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August 24, 2007

**RE: *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 – CASE NO. 2007-00338***

Dear Ms. O'Donnell:

Enclosed please find an original and six (6) copies of the Response of Kentucky Utilities Company to the First Data Request of Commission Staff dated August 20, 2007, in the above-referenced proceeding.

Please contact me if you have any questions concerning this filing.

Sincerely,

Rick E. Lovekamp

Enclosures

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>JOINT APPLICATION OF KENTUCKY UTILITIES</b>	<b>)</b>	
<b>COMPANY, KENTUCKY ASSOCIATION FOR</b>	<b>)</b>	
<b>COMMUNITY ACTION, INC. AND COMMUNITY</b>	<b>)</b>	<b>CASE NO.</b>
<b>ACTION COUNCIL FOR LEXINGTON-FAYETTE,</b>	<b>)</b>	<b>2007-00338</b>
<b>BOURBON, HARRISON, AND NICHOLAS</b>	<b>)</b>	
<b>COUNTIES, INC. FOR THE ESTABLISHMENT OF</b>	<b>)</b>	
<b>A HOME ENERGY ASSISTANCE PROGRAM</b>	<b>)</b>	

**RESPONSE OF**  
**KENTUCKY UTILITIES COMPANY**  
**TO**  
**FIRST DATA REQUEST OF COMMISSION STAFF**  
**DATED AUGUST 20, 2007**

**FILED: August 24, 2007**





**KENTUCKY UTILITIES COMPANY**

**Response to First Data Request of  
Commission Staff Dated August 20, 2007**

**Case No. 2007-00338**

**Question No. 1**

**Witness: Timothy Melton**

- Q-1. Refer to page 3 of the Application. Compare the terms, conditions, and requirements of the Home Energy Assistance (“HEA”) program currently in effect with the terms, conditions, and requirements of the proposed 5-year HEA program. For each difference or change between the programs identified, describe the reason(s) for the difference or change and explain why the proposed HEA program treatment is reasonable.
- A-1. There are only two differences (other than the duration of the program and reporting requirements) between the proposed five-year HEA program and the extant three-year program. The first change provides administering agencies discretion over 5% of total HEA funds to assist with the most pressing needs of low income and troubled customers. The purposes for creating this provision are (1) further to assist those with the greatest immediate need for emergency energy assistance, (2) to reduce arrearages so that troubled customers may get on a course of regular bill-paying without the added burden of paying down arrearages, and (3) to bring the LG&E and KU HEA programs into closer alignment. It is not a mandate that 5% of funds be spent in this way, but rather the proposed HEA program provides discretion so to use the funds if the need arises. The current three-year KU HEA program contains a similar provision, which sets aside funds for emergency energy assistance, and the proposed five-year HEA program for Louisville Gas and Electric Company contains a provision identical to the one KU proposes herein.

The second change is that a client must be at or below the then-effective LIHEAP Federal Poverty guidelines adopted by the Commonwealth of Kentucky, which is currently 130%. The current program required a client of the HEA program have an income level that is at or below 110% of the then-effective federal poverty level. This change allows the program to adjust if the federal and state guidelines change.



**KENTUCKY UTILITIES COMPANY**

**Response to First Data Request of  
Commission Staff Dated August 20, 2007**

**Case No. 2007-00338**

**Question No. 2**

**Witness: Timothy Melton**

- Q-2. Refer to pages 13 and 14 of the Application.
- a. Explain why the proposed 5-year HEA program does not provide for the filing of a comprehensive program assessment before the end of the 5-year period.
  - b. Would KU be agreeable to filing a comprehensive HEA program assessment no later than 6 months prior to the end of the proposed 5-year program? Explain the response.
- A-2.
- a. Because the proposed five-year HEA program does not differ materially from the current HEA pilot program and given that KU reported comprehensively to the Commission on March 30, 2007, KU did not believe that a comprehensive program assessment would be necessary before the end of the proposed five-year term. Also, in its Application KU committed to file annual HEA progress reports with the Commission, detailing, among other items, the number of clients served by the program and total amounts collected under the program. Each annual report will also include an audit of the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. ("CAC").
  - b. It is KU's longstanding policy to make every effort to comply with all of the Commission's reasonable requests for information. Thus, no later than six months prior to the end of the proposed five-year program, KU will provide the Commission a comprehensive HEA program assessment, similar to the report KU filed on March 30, 2007, in Case No. 2004-00303.





**KENTUCKY UTILITIES COMPANY**

**Response to First Data Request of  
Commission Staff Dated August 20, 2007**

**Case No. 2007-00338**

**Question No. 3**

**Witness: Timothy Melton**

Q-3. Refer to the HEA comprehensive assessment report (“HEA Assessment”) filed with the Commission on March 30, 2007.

- a. The Commission’s November 24, 2004 Order in Case No. 2004-00303,1 page 10, required that the HEA Assessment analyze the movement of participants in and out of the HEA program to determine if benefits to the participants are short term or long term in nature. This subject is addressed on page 23 of the March 30, 2007 filing. The report narrative does not appear to address the question of whether, when participants move in and out of the HEA program, benefits to the participants are short term or long term in nature. Indicate where in the HEA Assessment this evaluation is presented. If the question has not been addressed, explain why this topic was omitted.
- b. Page 12 of the November 24, 2004 Order required that the HEA Assessment include an explanation of how KU’s level of involvement in the HEA program has resulted in the active monitoring of the HEA program. This subject is addressed on pages 26 through 29 of the March 30, 2007 filing. The report narrative does not appear to address the subject of whether KU’s level of involvement in the HEA program has resulted in the active monitoring of the program. Indicate where in the HEA Assessment this topic is addressed. If the question has not been addressed, explain why this topic was omitted.

A-3.

- a. Section 4.5.8 of the March 30, 2007 filing provides a brief summary of the participants moving in and out of the HEA program. In addition, Sections 4.5.1 and 4.5.2 provide an evaluation on LIHEAP Crisis and Reduction in Arrearages. The evaluation shows a short-term and long-term benefit regarding the decrease in LIHEAP payments to HEA participants and a reduction in the average arrearages for those HEA participants in the program versus participants removed from the program. The evaluation only addressed a period of two years, so long-term benefits are not as applicable.
- b. Please see Section 4.6.4 – Interview Conclusions, which provides a summary of the level of involvement by KU in monitoring the program:

“KU and LG&E has done a good job of communicating program changes and needs to the agencies. The utilities are very responsive and helpful whenever the HEA team members require information. KU and LG&E participates in quarterly meetings with the KU and LG&E HEA programs and the reps generally attend board meetings. All of the HEA Program members work well together and share information willingly. The program is doing great and has come a long way and truly focuses on the consumer and their needs.”

The metric of “Active monitoring of the program” in Table 2 on page 8 of the evaluation, states “Measured resources and activities meet or exceed expectations”.

In addition to what the HEA Assessment discusses, LG&E and KU have a community liaison that monitors both programs by attending board meetings and reviewing financial reports. Also, the community liaison ensures that audits are complete, taxes are filed, and acts as a point of contact for program administrators, with whom issues relating to payments and client accounts are often discussed. Other of LG&E’s and KU’s personnel, such as the Companies’ IT staff, call service representatives, and the legal and accounting departments all help monitor and discuss information concerning the HEA programs to ensure they are functioning well and responsibly.



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**Question No. 4**

**Witness: Timothy Melton**

- Q-4. There are 14 counties in Kentucky in which both KU and Louisville Gas and Electric Company provide service. Both utilities have HEA programs, however, there are differences between the two programs. During the 3 years KU's HEA program Case has been in operation, describe any problems of which KU is aware concerning the administration of two different HEA programs in the 14-county "overlap" area.
- A-4. KU is not aware of any problems concerning the administration of the two different HEA programs.

The Community Action Agencies (Tri, Multi, Central, and Jefferson) have all worked in partnership with Affordable Energy Corporation and KU. In the KU service area, Affordable Energy clients are selected if their primary source of heat is gas. The KU program only serves clients that have electric as their primary heating source. Therefore, it is a tremendous benefit that both programs are offered, thereby serving more low-income clients in each county.