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September 27, 2007

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

RECEIVED
OCT 2 2007
PUBLIC SERVICE
COMMISSION

Re: **Motion to Late File Supplemental Interrogatories
and
CAC's Supplemental Interrogatories to LG&E and KU
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

tmp/letters/CAC/ltr Beth O'Donnell 9-27-07

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 2 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,) CASE NO. 2007-00319
MODIFICATION, AND CONTINUATION OF)
ENERGY EFFICIENT PROGRAMS AND DSM)
COST RECOVERY MECHANISMS)
BROWNFIELD DEVELOPMENT RIDER)

CAC'S SUPPLEMENTAL INTERROGATORIES TO LG&E AND KU

Come now the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (CAC), by and through counsel, and hereby submits the following Supplemental Interrogatories and Request for Production of Documents to be answered under oath within the time set forth in the Commission's August 8, 2007 Order by Louisville Gas and Electric Company and Kentucky Utilities (hereinafter singularly or collectively referred to as the "Company"). The references herein to "Questions" refers to previous Interrogatories served by CAC upon the Company.

INTERROGATORIES

1. In response to Question No. 4, the Companies acknowledge being aware that payments received from agencies administering LIHEAP may contain funds from programs with different eligibility guidelines or may contain no LIHEAP funds at all. In response to Question No. 5, the Companies state that their billing systems are designed to flag customers receiving LIHEAP benefits as automatically eligible for the program. If no current communication exists between the Companies and all LIHEAP administering agencies in its service territory regarding specifically which customers have received LIHEAP and which received assistance from other public or private sources, then how

does the current and proposed system ensure that customers with incomes above LIHEAP eligibility are not being flagged as eligible for WeCare?

2. In response to Question No. 5, the witness states that the Companies plan to work with the Kentucky Association for Community Action (KACA) and “related agencies” to share information regarding LIHEAP lists. Please elaborate regarding which “related agencies” are being considered. What communication currently exists between KACA and related agencies and the Companies regarding this proposal? If such LIHEAP list sharing does not already take place, how has the company verified that customers receiving benefits did not receive those benefits from programs other than LIHEAP? What communications have taken place between the Companies and KACA and between the Companies and “related agencies” in advance of this proposal? Provide an itemized list of such communications, the subject and the participants.
3. In response to Question No. 6, the Companies acknowledge that federal and state LIHEAP eligibility guidelines differ and that the Companies’ proposal is to utilize federal eligibility guidelines for WeCare. In response to Question No. 10, the Companies state that they do not track the amount of assistance customers receive from other programs. If the Companies do not track the amount of assistance received from other programs, how will the Companies determine whether a customer who received LIHEAP benefits from a local agency had income above the federal guideline but below the state guideline, therefore making them ineligible for WeCare? Specifically, what coordination activities do the Companies propose in working with local organizations operating the Federal Weatherization Assistance Program? Have these activities been discussed with such agencies?
4. In response to Question No. 6, it appears the Companies’ plan for WeCare eligibility allows a maximum income of 150% of the Federal Poverty guidelines. The Council’s request to the Companies in 2004 to increase the income guidelines from 125% to 150% received a response from the Company that WeCare’s income guideline had already been increased to 150% for over a year. At that time, LIHEAP income guidelines were 110% and have since increased to 130%. What marketing or outreach was used in the past and is proposed for use in the new plan to reach the eligible participants that are not eligible for LIHEAP but eligible for the program? Since the Company has utilized, and the new plan outlines continuing to utilize, only the LIHEAP list to solicit customers how does any participant above 130% but below 150% receive services? How will the Companies certify eligibility for those participants? Were any customers with incomes above the Kentucky LIHEAP prevailing guidelines served with WeCare services in the present program? If so, please state the number of such customers for each program year, and break this down by county.
5. In response to Question No. 7, the Companies respond that Summit Blue (SBC) evaluated the program by calculating energy savings achieved only from weatherization measures actually installed under the Companies’ program. Please explain how the evaluator was able to know which program installed weatherization measures in a home? What coordination took place with organizations administering the Federal

Weatherization Assistance Program and other programs so that the Companies and the evaluator would know which measures were provided by which program in those homes receiving benefits from more than one program? How many homes served by WeCare received benefits from other Weatherization programs? Please break down your answer by year and county.

6. Please refer to the Companies' response to Question No. 7. In conducting a detailed billing analysis to determine true savings under the WeCare program, how did the evaluator determine whether customer savings were a result of WeCare measures versus measures installed by other programs? For example, if a customer's bill declined by 20%, and that customer received benefits from WeCare and the Federal Weatherization Assistance Program, how did the evaluator determine which percentage of the savings was a result of which program?
7. In Response to Question No. 10, the Companies state that they do not track assistance that customers receive from other programs. If that is true, then how do the companies know which customers have already received benefits offered by the WeCare program from another external program such as the Federal Weatherization Assistance Program? How does the evaluator know which measures were provided by WeCare and which measures were provided by another program, thus influencing any savings?
8. In Response to Question No. 21, the Companies state that contractors were not asked to disclose overhead costs. Is the current WeCare contractor paid a flat rate per home regardless of which measures are provided to that home? Would the contractor receive the full amount for a home if the auditor determined only minor, inexpensive measures remained to be done in that home?
9. In response to Question No. 10 the Companies state that they do not track assistance that customers receive from other, external programs. How do the Companies prevent duplication of services in such areas as energy education, and in direct installation of measures?
10. In response to Question No. 12, the Companies state they are developing a Request for Proposals to operate the WeCare program. How do the Companies plan to advertise the Request for Proposals to administer components of the WeCare program? As the Companies have stated several times their intent to coordinate with the organizations that administer the Weatherization Assistance Program, did the Companies consider contracting with those organizations in order to ensure coordination, reduce duplication of services, and, significantly reduce overhead by continuing services such as the audit and blower door tests?
11. In response to Question No. 14, the companies provide a chart which illustrates that tier A participants comprise approximately 12% of the total participants served compared to the new plan which proposes to increase this percentage to nearly 42% of the total participants. Tier C is similar with the percent served at 56.5% of the total and the proposed Tier C participants comprising 25%. Tier B percentage remains relatively

unchanged with percent served at 31% in the current program and the proposed number at 33%. What were the numbers of the original goals for each tier group separated for KU and LG&E? Also, in a 2004 request for modifications and revisions (see attachment) the Council requested increasing the quantity of Tier A customers and increasing the allowable cost spending limit of \$80 for Tier A customers. The Companies' response (see attachment) stated "Tier A participants yield the least opportunity for savings as they have the lowest initial usage however, they still generate the same fixed cost (for the audit and energy education) as the Tier B & C customers. Increasing the number of Tier A customers and/or the allowable cost per customer would result in the program failing the cost tests. We wish we could increase the numbers and amounts however; it would be jeopardizing the entire program which could result in no one receiving assistance." What results or findings support the Companies' reversal of this statement and conclude that spending \$200 on Tier A participants' houses will result in a greater savings than spending \$1,700 on Tier C participants' houses? Please provide copies of all supporting data and calculations.

12. In response to Question No. 17, the Companies provide a chart which indicates that the program is over achieving the planned completion goals by 8% to 13%. Has the budget been over expended? If budget is over expended, by what percentage and dollar amount? If the budget is not over expended, where were savings achieved in the program?
13. In response to Question No. 20, the Companies state that customers are "pro-actively" recruited for the program by flagging customers who receive LIHEAP benefits and providing lists to the contractor. How does the company know which customer's accounts have received payment from LIHEAP, which customers accounts have received payment from a mix of programs, and which customers accounts have received benefits from programs other than LIHEAP? Since other programs have different eligibility requirements and the state and federal LIHEAP eligibility requirements differ, how do the Companies and contractor ensure these customers are actually income-eligible for WeCare?
14. In response to Question No. 20, the Companies state that no "written agreements" exist with other outreach organizations. Do verbal or other forms of agreement exist? Please provide a list of all organizations in the KU territories with which a verbal or other outreach agreement exists. What communications have already taken place between the Companies and organizations such as those that administer the LIHEAP program about future outreach? Please provide an itemized list with the organization name, contact person, and date of contact.
15. In response to Question No. 21, the Companies state that contractors were not asked to disclose their overhead costs. How, then, can the Companies know that programs are operated at the lowest-possible cost for ratepayers? Is it the position of the Companies that contractor overhead is not relevant to efficient program operations? Are the Companies unaware of the overhead costs for the Contractor operating in the WeCare program? For example, how do the Companies know what percentage of each line item is overhead and what percentage of funds are used for direct services?

16. Question No. 22 asked the Companies what percentage of the total proposed annual budget for the low-income program was allocated for directly installed measures in participant homes. In response, the Company provided that 82% of costs are for Contractor Services to Customers. What percentage of the funds for Contractor Services to Customers will be spent on services provided to participants and their homes?
17. In response to Question No. 23, the Companies state that they did not budget per home costs in categories such as direct labor, materials, energy audits and intakes. How, then would the company know if only a small fraction of the per-home cost were spent on these primary functions of the WeCare program?
18. Please refer to the Companies' response to Question No. 25. At what point do customers give permission for their information to be disclosed to a third-party contractor? Please provide copies of the form used.
19. In Response to Question No. 26, the Companies state that non-quantified savings are not reflected in the WeCare program analysis. However, these non-quantified savings are referred to in Section 3.4, page 30 of the proposal as one of many justifications for the program. How, then, does the WeCare program determine that these non-quantified savings are not the result of other interventions?
20. Please see the Companies' response to Question No. 27. If no written agreements exist with agencies operating the federal Weatherization Assistance Program, how do the companies plan to ensure that a consolidated service is provided, when possible, as stated in the proposal?
21. How, as suggested in response to Question No. 28, will the Companies increase communications and information sharing with agencies that operate the Weatherization Assistance Program and other, similar programs? What specific activities are proposed? What assurance do the Companies have that these organizations are able to provide the necessary information?
22. In response to Question No. 32, the Companies state that \$330,000 is budgeted for energy audits (including combustion testing and education) per year. With 1,200 completions per year budgeted this amount allows \$275 per unit. When the Council was a subcontractor from 2001 through December 2004, the allowable charge was \$153 per unit. What additions to the new plan for energy audits warrant this 80% increase in allowable charges? What data support the increase?
23. In response to Question No. 34, the Companies assert that the contractor will not be allowed to include administrative costs in the "Allowable Measure Cost" per home. In response to Question No. 21 the Companies stated that contractors were not asked to disclose overhead costs. Considering the response to Question No. 21, how will the Companies know whether administrative or overhead costs are built into the contractor's Allowable Measure Cost per home?

24. Please see the Companies' response to Question No. 35. If contractor Honeywell's reports to the Company do not indicate which weatherization measures were performed by the company and which were performed by the subcontractor, how, then, can the Company know whether the contractor paid a subcontractor less than the Allowable Measure Cost per home and kept the difference for administrative or overhead expense?
25. Please refer to the interrogatories and request for production of documents propounded by the Attorney General No. 18. In its response, the Companies state that homes are audited and evaluated for measures performed by other programs. In response to Interrogatory No. 10 propounded by Community Action Council, the Companies state that they do not track assistance provided to customers by other programs. If that assistance is not tracked, then how can the response to the Attorney General's question be correct?



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**ATTORNEY FOR 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 27th day of September, 2007.



JOE F. CHILDERS

APPENDIX A

Time Period	KU Budget From DSM Advisory Group Meeting handout dated June 15, 2004			KU Actual From DSM Advisory Group Meeting handout dated June 15, 2004			CAC Actual From CAC's invoices submitted and accepted by Honeywell.			KU Actual/CAC Actual
	# Units	Cost/Unit	Total Cost	# Units	Cost/Unit	Total Cost	# Units	Cost/Unit	Total Cost	
Program to Date Jan. 01 thru May 04	861	\$1,908.00	\$1,642,675.00	247	\$2,036.00	\$502,836.00	275	\$ 524.00	\$144,067.00	349%
Year to Date Jan. 04 thru May 04	111	\$2,002.00	\$ 222,198.00	21	\$5,830.00	\$122,427.00	22	\$ 844.00	\$ 20,756.00	590%
Current Month May 04	22	\$2,020.00	\$ 44,440.00	11	\$2,141.00	\$ 23,549.00	11	\$ 818.00	\$ 8,995.00	262%