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October 29, 2007

RECEIVED

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PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

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

**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**
KPSC Case No. 2007-00337

Dear Ms. O'Donnell:

On behalf of Louisville Gas and Electric Company, the Association of Community Ministries, Inc., People Organized and Working for Energy Reform, and the Kentucky Association for Community Action, Inc. (collectively "Joint Applicants"), please accept for filing in the above-referenced case the attached Guidelines for Discretionary Home Energy Assistance Program Funds ("Guidelines").

On September 14, 2007, the Commission issued an Order in this proceeding approving the Joint Applicants' Application for the Establishment of a Home Energy Assistance ("HEA") Program. In its Order, the Commission instructed the Joint Applicants to file within forty-five days a set of guidelines for the allocation and distribution of the discretionary fund established by the HEA Program, which fund sets aside five percent of total HEA funds that may be used for arrearage reduction and emergency energy assistance.

It is in response to the Commission's instruction that the Joint Applicants move the Commission to accept the attached Guidelines. They provide criteria for determining who may receive each kind of assistance. For example, only those re-enrolling in the program may receive arrearage assistance (to help those persons to move off of the program), and only those who have lost their main source of income and have exhausted other available energy assistance funds may receive emergency energy assistance. Also, based on historical arrearage data, the Guidelines

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state that approximately fifty percent of the discretionary fund will likely be used for arrearage reduction and fifty percent will likely be used for emergency energy assistance, though flexibility in the allocation is necessary to meet actual needs as they arise.

If you have any questions or concerns about the Guidelines or other issues in this proceeding, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Duncan Crosby III", with a horizontal line underneath.

W. Duncan Crosby III

WDC:ec
Enclosures as mentioned
cc: Parties of Record

Affordable Energy Corporation Discretionary Emergency Assistance Fund Procedures

Background Information: Pursuant to the Kentucky Public Service Commission's ("Commission") September 14, 2007 Order in Case No. 2007-00337, the Louisville Gas and Electric Company ("LG&E") Home Energy Assistance ("HEA") program includes a discretionary energy assistance fund. Up to 5% of the total HEA funds LG&E collects will be available to provide discretionary energy assistance to program participants to pay down arrearages or to provide energy assistance to low-income LG&E customers in times of crisis. The current program became effective on October 1, 2007, and will expire on September 30, 2012.

Fund Distribution Procedures

1. Each January, beginning in 2008, after updating the files with new data from the LIHEAP Subsidy program, Affordable Energy Corporation ("AEC") will evaluate the status of each client permitted to re-enroll in the HEA program. If a re-enrolled client has a remaining balance on a payment plan, the HEA program may pay the account in full. Per the Commission's Order, the amount of payment will not exceed \$1,000 per client.
2. Remaining arrearage balances will be placed on a 12-month back balance repayment plan.
3. AEC will ensure that clients do not have a credit on their accounts as a result of this assistance.
4. If during the year a client should lose his/her only source of income and is faced with a disconnection date, AEC will administer emergency funds if the following conditions are met.
 - a. The client can only have one brown bill for the program year to date.
 - b. The client must exhaust all other sources of funds including the Community Ministries, the Community Action Agency and the Salvation Army. Documentation must be provided to AEC that funds are not available.
 - c. The client must submit a written statement to AEC explaining the loss of income.
 - d. A client would only be eligible for emergency assistance one time during the program year.
5. At the end of the calendar year, AEC will determine the amount paid for arrearages and/or emergency assistance. Any funds remaining in the discretionary account will be reallocated as monthly subsidies to eligible participants. Based upon historical information, it is anticipated that approximately 50% of the discretionary assistance fund may be allocated to reduce arrearages while the remaining funds may provide emergency energy assistance.
6. The discretionary funds will be administered by the program director with LG&E and Affordable Energy Board oversight.