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November 15, 2007

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NOV 15 2007

PUBLIC SERVICE
COMMISSION

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

Re: **CAC'S SUPPLEMENTAL COMMENTS**
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 the above-captioned pleading. Also enclosed is an extra copy 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

tmp/letters/CAC/ltr Beth O'Donnell 11-15-07

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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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

CAC'S SUPPLEMENTAL COMMENTS

Come now the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (CAC), by counsel, and hereby tenders its supplemental comments in this matter.

Community Action Council ("CAC"), a private, non-profit organization, was established in 1965 to combat poverty. CAC does this by creating opportunities for individuals and families that enable them to become economically self-sufficient. Its programs include Head Start, Early Head Start, and Migrant Head Start, serving more than 1,000 children. In addition, dozens of child development, self-sufficiency, education, and other programs are operated by CAC, which is the designated community action agency for Lexington-Fayette, Bourbon, Harrison and Nicholas counties in Central Kentucky. CAC 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 Community Action

Council also founded and manages WinterCare, a statewide energy assistance program. CAC's experience and credentials in the areas of weatherization and energy advocacy for low-income customers, have been previously established in comments filed earlier in this action before the Commission.

CAC now comes before the Commission with these supplemental comments in order to clarify and restate its positions in response to comments filed and changes made to the Companies' application. It is critical to ensure that CAC's positions are not misunderstood and these revised comments are offered for that purpose.

For example, in its comments to the Commission filed on October 26, 2007, in describing the low-income residential program, the Attorney General states on page 12 that "households who feel they may qualify but who have not applied for LIHEAP benefits may be referred by other community organizations to their local CAC office to complete the intake process and evaluation." This statement contains material inaccuracies. CAC is designated to serve only Lexington-Fayette, Bourbon, Harrison and Nicholas counties. It is neither able nor desires to propose to directly provide services outside of these counties. Throughout this case, CAC has advocated that the low-income residential weatherization program be contracted to operators of the federal Department of Energy ("DOE") Weatherization program as the only way to ensure efficiency and accuracy. This can be accomplished in one of two ways: a) by contracting with each of the separate, independent entities operating the DOE Weatherization program (most often community action agencies, but not only CAC) throughout the Companies' territory; or b) by contracting with CAC or the Kentucky Association for Community Action ("KACA"), another intervenor in this case, to coordinate the program utilizing the DOE contracting agencies.

Second, and perhaps more importantly, neither CAC nor any other community action agencies have agreed to “complete intake process and evaluation” under the Companies’ proposal. The Companies have not communicated any desire for the community action agencies to conduct these intake procedures despite CAC’s advocacy that the program be contracted to them. CAC will not be able to conduct intake for the low-income residential weatherization program without substantial changes in the operation of this program. Specifically, in order to be efficient in allocation of scarce resources, the two programs must be operated by the same agencies so that duplication of services is avoided.

A similar mistake is repeated on page 31 of the Attorney General’s comments, where the AG asserts that advertising funds are not necessary for the low-income residential program because “information concerning the program is disseminated primarily through local Community Action Councils.” Again, it is important to differentiate between CAC, the intervener in this case, and Kentucky’s 23 separate community action agencies. In either case, neither CAC nor any other community action agency currently participate in the Companies’ WeCare program. Likewise, neither CAC nor any other community action agencies have agreed to participate in the program as proposed by the Companies. The community action agencies were not asked to do this for the current program and have not been asked to do it for the program moving forward. Therefore community action agencies will not be distributing information if the program is approved as written. Instead, the Council has advocated strongly that the Commission insist that the low-income residential weatherization program be contracted to the DOE Weatherization program operators in order to ensure the efficiencies for which the Attorney General advocates in his comments.

In several places throughout his Comments, which conclude that the low-income residential program should not be approved by the Commission but rather should be rolled into the residential conservation program, the Attorney General uses CAC's arguments regarding duplication of services with the federal Weatherization program. It is important to note here that CAC draws attention to duplication of services not because there is no need for the low-income residential weatherization program – in fact the federal program serves a small fraction of eligible households and such programming is essential – but because CAC believes the program as proposed is highly flawed and inefficient. CAC believes strongly that these obstacles can be overcome by ensuring substantial coordination between the low-income residential program and the federal Weatherization program. The best solution for this is for the Commission to require in its order that the program be contracted to operators of the federal Weatherization program or some entity that can coordinate those operators, such as CAC or KACA.

To argue that the low-income residential program is a “home improvement” program, is flawed and does not acknowledge any of the residual benefits for providing weatherization measures in the homes of low-income customers. Low-income people, who often face difficult choices between such necessities as rent and food, will rarely or never be able to afford any of the weatherization measures recommended for their homes. By ensuring these measures are installed, the program creates a greater benefit for ratepayers by reducing demand from low-income users who are heavily dependent on public and private utility assistance and who have higher rates of arrearage. This does not even take into account the many other benefits realized from reduced demand which are stated throughout the Companies' application. To argue that low-income weatherization measures are “home improvement projects,” as the Attorney General

has stated, is to ignore decades of successful programming and evaluation which show substantial savings can be realized with a properly operated program.

To eliminate the low-income residential weatherization program and fold it into the residential conservation program, eliminating the provision of direct measures for low-income households, is to eliminate all benefits for low-income customers and severely reduce the benefits of the Demand-Side Management program altogether. Low-income customers will simply not be able to afford any installation of measures and no savings would be realized. In such a case, there would be no need for a program at all.

CAC restates its position on how to ensure the low-income residential weatherization program is operated in an effective and efficient manner that eliminates the risk for duplication of services while ensuring that low-income customers realize the energy savings necessary for an overall benefit to ratepayers. 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 customers 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 standard 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. It also adjusts savings based on actual consumption data, therefore providing actual savings for use in a more effective evaluation.

- Households should receive energy education and related materials from a single source and those materials must be 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 eliminates the current duplication of effort where a low-income household may receive energy education from both WeCare and Weatherization without the operators of 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, but would 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 repeats its belief that this program need not be operated in a manner designed to generate profit and would be able to serve more households if operated by a qualified non-profit organization.



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**ATTORNEY FOR COMMUNITY
ACTION COUNCIL FOR
LEXINGTON-FAYETTE, BOURBON,
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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 16th day of November, 2007.


JOE F. CHILDERS