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HAND-DELIVERED

January 2, 2008

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

Re: **Testimony of Thomas "Kip" Bowmar**
Testimony of Jim Christian
Testimony of Jack E. Burch
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 (testimony). Also enclosed is an extra copy of each to "date-stamp" and give to our runner, Bethany, to return to me for our file.

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

tmp/letters/CAC/ltr Beth O'Donnell 1-2-08

RECEIVED

JAN 02 2008

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

RECEIVED

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)

JAN 02 2008
PUBLIC SERVICE
COMMISSION
CASE NO. 2007-0319

TESTIMONY OF THOMAS "KIP" BOWMAR

- 1. Please indicate your name, address and describe your current position and professional background.**

My name is Thomas "Kip" Bowmar and I have served as Executive Director of the Kentucky Association for Community Action, Inc. (hereinafter "KACA") since 1994. KACA's administrative offices are located at 101 Burch Court in Frankfort, Kentucky and its 23 member Community Action Agencies provide direct services to low income households in all 120 counties of the state.

I am an honors program graduate from the University of Kentucky with a major in journalism and I earned a Masters degree in Public Administration from Kentucky State University. I have worked with DSM/Energy assistance collaboratives with American Electric Power, West Ky Gas, Synergy, Louisville Gas and Electric, and Kentucky Utilities over the years. I also served on the Public Service Commission's natural gas unbundling task force and recently participated with the Commission's DSM proceedings initiated in response to House Bill One, which is looking at barriers to increased use of renewable energy.

- 2. Please describe the purpose of your testimony.**

The purpose of my testimony is to state the position of KACA in regards to the proposed Residential Low Income Weatherization Program, or WeCare, as currently proposed to be operated by Louisville Gas & Electric Company and Kentucky Utilities. Our interest is to see that low income households are well served by the program design and operation.

3. Please describe the organization description of its activities with a particular emphasis on energy related programs.

The Kentucky Association for Community Action, Inc. is a 501 (C) 3 not for profit organization domiciled in the Commonwealth of Kentucky. The organization represents the 23 Community Action Agencies that provide social services to nearly 500,000 low income individuals in all 120 counties every year through a variety of programs.

KACA operates the federally funded Low Income Home Energy Assistance Program (LIHEAP) from the beginning of November until the end of March or until funds are exhausted through its network of Community Action Agencies. In each of the last two heating seasons (2005-2006 and 2006-2007), we have helped prevent shutoffs and reduced crisis situations to over 220,000 households with approximately \$32 million in benefits each year. The program assisted households in all 120 counties of the state. LIHEAP is an important program because it helps a large number of senior citizens, disabled persons, and families with children under the age of six. Without LIHEAP services many of our most vulnerable residents would be at a far greater risk. The Program is funded by the Federal Department of Health and Human Services and in 2006 was also funded by the Kentucky General Assembly for the first time.

KACA also operates the federally funded Weatherization Assistance Program from the Department of Energy. KACA operates the program statewide through a network of 22 Community Action Agencies and one unit of local government. The Weatherization program provides a wide variety of energy conservation measures including furnace repair, attic insulation, stopping air infiltration, wall insulation, repairing ducts and vents, furnace replacement, floor insulation, hot water heater wraps, refrigerator replacement (in limited cases), installation of compact fluorescent lights, and more. The program also includes energy education for the households as well. In the 2006-2007 year, the Weatherization program in Kentucky provided these comprehensive services to over 2,500 households in all 120 counties of the state. The Weatherization Program is so important because it reduces energy usage over the long term as opposed to providing a one time benefit, such as LIHEAP assistance. Under KACA's adept management, these program have worked very closely. Federal LIHEAP regulations allow a 15% transfer from LIHEAP to Weatherization on an annual basis. We have worked with the Commonwealth of Kentucky annually to see that such a transfer occurs because Weatherization plays a large part in the long term solution for energy unaffordabilty for low income households. One of the other reasons that the federal Weatherization program is so necessary is that it is only able to serve a little over one percent of the population that is served by LIHEAP. To put this in perspective, under current funding it would take over 80 years to weatherize the homes that were serve in LIHEAP in 2006-2007 alone.

KACA has also overseen and worked with two Residential Energy Assistance Challenge (REACH) grants, one with Community Action Council in Lexington and one with Louisville Metro Community Action Partnership. Both sought to combine extensive

energy conservation services with more extensive energy education to reduce energy burdens on low income households.

KACA also operates a demand side management program (DSM) with a contract from the Cabinet for Health and Family Services (CHFS) that seeks to create additional energy conservation and energy assistance services for low income households. As part of these efforts, KACA has intervened in rate cases and other regulatory proceedings and offered testimony to help support those efforts. Because of this work and the work of low income advocates, there are presently utility and ratepayer funded energy assistance and energy conservation programs with Kentucky Utilities, Louisville Gas and Electric, Duke, American Electric Power, Columbia Gas, Delta Natural Gas, and Atmos.

KACA operates the Rural Community Assistance Program (RCAP), which seeks to provide low income communities with solutions to water, waste water, and community development problems. KACA's RCAP program has helped numerous communities leverage millions of dollars in water and sewer utility improvements through its training and technical assistance program.

KACA operates a housing program in conjunction with the Kentucky Housing Corporation (KHC) which assists local Community Action agencies provide more services in rehabilitating existing housing stock.

KACA and 22 of its member agencies utilize the Castanet computerized software intake and information management system. The system is also able to incorporate data from the IRIS system that Community Action Council utilizes. The data system is able to help KACA track necessary information from the households that we serve and to be able to generate the necessary reports for funding sources as well as data for our annual report and other documents.

**4. Are there programs through which KACA partners with utility companies?
Please discuss.**

KACA has a contract with the Companies to operate the home energy assistance program through the Kentucky Utilities service area that serves 1,300 households annually. We work very closely with the Community Action Council and the Companies on this program. In addition, we assist with the Louisville Gas and Electric home energy assistance program as the applicants for this program apply through KACA's Low Income Home Energy Assistance Program (LIHEAP).

In addition, KACA has a contract with American Electric Power (AEP) to operate a home energy assistance program in eastern Kentucky that will provide serves to approximately 800 households on an annual basis. KACA assists five Community Action agencies in eastern Kentucky that provide services in approximately 20 AEP served counties.

5. Do you and your organization support or object to the Company's proposed Residential Low-Income Weatherization Program? Please explain.

Much like the comments and testimony that have been filed by Community Action Council, KACA does not object in principle to continuation of the WeCare program; however, we do urge the Commission to consider that the program has not reached its potential and there are significant changes that need to be considered..

6. What are your concerns and what solutions would you seek in this case?

KACA advocates for use of the National Energy Audit Tool (NEAT) to conduct a comprehensive assessment of households. The NEAT tool and other tools and software maintained by the Companies and KACA can provide data necessary for an actual savings evaluation in a cost effective manner. Use of engineered savings has already demonstrated that it provides data that is highly suspect based on the fact that each household's savings will vary based on many factors including the life of the measure, size of the house, client behavior, etc. The NEAT Audit and the customer's actual bill history will help collect real savings data.

Presently, there is very little coordination between KACA's federally funded Weatherization providers and the current contractor of the WeCare program, in part because the mission of the two organizations is so very different. The current contractors primary interest is to turn a profit. The Community Action mission is to serve as an advocate for low income people. Some of the Weatherization agencies have previously served as sub-contractors in the program, but stopped doing so because the reimbursement the contractor was willing to offer would not cover their operating costs. By allowing the contractor to make an undetermined profit, the amount of which even the Companies are unaware, financial incentives are provided the contractor to provide the least amount of service possible while fulfilling contractual requirements in order to maximize profits. With Community Action's federally funded Weatherization program, the goal is to meet the needs of the households and to provide as many services as are warranted by the NEAT audit and are allowable under budget constraints. By operating at actual cost, the federal Weatherization program ensures the best deal possible, both for the ratepayers and the Companies.

By contracting with KACA, the Companies would be able to ensure full integration with the federally funded Weatherization program. In addition, households would be able to receive the greatest amount of services allowable under the program, different program funds would be accounted for separately, and only customers of KU/LG&E would benefit from the WeCare program.

7. What benefits would derive from utilizing KACA as the operator of the WeCare program as opposed to the current contractor?

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Action Agencies and sub-contracts federal Weatherization funding with 22 of its member agencies and one unit of local government. KACA reviews the invoices, financial reports, and audits of each of its sub-contractors and in the LIHEAP program provides on site monitoring of each sub contractor. KACA has a full time Energy Program Director who has an established relationship with the LIHEAP and Weatherization network in the state. KACA will be able to meet the reporting requirements of the Companies and the energy conservation goals while ensuring success of the program.

9. How is the low-income program different from other components of the Companies' overall demand side management proposal?

Echoing the sentiments of Community Action Council, KACA believes this program is unique because it specifically targets low income households to receive services they otherwise would not receive. This is crucial because Kentucky has one of the higher poverty rates in America and the need for services so greatly outstrips all available resources, federal and utility combined. As the Companies pointed out in their response to the Attorney General's concerns, without this program low income households will not be able to benefit from an energy audit because they will not have the resources to install the measures. As a result, they will not be able to benefit and will face higher bills. This will increase the likelihood of shutoffs and shift to the ratepayers the cost of higher write-offs and bad debts.

10. Does this end your direct testimony?

Yes



JOE F. CHILDERS

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BOURBON, HARRISON AND
NICHOLAS COUNTIES, INC.
AND 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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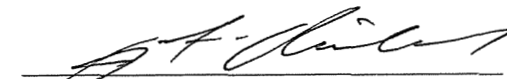
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on this the 2nd day of January, 2008.



JOE F. CHILDERS