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**HAND-DELIVERED**

October 26, 2007

Ms. Beth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

Re: **Comments of Community Action Council  
and  
Comments of Kentucky Association for Community Action  
Public Service Commission, Case No. 2007-00319**

Dear Ms. O'Donnell:

At the request of Joe Childers, I am enclosing an original and ten copies of each of the above-captioned pleadings. Also enclosed is an extra copy of each to "date-stamp" and return to me for our file. A postage-paid envelope is enclosed for that purpose.

Thank you for your assistance. Please call me at (859) 259-1900, ext. 33 if you have questions regarding the enclosed.

Sincerely,



Patricia Pruitt  
Secretary to Joe F. Childers, Esq.

Enclosures

**RECEIVED**

OCT 26 2007

**PUBLIC SERVICE  
COMMISSION**

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

**RECEIVED**  
OCT 26 2007  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE JOINT APPLICATION OF LOUISVILLE )  
GAS AND ELECTRIC COMPANY AND )  
KENTUCKY UTILITIES COMPANY DEMAND- )  
SIDE MANAGEMENT FOR THE REVIEW, )  
MODIFICATION, AND CONTINUATION OF )  
ENERGY EFFICIENT PROGRAMS AND DSM )  
COST RECOVERY MECHANISMS )  
BROWNFIELD DEVELOPMENT RIDER )

CASE NO. 2007-00319

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**COMMENTS OF COMMUNITY ACTION COUNCIL**

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Come now the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (CAC), P.O. Box 11610, Lexington, KY 40576, by counsel, and hereby submits its comments to the Commission pursuant to the Commission’s Order of October 12, 2007.

**BACKGROUND**

Community Action Council, a private, non-profit organization, was established in 1965 to combat poverty. The Council does this by creating opportunities for individuals and families that enable them to become economically self-sufficient. The Council’s programs include Head Start, Early Head Start and Migrant Head Start serving more than 1,000 children and dozens of child development, self-sufficiency, education, and other programs. The Council is the designated community action agency for Lexington-Fayette, Bourbon, Harrison and Nicholas counties in Central Kentucky. It is the state-recognized eligible entity for the Community Services Block

Grant (CSBG) and administers the Low Income Home Energy Assistance Program (LIHEAP) for each of those counties. The Council also founded and manages WinterCare, a statewide energy assistance program.

Since 1978 the Council has operated the federal Department of Energy Weatherization Assistance Program designed to help low-income individuals and families conserve energy through insulation and by stopping air infiltration into their homes. Once applicants are approved for the program, houses are inspected to determine what modifications will make the home more energy efficient. Local contractors are selected to perform the work and, upon completion, a second inspection is performed to ensure that the work is correct, complete and the recipient is satisfied. Weatherization services include caulking, weather-stripping, replacement of thresholds and door sweeps, re-glazing windows and replacing broken glass, outside wall repair, minor roof repair, attic insulating, repairing and replacing skirting around the foundation, under-floor insulation including wrapping pipes and insulating heat ducts, venting the attic and crawl spaces, and repairing or replacing heating equipment and venting system. The Council's annual budget for the Weatherization program exceeds \$300,000.

In addition to the federal Weatherization program, the Council receives Community Development Block Grant (CDBG) funds from Lexington-Fayette Urban County Government for a program to replace furnaces in homes where the federal program won't support that work. The annual budget for this furnace replacement program is \$20,000. In summary, the Council operates or has operated multiple energy conservation and energy assistance programs both within and outside of its service area.

## **CAC'S OBJECTION TO JOINT APPLICATION**

The Council comes now before the Commission with objections to the joint application of Louisville Gas and Electric Company and Kentucky Utilities Company (the Companies) Demand-Side Management for review, modification, and continuation of Energy Efficiency Programs and DSM Cost Recovery Mechanisms. Specifically, the Council wishes to address the Low-Income Residential program, currently called WeCare. While the Council does not object to the continuation of this program, it urges the Commission to consider that thus far the program has proven ineffective and inefficient and thus warrants substantial changes.

Within the application and in response to the Council's Interrogatories and Supplemental Interrogatories, the Companies make a vague assertion that the low-income residential program will be operated in close coordination with the agencies operating the federal Weatherization program. However, to date, the Companies have not reached agreement with those agencies or their representatives regarding any current or future levels of cooperation or integration. Because of the similar nature of the federal Weatherization program and the low-income residential program proposed here, it is absolutely essential that these programs be integrated in every way possible to prevent duplication of effort, waste of ratepayers money, and to ensure accurate measures of effectiveness.

In the current program and as proposed going forward, the Companies state that they utilize payment vouchers received from community action agencies in order to determine whether a household has received benefits from the Low Income Home Energy Assistance Program (LIHEAP) and is therefore eligible for the WeCare program. However, the Companies have never discussed this measure of eligibility with the Council and the Council deems this an

ineffective method for ensuring that only LIHEAP participants are offered WeCare services. The method is ineffective because the vouchers used by the Companies were not intended for this purpose and are, therefore, not comprehensive. The column labeled “payment type” (see sample in Response the CAC Supplemental Interrogatories A-1) reflects a database printout and the hard copy received by the Companies does not display every program from which a client’s payment may have been derived. Therefore, a customer’s voucher may indicate Wintercare or some other program in the “payment type” category even if the client also received benefits from LIHEAP. In that example, the Companies would have deemed the household ineligible where it should have been eligible, and importantly would not know the full extent of services being offered to the household.

The Council also would like to point out that Kentucky Utilities is in breach of its confidentiality agreement with the organization by sharing information from the payment vouchers with a third party. This voucher is not covered by the existing agreement between the Council and Kentucky Utilities and the Company has never received permission to utilize it for any purpose not related to customer payments. In response to supplemental interrogatory Question 18, the Companies state that permission is not required for an agent of the company to receive confidential information provided by community action agencies. However, the Council believes the company to be in breach of its agreement when confidential customer information has been utilized to contact customers who received LIHEAP benefits without their prior approval. The agreement with the Companies does not give it or its agents permission to contact LIHEAP participants and solicit participation in the WeCare program.

The above example regarding determination of eligibility represents just one of the inefficiencies that have and may emerge as a result of a disconnect between the federal Weatherization program and the residential low-income program proposed by the Companies. Only a comprehensive organization experienced in working with low-income people, and fully aware of the range of services available to those customers, is fully equipped to determine eligibility and monitor that eligibility throughout the service delivery. For example, by only performing a one-time intake to determine eligibility, the Companies risk certifying a household as eligible when, in fact, that household was eligible at the time of the intake but received substantial new income in the months before services were delivered and is no longer eligible for WeCare. Organizations that operate the federal Weatherization program and many other publicly funded programs must monitor household eligibility throughout the enrollment and service delivery process.

In response to Question-2 of the Council's Supplemental Interrogatories, the Companies state that communications between them and the community action agencies operating Weatherization is "on an informal, as needed basis" and that they have not tracked communications with agencies. In fact, there has been no communications between the WeCare program and Community Action Council except during the period when the Council was a subcontractor for the program. The Companies also point to the creation of a Customer Commitment Advisory Forum and state their intent to "utilize this forum to initiate discussions" with community action agencies. It is the Council's position that substantial similarities between the Weatherization and WeCare programs necessitate far more than informal, as needed communications between the two programs. Anything less can and has resulted in duplication of

effort and waste of money. Also, the Customer Commitment Advisory Forum has held just one meeting since the Companies' joint application was filed and the forum's membership includes a number of organizations with little or no interest in energy efficiency activities or the needs of low-income customers. This is not an appropriate forum to address the amount of information sharing necessary between these two programs. The Companies also cite the Energy Efficiency Advisory Group for ongoing discussion of this program, however, the Council strongly suggests that large-scale, systematic integration is necessary to effectively operate WeCare and the Weatherization program and that even regularly scheduled meetings are insufficient to provide that level of communication. The Energy Efficiency Advisory Group has existed under the current program but has failed to produce the kind of communications the Companies now believe it will foster.

Further illustrating the need for integration, the Companies continue to demonstrate in response to interrogatories that they do not understand the LIHEAP eligibility guidelines. In response to Council Interrogatories (Question 6), the Companies state that the federal LIHEAP eligibility guidelines will be used to determine eligibility for WeCare. However, in response to Council Supplemental Interrogatories (Question 3), the Companies also state that eligibility will be determined based on LIHEAP guidelines approved by the Commonwealth of Kentucky. Since the state guidelines are more restrictive than federal guidelines, this system would create a scenario where many households may be eligible for WeCare but not eligible for LIHEAP in Kentucky and the Companies would not be able to actively identify those customers because the WeCare program almost exclusively serves those who have received LIHEAP benefits in the state. The Companies refer to their own "intake" process for those households who may be

eligible for WeCare but have not received LIHEAP; however, the companies provide no details on this process or assurances that it has the experience necessary for working with the low-income population and determining eligibility for income-based programming. Community action agencies, for example, already perform a universal intake to determine a low-income household's eligibility for dozens of programs and hundreds of services. Any intakes performed by the Companies would constitute a duplication of effort. Further, the WeCare program uses and proposes using the federal LIHEAP eligibility guidelines (currently 150 percent of the federal poverty level) but claims to use LIHEAP payments received from state-operating entities (community action agencies) to certify eligibility. Since the state LIHEAP eligibility is more restrictive (130 percent of the federal poverty level), the Companies have provided no data regarding how many households were served or will be served in the range not covered by LIHEAP (between 130 percent and 150 percent of the federal poverty level).

The Council also believes that the use of engineered savings in the evaluation conducted by Summit Blue represents an inaccurate method of calculation and provides the Commission with no useful information for determining the success or failure of the program. Engineered savings assumes full benefit is achieved through each energy-conserving measure and the evaluator would not know, or be able to take into account, real world variables such as customer removal of a measure or a customer's decision to change heating or cooling habits as a result of savings achieved through installed measures. It is the Council's experience from decades of operating weatherization programs that these variables occur frequently and can substantially affect actual savings. For example, the evaluation claims natural gas savings of 19.3% for customers of Columbia Gas who received WeCare intervention. The Council's experience from



more than 20 years of operating a nearly identical program is that savings as a result of these measures ranges widely from 8% for one home to 28% for another home<sup>a</sup>. Also, because Columbia Gas is not a party to this program, the evaluator could not have used actual customer savings to determine reduction in natural gas usage because customer information was not available. Due to lack of coordination between WeCare and the Weatherization program, the evaluator would not even be able to use real-world calculations to know if savings were a result of only WeCare measures or also reflected measures installed before or after by Weatherization or any other program. The Companies state in response to Council Interrogatories that the evaluation only considered engineered savings as a result of measures installed by the WeCare program but, once again, this assumes full benefit was achieved from each measure installed and is not an ideal calculation or a realistic reflection of program results.

In response to Interrogatories and Supplemental Interrogatories propounded by the Council, the Companies also have not established whether they are even aware of the program's overhead or administrative costs or whether the current contractor operates the program in such a manner as to realize profit. The Companies, in response to Interrogatories, provide the fixed costs budgeted for each component of the program, including management fees, energy audits, direct measures, etc. However, in response to the Council's Supplemental Interrogatories Question 15, the Companies acknowledge that contractors were not required to disclose overhead costs within those budget categories and further acknowledge that the existing contractor did not disclose that information, considering it to be confidential. In response to

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<sup>a</sup> It should be noted that the Weatherization program is more comprehensive than WeCare and achieves these savings with more substantial installation of measures such as furnace replacement, further calling the Companies' reported savings into question.

Supplemental Interrogatories Question 24, the Companies state that contracts between Honeywell (the existing contractor) and its subcontractors are “private business matters and the Companies have no knowledge of their agreements” and that Honeywell is paid an agreed upon amount regardless of actual cost. If that is true, then the companies have no way of knowing whether the existing contractor has subcontracted the work at prices that would allow it to realize profit from the program. This is also why it is impossible to use engineered savings for an evaluation of program benefits. Using engineered savings makes it impossible to know if ratepayers are getting a return greater than the investment because true costs are unknown.

Given the program’s intent and the demands on ratepayers, the Council believes it is highly unfair to ratepayers for this program to be operated for a profit when it could be awarded to and operated more efficiently by non-profit organizations. For example, contractor Honeywell charges the WeCare program \$16 for the purchase of a compact fluorescent light bulb (this charge is in addition to all management fees already paid to Honeywell) while the average market price for such a light bulb is \$2.75. If WeCare were operated in a not-for-profit manner, then any realized savings would result in serving more households and not in profit for the contractor.

The Council also takes issue with the Companies’ assertion that it has no knowledge of relationships between Honeywell and its subcontractors. A Company representative was present and participated in meetings and negotiations between Honeywell and the Council when the Council was a subcontractor for this program.

In response to Council Interrogatories, the Companies defend the WeCare program’s duplication of effort by claiming there is benefit in repetition of an energy saving message to

low-income customers. While the Council doesn't dispute some value in repetition, it believes that repetition should not come at the expense of ratepayers when Weatherization program operators already conduct more in-depth, computerized energy audits and provide energy conservation materials to low-income people. Weatherization auditors use the National Energy Audit Tool (NEAT) developed by Oak Ridge National Laboratory to conduct a comprehensive assessment. With extensive coordination between the two programs, there would be no need to repeat these and some other parts of the WeCare program for many participants. Also, there is no justification for duplication of effort when thousands of low-income Kentucky families are not receiving services at all. In Fayette County, for example, there are more than 35,000 people living below the federal poverty line (U.S. Census, 2000) but the federal Weatherization program is able to serve, on average, only 90 households per year.

Finally, in response to Supplemental Interrogatories Question 20, the Companies state that it would be inappropriate to consolidate services of the WeCare and federal Weatherization programs. In defense of that position, the Companies state that many of the Weatherization operators are agencies that assist customers served by utilities other than Kentucky Utilities or Louisville Gas and Electric and that services are limited to ratepayers from those utilities. Once again the Companies have demonstrated a lack of understanding of the community action agencies and their network. The Council, for example, has an annual budget of more than \$20 million, operates several dozen programs serving more than 7,000 families annually. The Council and its sister community action agencies maintain sophisticated intake systems and databases which can easily distinguish participant characteristics including where they pay their utilities. These organizations have the fiscal capacity for fund accounting and only charge

accounts for services received – a process that is audited annually. If the Council and its partner agencies could not distinguish customers of one utility from customers of another utility then they would be unable to operate the LIHEAP, Wintercare, Kentucky Utilities' Home Energy Assistance Program, or any other assistance program which overlaps utility territories. In fact, the community action agencies are the only comprehensive service agencies with a statewide network with experience delivering such services across territories.

In conclusion, the Council recommends that the Commission approve the Companies' joint application for continuation of the DSM programming, but strongly urges the Commission in its Order to require that the program be contracted to the operators of the federal Department of Energy Weatherization program. Only full integration of the low-income residential program, also called WeCare, and the federal Weatherization program can fully prevent duplication of effort, ensure a fair and efficient program for ratepayers and yield real, measurable data regarding outcomes for WeCare households. Should contracting with a number of agencies prove difficult for the Companies, the program could be administered by the Council (the community action agency recognized by its peers as the lead agency for energy issues) or the Kentucky Association for Community Action (KACA) with services delivered through the Weatherization operators. It should be noted here that there is precedent for this structure which is already being used to effectively and efficiently operate the Companies' Home Energy Assistance Program which was recently approved by the Commission, as well as Energy Assistance Programs operated with Columbia Gas and Delta Gas.

At a minimum, to protect the interests of ratepayers and the intended beneficiaries, the Commission should impose the following conditions on the low-income residential program:

- The contractor for the low-income residential program must utilize a common, single intake and application for both the federal Weatherization and low-income residential program. This will ensure that all eligible low-income people are given an opportunity to enroll and prevent ineligible households from receiving services.
- A single energy audit should be conducted for both the low-income residential program and the federal Weatherization program. This requirement is the only way to prevent duplication of effort and ensure coordination between the two programs. It also acknowledges the different and unique needs of each low-income household and will ensure that each is served by the appropriate program or combination of programs. Additionally, the Commission should require the Companies to ensure that the National Energy Audit Tool developed by Oak Ridge Laboratories is utilized for all energy audits. The NEAT tool is the U.S. Department of Energy's auditing tool, was written for weatherization auditing and is currently used to weatherize low-income homes in 35 states. The tool applies engineering and economic calculations to evaluate energy conservation measures and uses engineering calculations to compute the savings of individual measures but also adjusts savings based on actual consumption data, therefore providing actual savings for use in a more effective evaluation.
- Households receive energy education and related materials from a single source and that those materials are coordinated with the federal Weatherization program to ensure information is consistent and households do not receive information or materials from more than one program. This requirement, again, eliminates the current duplication of

effort where a household can receive energy education from both WeCare and Weatherization without either program knowing what has already been provided.

- Evaluations and inspections of work performed under the low-income residential program must be conducted by Kentucky state certified inspectors in heat systems and weatherization. This is not currently a requirement of the program and will ensure that inspections are performed by certified inspectors with substantial training and qualifications in the field of weatherization.
- Any program evaluation must utilize actual savings per household and not engineered savings in order to ensure an accurate reflection of outcomes as a result of installed measures. The evaluation should take into account all programs that have installed measures in a home and calculate using a savings to investment ratio.
- The Companies should be required to administer the program budget using actual cost of measures and not predetermined fixed costs. Under the current program, a contractor is paid a fixed cost for purchase and installation of measures and, if those measures can be provided at a reduced rate, the contractor may realize a profit. The Council submits that this program need not be operated in a manner so as to generate a profit. In fact, more households would be served if the program were operated by a qualified non-profit organization.

RESPECTFULLY SUBMITTED,

  
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JOE F. CHILDERS

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250 West Main Street

Lexington, KY. 40507  
(859) 259-1900

**ON BEHALF OF COMMUNITY  
ACTION COUNCIL FOR  
LEXINGTON-FAYETTE, BOURBON,  
HARRISON AND NICHOLAS  
COUNTIES, INC.**

**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing document has been served on the following persons by United States mail:

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on this the 26<sup>th</sup> day of October, 2007.

  
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JOE F. CHILDERS

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

OCT 26 2007  
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THE JOINT APPLICATION OF LOUISVILLE )  
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SIDE MANAGEMENT FOR THE REVIEW, )  
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BROWNFIELD DEVELOPMENT RIDER )

CASE NO. 2007-00319

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**COMMENTS OF KENTUCKY ASSOCIATION FOR COMMUNITY ACTION**

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Come now the Kentucky Association for Community Action, Inc. (KACA), 101 Burch Court, Frankfort, KY 40601, by counsel, and hereby submits its comments to the Commission pursuant to the Commission's Order of October 12, 2007.

**BACKGROUND**

The Kentucky Association for Community Action (KACA), a private, non-profit organization domiciled in the commonwealth of Kentucky was founded in 1968 to assist local Community Action Agencies and the low-income families and individuals they serve. KACA does so through a variety of programs that it operates through its network of 23 Community Action agencies that provide services in all 120 counties of the state as well as through its various training and technical assistance programs and through its advocacy efforts on behalf of low-income people and Community Action Agencies. It provides training and technical assistance through the Community Services Block Grant for all 23 agencies across the state by



providing board governance training for local agencies, case management services, hosting a variety of training sessions throughout the year, and by compiling outcomes data from CSBG for reports for the Executive branch, the General Assembly, the Department for Health and Human Services, and the congressional delegation. KACA also operates the Rural Community Assistance Program that helps rural communities with populations under 10,000 to come up with solutions to water and waste water problems with a variety of services including helping them come into compliance, rate analysis, feasibility studies, income surveys, serving as liaison with rural Development and other potential funders, and more.

KACA also serves as the contractor for the Kentucky Utilities (KU) Home Energy Assistance (HEA) Program and works with the 18 agencies that provide services in the 77 counties that KU services. KACA also serves as the contractor for the Home Energy Assistance Program (HEAP) with Kentucky Power/American Electric Power that works with five Community Action Agencies in eastern Kentucky that provide services in 20 Kentucky Power counties. The program will seek to serve over 1,000 households this program year. In addition, KACA also operates a Demand Side Management (DSM) program where it serves on various low income energy and DSM collaboratives around the state, and intervenes in rate cases and other utility regulatory proceedings at the Public Service Commission that effect low income households. KACA presently serves on energy conservation/energy assistance collaboratives at KU, LG&E, Kentucky Power, and West Kentucky Gas. KACA also served on the natural gas unbundling taskforce that the Public Service Commission impaneled several years ago.

KACA worked with the General Assembly to get a \$10 million appropriation for the Low Income Home Energy Assistance Program (LIHEAP) in 2006. The Governor signed the bill on

January 31, 2006 and KACA thereafter programmed its software changes and had the program running within 24 hours.

KACA has operated the Low Income Home Energy Assistance Program (LIHEAP) in all 120 counties through its network of 23 Community Action Agencies since 1986. In the 2006-2007 year, KACA served approximately 230,000 households with over \$31 million in benefits with an average benefit of approximately \$140 per household. Despite the extremely high volume, KACA and its member agencies have provided excellent services to low-income clients. Before KACA operated LIHEAP there would typically be more than 1,000 complaints to the Cabinet for Human Resources (now CHFS) ombudsman. Now in a typical year, there are fewer than ten such complaints. KACA operates the Castinet software system that 22 of the 23 agencies use to operate the program and KACA incorporates the data from the one agency not using Castinet for comprehensive program reports for funding sources, the General Assembly, the media, and other stakeholders. KACA provides training for the 23 agencies, develops and implements sub-contracts, compiles the invoices for the 23 agencies into one invoice for the state, operates a year round toll free hotline for clients, vendors, and agencies, prepares fliers and other promotion materials for the program, monitors the agencies on site at least once annually, reviews their OMB A-133 audit, and more.

KACA also operates the federal Department of Energy Weatherization program for the state of Kentucky through a network of 22 Community Action Agencies and one governmental entity. In the 2006-2007 program, approximately 2,300 homes were weatherized with approximately \$8.7 million in program expenditures by the 23 vendors. The comprehensive services provided included an extensive energy audit, heat system repair, wall insulation, heat

system replacement where necessary, stopping air infiltration, attic insulation, duct sealing, floor insulation, and more. In addition, the Weatherization program provides extensive health and safety measures and can spend up to \$1,000 per households for those measures. KACA also provides pollution insurance for each of the 23 vendors who participate in the program to protect against potential claims for things like mold or lead based paint issues that might arise. Each of the vendors in the program receives significant training as well as on site monitoring from the Cabinet for Health and Family Services.

### **KACA'S OBJECTIONS TO THE JOINT APPLICATION**

KACA now comes before the Commission with objections to the joint application of Louisville Gas and Electric and Kentucky Utilities Demand Side Management for review, modification, and continuation of Energy Efficiency Programs and DSM Mechanisms. In particular, KACA has concerns with the current design and structure of the low-income residential program that is called WeCare. Like Community Action Council (CAC), another intervener in this proceeding, KACA's concerns primarily involve the program's effectiveness to date. KACA submits that significant changes are necessary.

In responses to questions from CAC, the companies state that the low-income residential program will be operated in close coordination with agencies that operate the federal Weatherization program. In the last few years, there has been little to no coordination or communication with the Community Action Agencies who operate the Weatherization program and with Honeywell, who has served as the vendor for the companies' program. This has meant that many of the same households have been weatherized twice. This is unfortunate given the huge need for weatherization services in Kentucky that far outstrips available resources.

According to the 2000 US Census, there were over 600,000 people below the poverty line in the state of Kentucky, but the weatherization program was only able to serve approximately 2,300 households in 2006-2007.

Because of the extent of the need and the limit of resources, KACA believes that it is crucial that one statewide organization that has a history of working with low-income households be designated to appropriately manage the various eligibility standards for different programs to help ensure that targeted households can receive the appropriate benefits.

The Companies state that communications between the Community Action Agencies and themselves have been on an informal and as needed basis. It also states that they have not tracked Communications between the agencies and themselves. To our knowledge, there has been little to no communication in the last few years between WeCare and the Weatherization programs around the state. The Companies did state that the creation of a Customer Commitment Advisory forum would be a way to initiate conversations with Community Action Agencies. The advisory forum has had one meeting last month that was attended by representatives of two Community Action Agencies. During that meeting there was no discussion of the Companies' plans in regard to its DSM program, other than to mention that they had been filed with the Commission. There was no discussion about the concerns that CAC or KACA had about the plan and the large majority of people at the meeting had little to no involvement with the Weatherization program. The Companies have not invited KACA to participate in the Energy Efficiency Advisory Group even though KACA operates the Weatherization and Low income Home Energy Assistance Program (LIHEAP) in all 120 counties of the state. It will be difficult to increase the level of dialogue without having all the necessary partners at the table.

Another concern is that in response to questions from the CAC, the companies state that they do not know what goes into Honeywell's price and how much is profit and how much is the actual cost to deliver a service. The reason that this is important is that if a for-profit vendor is going to be paid a flat amount to provide a service to a household, it is clearly going to be in the best interest of the vendor to do as little as possible and to avoid providing more comprehensive services because they would reduce the profit margin. Community Action Agencies operate as non-profits and those additional dollars are put into providing more services, not building up the bottom line. Because the companies do not know how much of the service is actually direct labor and installed materials and how much is profit, it is difficult to estimate the actual savings.

The Weatherization Program features the National Energy Audit Tool (NEAT) that was developed by Oak Ridge National Laboratory. This is a comprehensive energy audit tool that helps identify potential energy savings for households and by using the Weatherization vendors to operate WeCare, some duplication could be reduced.

KACA agrees with CAC's points that the Community Action Agencies all operate with a single intake form, operate a myriad of programs, and are able to track expenses to individual programs to ensure that ineligible households do not receive services. In Weatherization programs with Kentucky Power and West Kentucky Gas, there are times when some measures are charged to the DOE Weatherization program and some measures are charged to the utility conservation programs. Community Action Agencies clearly have the ability to track programs separately to address the Companies' concern that if WeCare was added in the Weatherization

Program, it is possible that ineligible households who are customers of another utility might receive assistance with WeCare dollars.

In conclusion, KACA, like CAC, recommends that the Commission approve the Companies' joint application for continuation of the DSM residential programming. KACA strongly urges the Commission in its Order to require that program be contracted to the 22 Community Agencies and one governmental entity who operate the Weatherization Program through KACA. This way the companies would only have to deal with one contract and there is already a system that has been in place for many years with strong accountability built into the system. This will help reduce duplication of effort and will provide the best outcome for ratepayers since the operators of the Weatherization Program are not seeking to operate at a profit.

RESPECTFULLY SUBMITTED,



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JOE F. CHILDERS

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**ON BEHALF OF KENTUCKY  
ASSOCIATION FOR COMMUNITY  
ACTION, INC.**

**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing document has been served on the following persons by United States mail:

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on this the 26<sup>th</sup> day of October, 2007.

  
\_\_\_\_\_  
JOE F. CHILDERS

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