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PUBLIC SERVICE  
COMMISSION

Ms. Stephanie L. Stumbo  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602-0615

**Louisville Gas and Electric  
Company**  
State Regulation and Rates  
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Rick E. Lovekamp  
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July 31, 2008

Re: ***In the Matter of: 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. Stumbo:

On September 14, 2007, the Commission approved the Joint Application of Louisville Gas and Electric Company ("LG&E"), Association of Community Ministries, Inc. ("ACM"), People Organized and Working for Energy Reform ("POWER"), and the Kentucky Association for Community Action, Inc. ("KACA"), (collectively "Joint Applicants") for a five year Home Energy Assistance ("HEA") program. Pursuant to Ordering Paragraph No. 4 of the Commission's Order, LG&E is filing the additional HEA program information as stipulated for calendar year 2007 and the financial audits for Affordable Energy Corporation for year ended December 31, 2007.

For the twelve month period ending December 2007, based on the 10 cents per meter charge, LG&E collected \$772,605 from residential electric & gas customers (See Exhibit 1).

As of the December 31, 2007 reporting period, there were 1,330 residential electric customers enrolled in the HEA program representing ten (10) counties throughout the LG&E service territory (See Exhibit 2).

Ms. Stephanie L. Stumbo  
July 31, 2008

For the calendar year 2007, the number of HEA clients receiving brown bills was 747 (See Exhibit 3). The number of HEA customers receiving five or fewer brown bill notices throughout 2007 was 484 or 65% of clients. Additionally, 160 HEA clients were disconnected during 2007 with 86% receiving two or fewer disconnections during the year (See Exhibit 4).

In the aforementioned Order, LG&E was authorized to utilize up to five percent of the total HEA funds collected to provide discretionary energy assistance. The Order specifies that the funds could be used to pay down arrearages or to provide energy assistance in crisis situations. During 2007, AEC utilized the funds for program participants that required monthly energy assistance.

During 2007, there was no change to the monthly or annual benefit amount after approval of the aforementioned Order.

Lastly, LG&E has enclosed the financial audits conducted by independent auditors for the Affordable Energy Corporation for the period ending December 31, 2007.

Please confirm your receipt of this filing by placing the stamp of your Office with date received on the extra copy and returning to me in the enclosed envelope. Should you have any questions regarding this information, please contact me or Don Harris at 502-627-2021.

Sincerely,



Rick E. Lovekamp

**Louisville Gas and Electric Company**  
**Home Energy Assistance Program**  
**Total Funds Collected**

<b>Month/Year</b>	<b>Amount</b>
Jan-07	\$64,239
Feb-07	64,385
Mar-07	64,507
Apr-07	64,416
May-07	64,594
Jun-07	64,479
Jul-07	64,605
Aug-07	64,449
Sep-07	64,174
Oct-07	60,702
Nov-07	64,352
Dec-07	67,703
Total	\$772,605

**Louisville Gas and Electric Company  
Home Energy Assistance Program  
Customer Enrollment by County  
As of December 31, 2007**

	<b>Number</b>	<b>County</b>
<b>County</b>	<b>Enrolled</b>	<b>Distribution</b>
Bullitt	32	2.41%
Hardin	19	1.43%
Henry	8	0.60%
Jefferson	1,220	91.73%
Larue	6	0.45%
Meade	14	1.05%
Nelson	7	0.53%
Oldham	22	1.65%
Shelby	1	0.08%
Trimble	1	0.08%
Total	1,330	100.00%

**Louisville Gas and Electric Company  
Home Energy Assistance Program  
Brown Bill Notices Issued - 2007**

<b>Number of Customers</b>	<b>Number of Brown Bills Per Customer Received Annually</b>
135	1
114	2
76	3
78	4
81	5
75	6
57	7
58	8
41	9
20	10
10	11
2	12
747	Total

**Louisville Gas and Electric Company  
Home Energy Assistance Program  
Number of Disconnections - 2007**

<b>Number of Customers</b>	<b>Number of Disconnections Per Customer</b>
115	1
22	2
13	3
9	4
1	5
160	Total

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**AFFORDABLE ENERGY CORPORATION**

**DECEMBER 31, 2007 AND 2006**

Anderson  
Bryant  
Lasky & Winslow  
PSC

Certified Public Accountants

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**AFFORDABLE ENERGY CORPORATION**

**DECEMBER 31, 2007 AND 2006**



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*Providing timely, accurate, useful information to decision makers*

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Affordable Energy Corporation

We have audited the accompanying statements of assets, liabilities and net assets - cash basis of Affordable Energy Corporation (a nonprofit corporation) as of December 31, 2007 and 2006 and the related statements of revenues, expenses, and other changes in net assets - cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Affordable Energy Corporation as of December 31, 2007 and 2006 and its revenue and expenses and changes in net assets for the years then ended, on the basis of accounting described in Note 1.

*Anderson, Bryant, Lasky + Winslow, P.S.C.*

Louisville, Kentucky  
April 4, 2008

**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS**  
**AFFORDABLE ENERGY CORPORATION**  
**DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash	<u>\$7,925</u>	<u>\$46,885</u>
Total assets	<u>\$7,925</u>	<u>\$46,885</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>NET ASSETS</b>		
Unrestricted	<u>\$7,925</u>	<u>\$46,885</u>
Total liabilities and net assets	<u>\$7,925</u>	<u>\$46,885</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF REVENUES, EXPENSES AND OTHER  
CHANGES IN NET ASSETS - CASH BASIS  
AFFORDABLE ENERGY CORPORATION  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

CHANGES IN UNRESTRICTED NET ASSETS	<u>2007</u>	<u>2006</u>
Revenue and support		
Administrative fee	\$57,240	\$76,980
Interest income	<u>52</u>	<u>50</u>
Total unrestricted revenue and support	<u>57,292</u>	<u>77,030</u>
Expenses		
Salaries	46,331	40,594
Payroll taxes and benefits	7,386	7,728
Computer assistance	2,620	2,660
Contract services	1,760	734
Insurance	1,930	1,816
Intake training	2,161	1,620
Office supplies and expense	8,098	1,031
Postage	6,004	2,834
Printing	1,408	343
Professional fees	3,206	3,206
Rent	2,400	2,909
Advertising	1,969	442
Telephone	975	829
Membership dues	4	9
Program evaluation	10,000	0
Travel	<u>0</u>	<u>762</u>
Total expenses	<u>96,252</u>	<u>67,517</u>
Increase (decrease) in unrestricted net assets	(38,960)	9,513
Net assets, beginning of year	<u>46,885</u>	<u>37,372</u>
Net assets, end of year	<u>\$ 7,925</u>	<u>\$46,885</u>

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS  
AFFORDABLE ENERGY CORPORATION  
DECEMBER 31, 2007 AND 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Affordable Energy Corporation (the Organization) was organized in 1992 to provide financial and other forms of assistance to low-income households in order to ensure that their basic energy needs are met, that the crisis of disconnection is avoided and that energy is conserved whenever possible. Affordable Energy Corporation works to gather and create the resources to accomplish these goals and works cooperatively with government, utility and social service agencies where appropriate. The Organization serves customers in the Louisville Gas & Electric service area that includes Louisville, KY and the surrounding counties.

The Organization is paid an administrative fee by Louisville Gas & Electric to administer the program through December 31, 2012. The financial statements of the Organization report only the administrative expenses of the program – the utility assistance payments are made directly by Louisville Gas & Electric.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the cash basis of accounting. Under this basis, revenue is recorded when collected rather than when earned and expenditures are recorded when paid rather than when incurred. Consequently, these financial statements are not intended to present financial position or the results of operations in conformity with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

### NOTE 2. LEASE

The Organization leases its office space on a month to month basis. The rent expense for the years ended December 31, 2007 and 2006 was \$2,400 and \$2,909, respectively.

### NOTE 3. FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses are allocated to program and management and general on the basis of time spent. Expenses by function were as follows:

Program services	\$86,627	\$60,765
Management and general	<u>9,625</u>	<u>6,752</u>
	<u>\$96,252</u>	<u>\$67,517</u>