administrative Fee	<u>\$34,802</u>	<u>\$17,401</u>		
9	Net Funds Available for HEAP	<u>\$313,222</u>	<u>\$156,611</u>		
		<b><u>Heating</u></b>	<b><u>Non Heating</u></b>	<b><u>Heating</u></b>	<b><u>Non Heating</u></b>
10	% of Subsidy Benefit Level by Customer Class	85.00%	15.00%	85.00%	15.00%
11	Net Funds Available for each Customer Sector (Ln 9 * Ln 10)	\$266,239	\$46,983	\$133,119	\$23,492
12	Monthly Subsidy	\$65	\$33	\$65	\$33
13	Number of Months Subsidy is Available	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
14	Total Subsidy Available for 7 Months (Ln 12 * Ln 13)	\$455	\$231	\$455	\$231
15	Number of Slots Available (rounded) (Ln 11 / Ln 14)	<u>585</u>	<u>203</u>	<u>293</u>	<u>102</u>

# **Exhibit**

**4**

**KPC HEA Program**  
**KACA Two-Year Budget Detail**

**Revenue** \$700,000

Based KPC revenue projections for year 1 @ \$350,000, and the same estimate for year two, although actual revenues may vary slightly.

**Client Benefits** \$630,000

Total subsidy benefit not to exceed \$450 per year for 590 all electric households and \$231 for 201 base load households (those who have another heat source beyond KPC).

**Administrative Expenses** \$ 70,000

**Personnel –**

**KACA Personnel** \$ 17,650

Cost includes portion of salary for implementation and overall coordination of the program including: systems implementation, training, technical assistance, contract development and management with service providers, and reporting required to KPC, AG, and PSC. Also includes program communications between parties, program monitoring, report review, financial audit, and program evaluation.

**Fringe Benefits –** \$ 6,530

Cost is estimated at 37 percent of salaries above based on current rates for fringe benefits.

**Contracts –** \$ 43,790

Cost for fee-for-service by contracting agencies that includes \$25 per approved application and \$15 per recertification, which will occur in year two. With 791 applications in year one this will amount to \$18,775 in the first year. It is estimated that for year two that there will be a 20% turnover rate will occur. This rate calculates to 158 new applicants at \$25 per application for a total of \$3,950 and 633 retained program participants at \$15 per retained applicant for a total of \$9,495. It also includes \$10,790 for the agencies to re-review each application and prioritize them based on a priority system after the conclusion of the LIHEAP Subsidy component on December 8<sup>th</sup>. It is separate than the \$25 fee per completed application because there will only 791 approved applications, and there will



likely be 7,000 to 8,000 LIHEAP applications in the KPCo. service territory in the LIHEAP subsidy component that will need to be reviewed. The money will be divided among the providers in proportion to the number of approved slots that they have. (Big Sandy 38.42%- \$4,146; Gateway 1.38%- \$149; LKLP 24.61%- \$2,655; Middle KY 3.17%- \$342; Northeast 32.42% \$3,498)

***Fee-for-service rates:***

Initial intake, verification, enrollment: \$ 25

Includes program recruitment and outreach, client intake, income verification

Annual re-verification, enrollment update: \$ 15

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

**Other –**

**Supplies** \$ 900

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

**Printing and Advertising** \$ 1,000

Cost for photocopying, as well as the development of promotional materials and brochures and other advertising aides for program recruitment.

**Reconciliation**

	<b>Cost</b>	<b>Percent of Total</b>
Revenue	\$700,000	100%
Client Benefits	\$630,000	90%
Administrative Expenses	\$70,000	10%

# **Exhibit**

**5**

Kentucky Power Company - IT Cost Estimate

Project Phase	Hours	Adjust Hours	Total Hours	Subtotal	Rate	Cost
<b><u>IT Estimate</u></b>						
<b>Propose &amp; Plan Phases</b>						
<b>Project Planning, Management and Controlling</b>						
High Level Requirements	10		10		\$52	\$520
Detail Requirements / Functional Design	40	0	40		\$52	\$2,080
System Architecture	6		6		\$52	\$312
				56.0		
<b><u>Construct Phase</u></b>						
<b>Technical Design</b>						
Transition From Planning to Development	11		11		\$52	\$572
Technical Detail Design Documents	113	33	80		\$52	\$4,160
				91.0		
<b>Construction and Unit Testing</b>						
Data Warehouse	0		0		\$52	\$0
DB2	0		0		\$52	\$0
Lotus Notes	0		0		\$52	\$0
Mainframe	570		570		\$52	\$29,640
Object Oriented	0		0		\$52	\$0
Oracle/SQL Server	0		0		\$52	\$0
Peoplesoft	0		0		\$52	\$0
Remedy	0		0		\$52	\$0
Smallword	0		0		\$52	\$0
UDB	0		0		\$52	\$0
Web development	0		0		\$52	\$0
				570.0		
<b><u>Test Phase</u></b>						
<b>Testing</b>						
Integration	30		30		\$52	\$1,560
System	57		57		\$52	\$2,964
UAT/Regression	29		29		\$52	\$1,508
Performance/Stress/Endurance	0		0		\$52	\$0
				116.0		
<b><u>Deliver &amp; Close Phase</u></b>						
<b>Delivery and Support</b>						
Transition From Development to Support Team	57	27	30		\$52	\$1,560
End-User Documentation	5		5		\$52	\$260
Business Unit Training	5		5		\$52	\$260
Migration, LANDesk, C/D	8		8		\$52	\$416
Warranty Period	29		29		\$52	\$1,508
				77.0		
<b><u>Additional Project Costs</u></b>						
Disaster Recovery	0		0		\$52	\$0
Phase Gate Reviews	50	25	25		\$52	\$1,300
Project Management (including meetings)	182	87	95		\$52	\$4,940
Training						\$0
Travel						\$0
Professional Services						\$0
Infrastructure (software, hardware) costs						\$0
				=====		=====
<b><u>IT Estimate</u></b>			1030			\$53,560
<b><u>BU Estimate</u></b>						
High Level Requirements	5		5		\$52	\$260
Detail Requirements / Detail Functional Design	12		12		\$52	\$624
UAT/Regression	87		87		\$52	\$4,524
				=====		=====
<b><u>BU Estimate</u></b>			104			\$5,408

Kentucky Power HEA Program  
Summary of KACA's Information Technology One-Time Costs

Cost for revisions to computerized client intake and information management system to allow building customer history storage mechanism, data management, daily data transfers to KPCo, and report customization for evaluation. This is through a contract with the software developer, Hensley Elam and Associates of Lexington

\$15,700

# **Exhibit**

**6**

**Kentucky Power Home Energy**  
**Assistance Program Invoice**

Period \_\_\_\_\_

**Category**      **Current Period**                      **YTD**                      **Budget**                      **% over/under**

Personnel

Fringe

Contracts

Supplies

Printing/Adv.

\_\_\_\_\_  
Kip Bowmar  
KACA

\_\_\_\_\_  
Date

# **Exhibit**

**7**

Kentucky Power Company  
Home Energy Assistance Program (HEAP)  
Pro-rata Calculation for Available Slots  
for Counties in KPCo Service Territory

EXHIBIT 7

Based upon Heating and Non-Heating Residential Customers

Ln No (1)	County (2)	Agency Serving County (3)	Heating Customer Sector			Non-Heating Sector			Total Number of Slots Years 1 & 2 (10) Col 6 + 9
			Residential Customers With Space Heating By County * (4)	Percent of Total Residential Customers (5)	Number of Slots Years 1 & 2 (6)	Residential Customers W/O Space Heating By County * (7)	Percent of Total Residential Customers (8)	Number of Slots Years 1 & 2 (9)	
1	Boyd	Northeast Kentucky	8,883	10.74%	63	11,757	18.93%	35	98
2	Carter	Northeast Kentucky	4,639	5.61%	33	2,707	4.36%	9	42
3	Elliott	Northeast Kentucky	8	0.01%	0	11	0.02%	0	0
4	Greenup	Northeast Kentucky	5,697	6.89%	40	7,179	11.56%	21	61
5	Lawrence	Northeast Kentucky	3,491	4.22%	25	2,689	4.33%	9	34
6		Sub total	22,718	27.47%	161	24,343	39.20%	74	235
7	Rowan	Gateway CSO	522	0.63%	4	439	0.71%	1	5
8	Morgan	Gateway CSO	662	0.80%	5	368	0.59%	1	6
9		Sub total	1,184	1.43%	9	807	1.30%	2	11
10	Floyd	Big Sandy CAP	6,539	7.91%	46	6,935	11.17%	22	68
11	Johnson	Big Sandy CAP	3,198	3.87%	23	2,819	4.54%	9	32
12	Magoffin	Big Sandy CAP	1,524	1.84%	11	769	1.24%	3	14
13	Martin	Big Sandy CAP	2,452	2.97%	17	1,921	3.09%	6	23
14	Pike	Big Sandy CAP	19,221	23.25%	135	10,192	16.41%	29	164
15		Sub total	32,934	39.84%	232	22,636	36.45%	69	301
16	Breathitt	Middle Kentucky River	2,637	3.19%	19	1,946	3.13%	6	25
17	Owsley	Middle Kentucky River	5	0.01%	0	2	0.00%	11	11
18		Sub total	2,642	3.20%	19	1,948	3.13%	17	36
19	Leslie	LKLP	3,631	4.39%	26	1,458	2.35%	5	31
20	Knott	LKLP	3,803	4.60%	27	3,388	5.46%	11	38
21	Letcher	LKLP	7,363	8.91%	52	2,942	4.74%	10	62
22	Perry	LKLP	8,400	10.16%	59	4,578	7.37%	15	74
23		Sub total	23,197	28.06%	164	12,366	19.92%	41	205
24		Grand Total	82,675	100%	585	62,100	100%	203	788

\* Source: Pg 9-1B March 2006 (excluding Lewis and Clay Counties)

EXHIBIT 7



# **Exhibit**

# **8**

**ACKNOWLEDGEMENT AND AUTHORIZATION TO RELEASE INFORMATION**

I, \_\_\_\_\_, acknowledge that I have read (or have had read to me) Community Action's Confidentiality Policy set out above and that I understand the policy.

I hereby authorize Community Action, its employees and agents, to release and disclose information about me and/or my family according to Community Action's Confidentiality Policy as stated above. Further, I authorize Community Action to obtain confidentiality about me from such sources as may be necessary to provide services to me, including but not limited to Kentucky Power. This authorization shall continue in effect until revoked by me in writing with notice to Community Action addressed and mailed or delivered to Executive Director, Community Action Council, 101 Burch Court, Frankfort, KY 40601.

I hereby agree to hold harmless Community Action, its employees and agents, acting in reliance on this authorization or as required by law.

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Participant's Signature

WITNESS:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print or type name

**CONFIDENTIALITY POLICY**

Confidentiality Policy: It is the policy of Community Action to keep confidential all information provided by our participants and about our participants. Information about you will be released to people and agencies outside Community Action only for the purpose of providing services to you including services you may not have expressly requested for which you may be eligible.

**HOWEVER**, confidential information may be released in some circumstances:

Community Action is required to report suspected abuse, neglect, or exploitation of children and adults;

Community Action is required to report fraud or threats of harm to persons, property or agencies;

Community Action is required to allow a participant to inspect the participant's records unless inspection is prohibited by law or court order;

Community Action is required to allow a parent or legal guardian to inspect the records of a child or ward unless inspection is prohibited by law or court order;

Community Action is required to furnish information if requested by police agencies conducting an investigation, or if required by subpoena or court order; and

Community Action may release information that is otherwise public information (such as family relationships, divorces, military service, etc.).

Community Action may need to provide information to its attorneys for various purposes; Community Action's attorneys are also bound by a confidentiality policy;

Community Action may release information relevant to the prosecution or defense of a lawsuit involving you.

**Kentucky Power Company**  
**HEA CUSTOMER AGREEMENT FORM**

I want to enroll in the Kentucky Power Company Home Energy Assistance Program and as a potential participant in the Kentucky Power Company Home Energy Assistance Program, I agree to accept all the program conditions as listed below.

**I agree to:**

- \*Re-verify gross monthly income once a year.
  
- \*Notify Community Action of any change in income, household size, or residency while a participant in the program.
  
- \*Apply for Weatherization services and accept if applicable.
  
- \* Authorize Kentucky Power to share Account Information with Community Action to verify program eligibility.
  
- \*Sign and return the enclosed Confidentiality Agreement.
  
- \*Accept any program change resulting from approved modifications to the program made by the HEA Collaborative, Kentucky Public Service Commission, or any other governing agency.

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Signature of Applicant

---

Date

# **Exhibit**

# **9**

EXHIBIT 9

The program will be measured against the following benchmarks:

(a) **Reduce the need for LIHEAP Crisis Assistance** – x% of enrollees in the HEA were free of need for LIHEAP Crisis Assistance.

*Baseline:* Upon enrollment, match enrollee with history of Crisis Assistance using statewide LIHEAP data for past three (3) years.

*Evaluation Procedure* Compare Crisis Assistance requested and approved during enrollment in the program.

(b) **Reduce arrearages** – Reduction in participant arrearages by x%.

*Baseline:* Kentucky Power will provide the amount of arrearages currently associated with customer account.

*Evaluation Procedure:* Compare arrearage data for participants every six (6) months during enrollment in the program.

(c) **Reduce loss of service due to non-payment** – Reduce by z% the percentage of participants losing service because of non-payment.

*Baseline:* Kentucky Power will provide data for each participant reporting the number of disconnect notices and actual disconnections for one year prior to enrollment.

*Evaluation:* Number of disconnect notices and actual disconnections per year will be compared to number of notice and disconnections per year during program.

(d) **Increased energy savings in combination with weatherization programs** – Enrollees in the HEA who were also enrolled in other weatherization programs experienced at least a z% reduction in energy costs.

*Baseline:* Participants' previous year's energy consumption.

*Evaluation:* Compare annual energy consumption before and after weatherization.

(e) **Other** --

(i) Total households served, total amount of assistance provided;

(ii) An assessment of how program benefits were distributed to customers in all of the counties eligible to participate in the program;

(iii) An assessment of movement of participants in and out of the program to determine if benefits to participants are short-term or long-term in nature.

# **Exhibit 10**



**EXHIBIT 10**

**List of Community Action Agencies in the KPCo service territory who will participate in the program.**

<b>Provider</b>	<b>Counties</b>
Northeast Kentucky Community Action Agency	Boyd, Carter, Elliott, Greenup, Lawrence
Gateway Community Services Organization	Morgan, Rowan
Big Sandy Community Action Program	Floyd, Johnson, Magoffin, Martin, Pike
Middle Kentucky River Community Action Agency	Breathitt, Owsley
LKLP Community Action Council	Leslie, Knott, Letcher, Perry