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Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

AUG 31 2007
PUBLIC SERVICE
COMMISSION

Kentucky Utilities Company
State Regulation and Rates
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Louisville, Kentucky 40232
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August 31, 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 Request for Information posed by the Attorney General dated August 24, 2007, in the above-referenced proceeding.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Rick E. Lovekamp', written over a horizontal line.

Rick E. Lovekamp

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

**RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
REQUEST FOR INFORMATION
POSED BY THE ATTORNEY GENERAL
DATED AUGUST 24, 2007**

FILED: August 31, 2007

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Timothy Melton**, being duly sworn, deposes and states that he is Acting Manager, Customer Commitment for E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the foregoing testimony and exhibits, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Timothy A. Melton
TIMOTHY MELTON

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 31st day of August, 2007.

Sammy J. Ely (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

KENTUCKY UTILITIES COMPANY

**Response to Request for Information
Posed by the Attorney General
Dated August 24, 2007**

Case No. 2007-00338

Question No. 1

Witness: Timothy Melton

Q-1. Please reference the Application, at page 3, paragraph 6. Please provide an estimate of the costs to unify the two Companies' HEA programs. Does the company have any estimate of savings which would result from the unification of the programs (e.g. reductions in administrative costs, etc.)? Does the company have any plans to combine the two programs at a later time?

A-1. Although the Companies do not have an estimate of the cost of unifying the LG&E and KU HEA programs, it is reasonable to assume that the cost for such a project would be significant. For example, Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. ("CAC") estimated that to replicate the LG&E program within their IRIS software would cost approximately \$90,000. That estimate does not include any training for the many community action agencies that help administer the program across the KU territory. This cost results from the fact that the Companies' separate HEA programs were designed to work within the distinct constraints of each company's billing and customer information systems. Also, unique client demographics within each service territory coupled with the different intake processes of the community agencies that administer the programs currently prohibit unification of the two systems. For example, LG&E serves a primarily urban population concentrated in one city, with most customers being combined gas and electric customers. By contrast, KU customers are spread throughout a majority of the counties in the state, and KU provides only electric service.

The Companies recently filed independent evaluations of their current three-year HEA pilot programs, which show that the programs have been successful in assisting their respective communities effectively and efficiently. Given the success of the programs as currently constituted, which the Companies propose in these Applications to continue largely without change, it is unlikely that incurring the significant expense of merging the two programs would result in any meaningful benefits.

The Companies will continue to assess their HEA programs and work with the responsible community agencies to determine if or when it would be appropriate and cost-effective to combine the programs.

KENTUCKY UTILITIES COMPANY

**Response to Request for Information
Posed by the Attorney General
Dated August 24, 2007**

Case No. 2007-00338

Question No. 2

Witness: Timothy Melton

- Q-2. Please reference the Application, at page 6, paragraph 16. Please explain what action is taken if a potential participant is determined to be a "high energy user."
- A-2. If an applicant is determined to be a "high energy user," the applicant will receive information regarding energy conservation and information regarding other resources that may be available to assist with paying electric bills and providing energy conservation services. CAC is required to refer potential participants to the Federal Weatherization Assistance Program.

KENTUCKY UTILITIES COMPANY

**Response to Request for Information
Posed by the Attorney General
Dated August 24, 2007**

Case No. 2007-00338

Question No. 3

Witness: Timothy Melton

Q-3. Please reference the Application, at page 6, paragraph 16. Please provide an example of the assessment factors used to determine client eligibility. With this example, please provide an explanation detailing the factors examined and their values and ranges. Please also indicate whether a client's preceding 12 month usage is examined as part of this assessment or whether the assessment examines only one month. Please also indicate whether a client's usage is normalized based on similar households prior to determining program eligibility.

A-3. A client's eligibility is determined by the following factors:

1) Income – Use LIHEAP Federal Poverty Guidelines (proposed program states a client cannot exceed the then-effective LIHEAP Federal Poverty guidelines adopted by the Commonwealth of Kentucky, which is currently 130%);

2) Must be a KU Electric customer – verified by customer's bill in Ratepayers name.

Usage is not a factor in eligibility.

KENTUCKY UTILITIES COMPANY

**Response to Request for Information
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Dated August 24, 2007**

Case No. 2007-00338

Question No. 4

Witness: Timothy Melton

- Q-4. Please reference the Application, at page 6, paragraph 17. Please provide an explanation of why the benefit level increases in year 4 and 5.
- A-4. When looking at inflation, the volatility of the energy market, weather, and the ever-rising cost of living for low-income customers, CAC believes that program benefits would improve by increasing the subsidy amount in years 4 and 5. The goal is to ensure the program continues to assist households who are least able to pay their energy bills.

KENTUCKY UTILITIES COMPANY

**Response to Request for Information
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Case No. 2007-00338

Question No. 5

Witness: Timothy Melton

Q-5. Please reference the Application. Please provide the following information regarding program participants:

- A. Average client household income level,
- B. Average client household size (number of persons),
- C. Average client household electrical usage per month, and
- D. Average square footage of client dwelling (if known).

A-5. The following data was provided by CAC.

- A. Average monthly client household income level is \$661.63.
- B. 2.3
- C. 1259.15 kwh
- D. 1,100 square feet average for all client dwellings that received services through the Council's Federal Weatherization Assistance Program.

KENTUCKY UTILITIES COMPANY

**Response to Request for Information
Posed by the Attorney General
Dated August 24, 2007**

Case No. 2007-00338

Question No. 6

Witness: Timothy Melton

Q-6. Please reference the Application, at page 10, paragraph 24. Please indicate what types of weatherization services are offered to eligible clients by the company or otherwise. Do any of these programs require the participant to pay a fee for the weatherization services? If not, why?

A-6. WeCare is an education and weatherization program designed to reduce the energy consumption of low-income customers and is part of KU's Demand-Side Management program. Services may include wall and/or attic insulation, HVAC/furnace inspections/tune-ups, water heater insulators, compact fluorescent lighting, window air conditioning unit replacement (if applicable), programmable thermostats, air sealing, health and safety measures (e.g., gas leaks), energy education, energy audits, and more. The program is free for low-income individuals who have also received LIHEAP. Additionally, customers who feel they qualify for the program may request to go through an intake process to be qualified. The Companies have proposed to renew the WeCare Program for 2008-2014 in the proceeding currently before the Commission in Case No. 2007-00319.

Assistance through the Federal Weatherization Assistance Program provides services such as door/window weather stripping, replacement of broken windows, wall, and/or attic insulation, water heater insulators, HVAC/furnace inspections/tune-ups, and replacement of high energy appliances such as HVAC/furnace, carbon monoxide detectors, refrigerators and water heaters. The program is provided at no cost to low-income homeowners. For assistance provided to renters, however, landlords pay 75% of costs to repair or replace heating equipment.

KENTUCKY UTILITIES COMPANY

**Response to Request for Information
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Dated August 24, 2007**

Case No. 2007-00338

Question No. 7

Witness: Timothy Melton

Q-7. Please explain the differences between the program proposed herein by Louisville Gas and Electric Company and that proposed by its sister company, Kentucky Utilities Company. For any differences noted, please provide an explanation of why such differences exist between the two programs and whether such differences are to be eliminated in any renewal of these programs in the future.

A-7. The programs proposed by LG&E and KU differ in a few ways because (1) different agencies designed the programs, (2) LG&E's program is older than KU's, (3) LG&E and KU have different CIS systems, (4) the administering community agencies have different systems, and (5) LG&E and KU have different customer demographics. The Companies will continue to assess their HEA programs and work with the responsible community agencies to determine if or when it would be appropriate and cost-effective to eliminate any differences. Listed below are the major differences between the programs and the reasons for those differences:

- 1) **Energy Conservation Education**
The LG&E HEA program is able to provide an energy conservation workshop to each participant at the time of intake training each year. This would be difficult for participants in the KU HEA program as they have intake year-round and do not have the opportunity to gather the participants together at one time for such a training. Also, because of the broad KU service territory, it creates additional hardships financially and logistically to facilitate client training.
- 2) **Benefits:**
The LG&E HEA program is based on a concept known as the "Modified Fixed Credit." This model encourages energy conservation and responsibility of participants by calculating a monthly subsidy payment based on a client's income and annual usage. The KU HEA program provides that same total subsidy to each client that qualifies for the program.

3) Intake Timing

The KU HEA program is designed around an intake system that takes clients year-round. By contrast, the LG&E HEA program relies on the LIHEAP Subsidy program for intake data, which is run once a year in November. To move the LG&E HEA program to year-round intake would dramatically increase intake costs, and would then rely on stale intake data. Year-round intake would require a stand-alone intake system, which would be very expensive and eliminate some efficiencies of the program. Year-round intake would also require many additional intake training and energy education sessions, which would drive up the administrative cost of the LG&E HEA program.

On the other hand, the KU HEA program is designed around an integrated year-round database program. Doing all intake at one time annually would require additional temporary staff and drive up administrative costs. The differences in the intake timing of the two programs are necessary to keep administrative costs as low as possible.

4) Electric-only compared to Combined Utility

Most participants in the LG&E program have combined gas and electric services. The KU program participants heat and cool with electricity only.