

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF KENTUCKY POWER )  
COMPANY AND KENTUCKY ASSOCIATION FOR )  
COMMUNITY ACTION, INC. FOR THE ) CASE NO. 2006-00373  
ESTABLISHMENT OF A HOME ENERGY )  
ASSISTANCE PROGRAM )

O R D E R

On August 3, 2006, American Electric Power d/b/a Kentucky Power Company ("Kentucky Power") and the Kentucky Association for Community Action, Inc. ("KACA") petitioned the Commission for approval of their proposed programmatic details of Kentucky Power's new Home Energy Assistance ("HEA") Program and recovery of the start up costs through Kentucky Power's demand-side management mechanism. The Commission approved the new HEA in Kentucky Power's last rate case, Case No. 2005-00341,<sup>1</sup> as part of a settlement agreement between the parties. The Attorney General, by and through his Office of Rate Intervention, was granted intervention in this proceeding on September 1, 2006.

The program is funded by a 10 cent per month charge on each residential meter and a contribution from Kentucky Power equal to that raised by the surcharge during the first two years of the program. The program is expected to generate revenues of \$350,000 during its first two years, which includes both the 10 cent per meter charge and Kentucky Power's matching contribution. The Joint Applicants expect to use 10 percent of the funds raised for administrative expenses.

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<sup>1</sup> Case No. 2005-00341, A General Adjustment in the Rates of Kentucky Power Company, Order dated March 14, 2006.

Kentucky Power modeled its program on the program approved by the Commission for Kentucky Utilities Company<sup>2</sup> with modifications in order to reflect the characteristics of its service territory and current circumstances. Kentucky Power's proposed program is designed to provide a subsidy during peak heating and cooling months for those customers who are enrolled in the federal Low Income Home Energy Assistance Program ("LIHEAP"), have an income that does not exceed the effective maximum income level for participation in LIHEAP<sup>3</sup> and are the ratepayer of record for the household.

Kentucky Power states that the households using means other than electricity as their primary source of heat constitute approximately 43 percent of its residential ratepayers.<sup>4</sup> Therefore, unlike KU's program, Kentucky Power proposes to make its HEA program available to customers who do not use electricity to heat their homes. When considering the inclusion of these customers in its program, Kentucky Power also considered, among other things, the fact that Columbia Gas of Kentucky ("Columbia") has limited penetration into Kentucky Power's territory which prevents households heating with gas to take advantage of Columbia's assistance programs, every customer within the service territory must pay the 10 cent surcharge and therefore should have access to the program if they otherwise qualify and that even if the main heat source is

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<sup>2</sup> 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, Order dated November 24, 2004.

<sup>3</sup> Currently 130 percent of the Federal Poverty guidelines as published in the Federal Register for the applicant's family unit size for the applicable year.

<sup>4</sup> See Application at 7.

not electric, the loss of electrical service can result in an uninhabitable residence because of the loss of light and refrigeration.

The funds will be allocated among the participating community action agencies based upon the proportion of residential customers served by a community action agency to the total number of residential customers. The subsidy for participants who use electricity to heat their homes will be \$65 per month and participants who do not use electricity primarily to heat their homes will receive \$33 per month. Participants will receive a credit during the winter heating season consisting of the months of December, January, February, and March and the summer cooling season months of July, August, and September which will be applied first to arrearages, then to the current bill. If the credit exceeds the balance due at billing, the credit will carry forward to the next month's bill. Any unspent amounts will remain in the program pool.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. The proposed programmatic details of the Joint Applicant's HEA program are reasonable and should be approved.
2. Kentucky Power's request to recover its start up costs through its demand-side management mechanism is reasonable and should be approved.

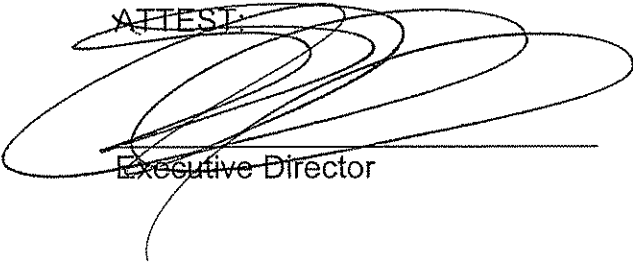
IT IS THEREFORE ORDERED that:

1. The proposed programmatic details of the Joint Applicant's HEA program are reasonable and are approved.
2. Kentucky Power's request to recover its start up costs through its demand-side management mechanism is reasonable and is approved.

Done at Frankfort, Kentucky, this 14th day of December, 2006.

By the Commission

ATTEST:

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Executive Director