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PUBLIC SERVICE COMMISSION

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

August 24, 2007

RE: ***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 – CASE NO. 2007-00337***

Dear Ms. O'Donnell:

Enclosed please find an original and six (6) copies of the Response of Louisville Gas and Electric 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:

JOINT APPLICATION OF LOUISVILLE GAS	)	
AND ELECTRIC COMPANY, ASSOCIATION OF	)	
COMMUNITY MINISTRIES, INC., PEOPLE	)	**CASE NO.**
ORGANIZED AND WORKING FOR ENERGY	)	**2007-00337**
REFORM, AND KENTUCKY ASSOCIATION FOR	)	
COMMUNITY ACTION, INC. FOR THE	)	
ESTABLISHMENT OF A HOME ENERGY	)	
ASSISTANCE PROGRAM	)	

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
FIRST DATA REQUEST OF COMMISSION STAFF
DATED AUGUST 20, 2007

FILED: August 24, 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 24 day of August, 2007.

(SEAL)
Notary Public

My Commission Expires:
10-16-2008

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Case No. 2007-00337

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 three differences (other than duration of the program and reporting requirements) between the proposed five-year HEA program and the extant three-year program. The first is discussed in detail in LG&E's response to Question No. 2 below, namely that the allowable arrearage for incoming participants is increased from $700 to $1,000. Briefly, the purpose of the increase is to reach out to even more troubled customers, to those in even greater need than those currently participating in the three-year HEA program.

The second 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 proposed five-year HEA program for Kentucky Utilities Company ("KU") contains an identical provision, and the current three-year KU HEA program contains a similar provision, which sets aside funds for emergency energy assistance.

The third 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.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Case No. 2007-00337

Question No. 2

Witness: Timothy Melton

Q-2. Refer to page 7 of the Application. Under the current HEA program, the arrearage limit is no more than $700. The proposed HEA program includes an initial arrearage limit of $1,000 with an option to increase the limit in subsequent years if it is determined this requirement eliminates a large number of potential clients.

a. Explain in detail why LG&E did not submit any discussion or analysis in support of this change in the arrearage limit.
b. Provide a discussion of the reason(s) for the change in the arrearage limit and include any analysis that supports the proposed change.

A-2. a. LG&E did not see this as a significant change and the change was made to allow more people with even greater need the opportunity to participate in the program.

b. The primary reason for the change in the arrearage limit is to allow the program to be available to more customers. The ability to consider the higher arrearage at intake will increase the potential pool of applicants and allow the program to serve more low-income clients.

In 2007, at the initial intake process, over 7,360 individuals applied for LIHEAP Subsidy. Of the group, 91 had arrearages that exceeded $700.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Case No. 2007-00337

Question No. 3

Witness: Timothy Melton

Q-3. Refer to pages 18 and 19 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 LG&E 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-3. a. Because the proposed five-year HEA program does not differ materially from the current HEA pilot program and given that LG&E reported comprehensively to the Commission on March 30, 2007, LG&E did not believe that a comprehensive program assessment would be necessary before the end of the proposed five-year term. Also, in its Application LG&E 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 Affordable Energy Corp. ("AEC").

b. It is LG&E'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, LG&E will provide the Commission a comprehensive HEA program assessment, similar to the report LG&E filed on March 30, 2007, in Case No. 2004-00304.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

Case No. 2007-00337

Question No. 4

Witness: Timothy Melton

Q-4. 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- 00304, page 11, 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 24 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 13 of the November 24, 2004 Order required that the HEA Assessment include an explanation of how LG&E'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 30 of the March 30, 2007 filing. The report narrative does not appear to address the subject of whether LG&E'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-4.

a. Section 4.5.9 of the March 30, 2007 filing provides a brief summary of the participants moving in and out of the HEA program. The numbers provided from the evaluation show a downward trend of participants that are recertified in the HEA program from year to year. 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. The evaluation only addressed a period of two years, so long-term benefits are not as applicable. One can assume that the program was helpful to a large number of participants in the long-term since they did not recertify for the program in the following years.

b. Please see Section 4.6.4 – Interview Conclusions, which provides a summary of the level of involvement by LG&E in monitoring the program:

> "LG&E has done a good job of communicating program changes and needs to AEC and the agencies. The utilities are very responsive and helpful whenever the HEA team members require information. 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 evaluation stated in Section 4.4.2 the steps LG&E took in re-programming the CIS system to better handle HEA customers that were on budget billing. The metric of "Active monitoring of the program" in Table 2 on page 10 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.

LOUISVILLE GAS AND ELECTRIC COMPANY

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

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Question No. 5

Witness: Timothy Melton

Q-5. There are 14 counties in Kentucky in which both LG&E and Kentucky Utilities Company provide service. Both utilities have HEA programs, however, there are differences between the two programs. During the 3 years LG&E's HEA program has been in operation, describe any problems of which LG&E is aware concerning the administration of two different HEA programs in the 14-county "overlap" area.

A-5. LG&E 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.