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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

SEP 05 2007

**JOINT APPLICATION OF LOUISVILLE GAS)
AND ELECTRIC COMPANY, ASSOCIATION OF)
COMMUNITY MINISTRIES, INC., PEOPLE)
ORGANIZED AND WORKING FOR ENERGY)
REFORM, AND KENTUCKY ASSOCIATION FOR)
COMMUNITY ACTION, INC. FOR THE)
ESTABLISHMENT OF A HOME ENERGY)
ASSISTANCE PROGRAM)**

PUBLIC SERVICE
COMMISSION

CASE NO. 2007-00337

ATTORNEY GENERAL'S COMMENTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and tenders the following comments in the above-styled matter.

I. Summary of Plan

The Petitioner, Louisville Gas and Electric Company ("LG&E") and the other Joint Applicants have proposed a Home Energy Assistance ("HEA") Program to provide assistance to low-income customers in paying their utility costs. The program essentially proposes to continue for a five (5) year period the pilot program that was established in Case No. 2004-00304, however, there are a few differences in the plan proposed under this application from that originally approved by the Commission in Case No. 2004-00304.

First, the Petitioner proposes to increase the amount of arrearage which a participant may carry into the program from \$700.00 to \$1000.00. Next, it is proposed that up to 5% of the total program funds be used to provide discretionary emergency assistance to participants. Finally, the application proposes that the income eligibility requirement for the program track the federal LIHEAP eligibility requirement, which is also a requirement of the State, such that a

participant's income must be at or below 130% of the federal poverty level in order to qualify for benefits under the proposed program.

II. Attorney General's Comments

First, the Attorney General applauds the Petitioner and the other Joint Applicants' initiative in proposing a program to assist low-income customers in paying their utility bills. However, the Attorney General does wish to express a few reservations with the proposed program which he believes should be addressed by the Commission prior to the approval of the application.

Next, the Attorney General states that the program should continue only as a pilot for the next five years and not be considered a permanent program. With the evolution of the energy industry, such as demand side management programs associated with energy efficiency, the home energy assistance programs will need re-evaluation.

Third, the Attorney General notes that the proposal by LG&E maintains their program separately from that of their sister company, Kentucky Utilities Company ("KU"). Although the programs are similar in nature, there are substantial differences in how benefits are calculated and in the amount of benefits which are participant may receive under the programs. Additionally, the LG&E program is designed to offer assistance to participants year-round, while the program proposed by KU is designed such that participants receive benefits for only seven (7) months out of the year. The company has stated that the differences in the programs are due to the demographics of each company's operating territory, however the Attorney General believes that it is important that the program offered by each be standardized to the extent possible to provide consistency and economy of administration.

Also, the program proposed by LG&E is administered by a different community agency

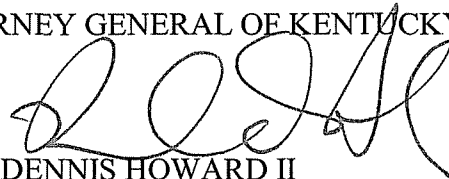
from that proposed by its sister company, KU. The company states that this difference is due to the fact that each agency utilizes different software to process data from participants and in administering the program. In response to the data request of the Attorney General for information on the cost of combining the two separate programs into one, the company stated that the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (CAC) estimated that it cost approximately \$90,000.00 to implement the necessary software changes to combine the two programs. The Attorney General believes that if these two programs are to be continued as pilot programs, that such changes may not be appropriate. However, if these programs are to be continuing in nature, that such combining of the programs is not only desirable, but necessary to ensure that efficiencies in administration are achieved, providing the best possible “payback” to the ordinary ratepayers funding this program.

Finally, the Attorney General expresses reservation at the extent of the discretionary funds available to provide emergency assistance to participants. The Attorney General notes that such amount would total approximately \$200,000.00 over the life of the program and that, while it may be desirable to have such funds available for discretionary purposes to assist participants in extreme cases, no details have been provided in the proposal as to who has the authority to disburse these funds and what oversight and/or accountability protections are proposed concerning these funds. The Attorney General believes that disbursement of such discretionary funds should be strictly controlled and suggests that the Commission require that the company and any administering agency confer with each other and agree, as to both the amount and need, prior to disbursement of these funds.

Subject to the above comments, the Attorney General would recommend the Commission approve the Application of Petitioner.

Respectfully submitted,

GREGORY D. STUMBO
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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 5th day of September, 2007, I have filed the original and ten copies of the foregoing with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

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