

**BEFORE THE  
KENTUCKY PUBLIC SERVICE COMMISSION**

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In The Matter Of:

THE ANNUAL COST RECOVERY	)	
FILING FOR DEMAND SIDE	)	CASE NO. 2007-00369
MANAGEMENT BY DUKE ENERGY	)	
KENTUCKY, INC.	)	

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**NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION’S REPLY TO  
THE ATTORNEY GENERAL’S COMMENTS**

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Now comes Northern Kentucky Community Action Commission (“NKCAC”), a member of the Demand Service Management Residential Collaborative (“DSM Collaborative”) referred to in the Duke Energy Kentucky (“DE-Kentucky”) Application, and separately identified as a party receiving notice in all pleadings in this action, and hereby respectfully submits a Reply to the Attorney General’s Comments in the above-styled proceeding filed on March 24, 2008 (“Comments”).

NKCAC is in favor of the DSM programs identified in the DE-Kentucky Application and respectfully requests the Commission approve this Application.

**General Comments**

NKCAC was also surprised by and at the nature of the remarks made in the Attorney General’s Comments. NKCAC concurs with and adopts by reference in this matter all the reply comments submitted in a separate reply filing by Duke Energy – Kentucky (“DE-Kentucky”).

The DSM Collaborative, to which NKCAC is a party, has in the past worked with members of the Attorney General in a collaborative effort to design, approve and help

implement Demand Side Management programs (“DSM”) with DE-Kentucky which programs which are now criticized in the Attorney General’s Comments. NKCAC has long endorsed and participated in this collaborative process.

Should the Commission adopt and approve the numerous concerns and recommendations identified by the Attorney General in its Comments the economic impact to be suffered by the clients of NKCAC would be adverse and significant.

The Attorney General’s criticisms of the existing DSM programs appear to be based upon inaccurate assumptions, the misinterpretation of data and a misunderstanding of the programs themselves and the benefits of these programs.

Generally the Attorney General Comments express several general criticisms of DE-Kentucky’s DSM programs. The Attorney General criticizes the number of low income program offerings, suggesting a cost/benefit analysis that such programs do not offer an adequate return for ratepayers. The Attorney General expresses concern that the inadequate “return” on low income programs is becoming a trend. These criticisms appear to be based upon incorrect assumptions and analysis of the facts. By expressing concern that DE-Kentucky’s DSM programs are “heavily weighted toward low income” appears to be and is more of an expression of interpretation and opinion, rather than a position based upon fact.

There is no doubt that the clients of NKCAC truly benefit from the DE-Kentucky DSM programs. The NKCAC clients are members of the low income residential customer class of utility ratepayer who have limited financial resources. As a rule this group of people are unable to obtain funds needed to finance residential improvements that result in improved energy efficiency. The DE-Kentucky’s low

income programs are designed to overcome this economic disadvantage in a fair and equitable manner. Further, the money that NKCAC receives from these DE-Kentucky DSM programs are used by NKCAC as part of the matching funds required to obtain federal funding for other energy efficiency assistance programs.

It is important to keep in mind that NKCAC clients are DE-Kentucky customers and ratepayers. As ratepayers obligated to pay the rates set forth in the DSM Rider should not these individuals be able to share in benefits that these programs offer.

It makes sense to allow DE-Kentucky to offer DSM programs targeted to low income customers since those customers are in the greater need of assistance. Principles of equity suggest they do. More importantly the legislative intent that appears in language of KRS 278.285 clearly supports this proposition.

The DE-Kentucky DSM programs encourage, offer and deliver energy efficiency options to lower income ratepayers and assists NKCAC in this time of declining budgets and less certainty in revenue streams to finance services to its clients. By improving the energy efficiency to its low-income customers and specifically to the clients of NKCAC, DE-Kentucky and other jurisdictional utilities reduce the reliance and pressure on the government to fund energy efficiency programs such as LIHEAP.

### **Residential Conservation and Energy Education**

By way of example one DSM program adversely criticized by the Attorney General is the refrigerator replacement component of the Residential Conservation and Energy Education program. This program component offers the NKCAC client the opportunity and the means to replace an old, energy wasting refrigerator with a new, highly energy efficient refrigerator. A person with limited income living within severely

restrictive financial means does not place high priority on a decision to purchase a major essential household appliance with the objective of improving energy efficiency. More importantly, it is arguable and questionable whether a person living within these financial restrictions even has this choice as an option. This DSM program clearly allows the NKCAC client this option.

This Refrigerator Replacement program essentially is a one-time purchase and cost event. This program provides both short term and long term benefits. In the short term the recipient now has new, energy efficient refrigerator that reduces monthly energy costs or improves overall household energy efficiency. In the long run this new refrigerator provides value for many years in terms of enhanced energy efficiency and energy savings. Not only does the NKCAC client who participates in this program individually benefit but collectively all DE-Kentucky ratepayers will benefit.

### **Payment Plus**

The Payment Plus Program is another example of a DSM program that benefits all ratepayers. NKCAC clients are among the targeted beneficiaries of this program. The Payment Plus program has separate components. Each program component is designed to complement the other.

The Attorney General's Comments succinctly identify the nature and scope of the Payment Plus program. However, the Attorney General's criticism of the Payment Plus program is misplaced. The Attorney General concedes that the weatherization portion of this program works. Yet the Attorney General criticizes the other components of this program characterizing those portions of the plan unwise and a means for DE-Kentucky to have another revenue stream.

Gutting two fundamental elements of this program serves no purpose and is pound foolish.

What the Attorney General either fails to understand or otherwise chooses not to acknowledge is that the primary beneficiaries of this program are low income ratepayers whose income qualifies at 150% of the federal income poverty guidelines. These low income ratepayers, including those served by NKCAC, as a general rule face within their household budget an inordinately high percentage of their household income that must be allocated and spent on energy service bills. When a low income ratepayer is forced to make a family budget decision involving paying rent, or paying for groceries or to fully pay the cost of monthly energy service, the full payment of the energy bill is usually the loser. If a low income ratepayer makes a minimum payment of its monthly energy bill to avoid service cutoff, then the unpaid portion of that bill is added to the balance of the next succeeding monthly energy bill. When one decides upon minimum energy bill payment as the only choice available the resulting unpaid energy bill balance grows exponentially especially during periods of extreme seasonal weather events that cause higher than anticipated residential energy bills. This scenario only puts the lower income ratepayer deeper in a financial hole where relief or resolution remains uncertain.

Collectively each Payment Plus program component assists the lower income ratepayer in many ways. By allowing a lower income ratepayer the ability to jointly learn the concepts of energy efficiency and budgeting and then wisely and effectively utilizing these budgeting concepts, when combined with the weatherization program component, gives that low income ratepayer at least a chance and a glimmer of hope of getting out of the deep well of residential energy bill debt.


By allowing these individuals whose income qualifies at 150% of the federal income guidelines, and who are DE-Kentucky ratepayers, to participate in this program does provide value for many years to come. The benefits are in terms of energy savings without additional expense, the ability to install energy efficiency measures and to deliver energy education in their homes all of which are specifically designed and intended to effectively reduce energy consumption cost for all ratepayers. Programs of this type and nature are accepted and used by every state as well as by the Federal Department of Energy. In this circumstance the Payment Plus payment as set forth should stay in place.

**Conclusion**

NKCAC is in favor of these DSM programs. These DSM programs are designed and intended to offer NKCAC clients and other lower income ratepayers the opportunity to meet or address ever increasing financial burdens caused by the cost of energy service. For these reasons, NKCAC respectfully requests the Commission approve DE-Kentucky's Application as filed.

Respectfully submitted,

NORTHERN KENTUCKY COMMUNITY  
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**CERTIFICATE OF SERVICE**


I hereby certify that a copy of the foregoing filing was served on the following via ordinary United States mail, postage prepaid, this 8th day of April, 2008:

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