

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF APPLICATION)
OF DUKE ENERGY KENTUCKY, INC.)
TO RE-INSTITUTE A HOME ENERGY) CASE NO. 2008-00100
ASSISTANCE PROGRAM)

RESPONSES OF DE-KENTUCKY TO
ATTORNEY GENERAL'S SUPPLEMENTAL
REQUESTS DATED APRIL 1, 2008

VERIFICATION

State of Indiana)
)
County of Hendricks)

The undersigned, Pamela J. Ball, being duly sworn, deposes and says that I am employed by the Duke Energy Shared Services as Sr. Customer Relationship Specialist; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.

Pamela J. Ball
Pamela J. Ball

Subscribed and sworn to before me by Pamela J. Ball on this 9th day of April 2008.

Diane M. Clack
NOTARY PUBLIC

My Commission Expires: April 17, 2014

Duke Energy Kentucky
Case No. 2008-00100
Attorney General Supplemental Data Requests
Date Received: April 1, 2008
Response Due Date: April 11, 2008

AG-SUPP-01-001

REQUEST:

Please reference the Company's Responses to the Supplemental Data Requests of Commission Staff in case 2007-00369, Question 3, Part f. With reference to the administration of the program by the Northern Kentucky Community Action Council (NKCAC), please provide a breakdown of the proposed administrative costs, which are stated to be approximately \$41,000.00.

RESPONSE:

Of the approximate \$41,000 estimated for the proposed HEA administrative costs, approximately 90 percent of the budget would be allocated to staff salaries and benefits. The other 10 percent would go toward "consumable" costs such as paper, printer/copier and IT costs.

PERSON RESPONSIBLE: Pam Ball

Duke Energy Kentucky
Case No. 2008-00100
Attorney General Supplemental Data Requests
Date Received: April 1, 2008
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AG-SUPP-01-002

REQUEST:

Please reference the Company's Responses to the Supplemental Data Requests of Commission Staff in case 2007-00369, Question 3, Part f. With reference to the administration of the program by the Northern Kentucky Community Action Council (NKCAC), please explain in detail why additional administration funds are appropriate in light of the fact that the Company's existing low-income programs are already being administered by NKCAC.

RESPONSE:

The NKCAC staff would need to allocate additional time to administer the proposed HEA program. As is current practice for NKCAC, time and material costs associated with administering the HEA program would be allocated to the program as incurred. Similarly, costs to administer WinterCare are applied to the WinterCare program as those administration costs are incurred. Thus, administrative costs for each program are tracked separately and do not overlap.

PERSON RESPONSIBLE: Pam Ball

Duke Energy Kentucky
Case No. 2008-00100
Attorney General Supplemental Data Requests
Date Received: April 1, 2008
Response Due Date: April 11, 2008

AG-SUPP-01-003

REQUEST:

Please reference the Company's Responses to the Supplemental Data Requests of Commission Staff in case 2007-00369, Question 3, please explain in detail all funding sources, including the provider of the funds that the Company references in the statement "emergency assistance funding was expected to be depleted by the end of January 2008."

RESPONSE:

The "emergency assistance funding" referred to in the Attorney General's question is LIHEAP. These funds are provided by the U.S. Department of Health & Human Services. LIHEAP funding was down approximately 1/3 in Kentucky this heating season compared to the last two years – approximately \$25 million in 2008 vs. more than \$32 million in 2006 and 2007.

PERSON RESPONSIBLE: Pam Ball

Duke Energy Kentucky
Case No. 2008-00100
Attorney General Supplemental Data Requests
Date Received: April 1, 2008
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AG-SUPP-01-004

REQUEST:

Please reference the Motion to Amend in case 2007-00369, Paragraph 4. The Company states that approximately 24,700 customers could be eligible for benefits under the proposed program. Of that number, please provide an estimate of the number of customers that are already eligible for assistance under the Company's existing low-income programs (i.e. of the 24,700, how many are eligible under existing programs?).

RESPONSE:

In its Motion to Amend in Case No. 2007-369, the company estimated approximately 24,700 customers would be eligible for the HEA program based on the number of single family owner-occupied households within Duke Energy Kentucky's service area. The total number of customers who would be eligible for assistance would be greater. Approximately 32,000 customers (which includes customers who rent) would actually be eligible for benefits under the proposed HEA program at the proposed 200% of the poverty level. Under DE-Kentucky's existing low income programs, customers whose income is at or below 150 % of the poverty level are eligible for benefits. There are approximately 24,000 total customers, (rental and home owners) with income at or below 150% of the poverty level who are eligible for assistance under the current programs.

PERSON RESPONSIBLE: Pam Ball

Duke Energy Kentucky
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AG-SUPP-01-005

REQUEST:

Please reference the Company's Responses to the Supplemental Data Requests of Commission Staff in case 2007-00369, Question 5, please provide the formula used by NKCAC in calculating LIHEAP assistance. Will the formula to be used by NKCAC to qualify customers under this program include in its income calculations the cash value of benefits received by the customer from any public or private agency? If not, why?

RESPONSE:

The LIHEAP calculation is derived from the U.S. Department of Health & Human Services as follows:

Non-Subsidized Housing

Poverty Level	Electric	Natural Gas	Propane	Coal	Wood	Fuel Oil
00 – 33%	\$130	\$147	\$196	\$130	\$140	\$188
34 – 65%	\$110	\$125	\$172	\$110	\$120	\$163
66 – 98%	\$90	\$102	\$149	\$90	\$100	\$138
99 – 130%	\$70	\$80	\$114	\$70	\$80	\$113

Subsidized Housing

Poverty Level	Electric	Natural Gas	Propane	Coal	Wood	Fuel Oil
00 – 33%	\$24	\$28	\$38	\$24	\$26	\$35
34 – 65%	\$41	\$46	\$66	\$41	\$44	\$63
66 – 98%	\$53	\$60	\$84	\$53	\$57	\$81
99 – 130%	\$55	\$63	\$87	\$55	\$60	\$83

The formula to be used by NKCAC to qualify customers under the proposed HEA program will not include cash value benefits received by the customer from any public or private agency. No federally funded assistance programs consider these types of benefits as income.

PERSON RESPONSIBLE: Pam Ball

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AG-SUPP-01-006

REQUEST:

Please reference the Company's Responses to the Supplemental Data Requests of the Attorney General in case 2007-00369, Question 2, in its responses, the Company notes that customers at the 150%-200% federal poverty guidelines are not eligible for assistance under existing financial aid programs. Please explain in detail the basis the Company relies upon for its assertions that customers at the 150%-200% federal poverty guidelines require assistance?

RESPONSE:

According to the 2008 Health & Human Services Federal Poverty Guidelines provided below, customers at 200% of poverty are considered low-income. Thus, it is Duke Energy Kentucky's belief that customers at 150% to 200% of poverty would have limited resources for all living expenses, including energy bills.

Size of family unit	100% of Poverty	110% of Poverty	125% of Poverty	150% of Poverty	175% of Poverty	185% of Poverty	200% of Poverty
1	\$10,210	\$11,231	\$12,762	\$15,315	\$17,867	\$18,888	\$20,420
2	\$13,690	\$15,059	\$17,112	\$20,535	\$23,957	\$25,326	\$27,380
3	\$17,170	\$18,887	\$21,462	\$25,755	\$30,047	\$31,764	\$34,340
4	\$20,650	\$22,715	\$25,812	\$30,975	\$36,137	\$38,202	\$41,300
5	\$24,130	\$26,543	\$30,162	\$36,195	\$42,227	\$44,640	\$48,260
6	\$27,610	\$30,371	\$34,512	\$41,415	\$48,317	\$51,078	\$55,220
7	\$31,090	\$34,199	\$38,862	\$46,635	\$54,407	\$57,516	\$62,180
8	\$34,570	\$38,027	\$43,212	\$51,855	\$60,497	\$63,954	\$69,140

PERSON RESPONSIBLE: Pam Ball

Duke Energy Kentucky
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AG-SUPP-01-007

REQUEST:

Please reference the Company's Responses to the Supplemental Data Requests of the Attorney General in case 2007-00369, Question 7, please provide a breakdown of the number of participants in the Company's existing low income programs by percentage of the federal poverty income level. (i.e. xx number of customers at 125% of the federal poverty level). For the purposes of this question, the Attorney General assumes that rounding to the nearest 10% increment will provide the level of accuracy sought by the question.

RESPONSE:

The company does not track data the way the Attorney General has requested. This is for a number of reasons, including client confidentiality. The following was provided by the NKCAC and is based on aggregate data for all NKCAC customers. An estimate of the participants in the company's low-income programs by percentage of the federal poverty income level is as follows:

- Households up to 50% of the poverty level: 29%
- Households 51-75% of the poverty level: 24%
- Households 76-100% of the poverty level: 17%
- Households 101-125% of the poverty level: 13%
- Households 126-150% of the poverty level: 6%
- Households 151% of the poverty level and above: 11%

PERSON RESPONSIBLE: Pam Ball

Duke Energy Kentucky
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AG-SUPP-01-008

REQUEST:

Please reference the Company's Responses to the Supplemental Data Requests of the Attorney General in case 2007-00369, Question 7, given the Company's response, please explain in detail why the Company choose an income level that has the opportunity for overlap with other programs. Did the Company consider making the program available for customers earning over 150% but less than or equal to 200% of the federal poverty level? If not, why?

RESPONSE:

The only overlap that might exist involves those customers who are up to 150 percent of poverty level. We chose up to 200 percent of poverty level for the HEA program because these customers are considered low-income, as stated in the 2008 Federal Poverty Guidelines. In addition, not all customers who are up to 150 percent of poverty receive assistance since funds are limited and are not adequate to serve all those who are eligible.

PERSON RESPONSIBLE: Pam Ball

Duke Energy Kentucky
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AG-SUPP-01-009

REQUEST:

Please reference the Company's Responses to the Supplemental Data Requests of the Attorney General in case 2007-00369, Question 7, has the Company estimated the number of overlap customers who could potentially qualify for benefits under the proposed and existing programs? If not, why? If so, then please provide the total.

RESPONSE:

The Company has not estimated the number of "overlap customers." However, please see the response to AG-SUPP-01-004. A family may be income-eligible; however, funds may not be available at the time of need. In addition, some programs only help customers who have disconnect notices. Receiving assistance on their energy bill would enable funds for other needed household expenses.

PERSON RESPONSIBLE: Pam Ball

Duke Energy Kentucky
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AG-SUPP-01-010

REQUEST:

Please reference the Company's Responses to the Supplemental Data Requests of the Attorney General in case 2007-00369, Question 7, will the Company allow those overlap customers to obtain benefits under the existing programs and the proposed program? If so, why? If not, then please describe in detail how the Company will prevent customers from obtaining benefits under multiple programs.

RESPONSE:

Customers may be eligible for assistance under both the existing programs and the proposed program, but only after NKCAC has determined that the need exists to avoid disconnection of services.

PERSON RESPONSIBLE: Pam Ball

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AG-SUPP-01-011

REQUEST:

Please describe in detail what other options, other than the proposed program, the Company offers those customers who profess difficulty in paying their utility bills (i.e. does the Company offer budget payment plans? Installment payment plans?).

RESPONSE:

Duke Energy does provide payment programs. Descriptions of programs and services are available on Duke Energy's customer Web site: www.duke-energy.com. Duke Energy Kentucky Residential customers who have difficulty in paying their energy bills can set up a **Bill Payment Agreement**. Residential customers can obtain one 3-month agreement in a 12-month period. The current balance is divided into 3 equal installments. The first installment the customer pays one-third of the total bill. The next two months the customer pays the agreement installment plus current charges.

Budget Billing is another program that may assist customers who have difficulty managing or paying their bills. There's an "Annual" program and a "Quarterly" program. With the Quarterly program, the customer pays the same amount for three months. The amount will be recalculated and, if the customer's energy use has varied by more or less than 10 percent, the bill will be automatically adjusted accordingly for the next three months. This plan is designed for customers who want to avoid a once-a-year bill adjustment. With the Annual program, the customer pays the same amount each month for 11 months. On the 12th month, the customer is either billed or credited for any difference between actual energy use and the total amount the customer has paid during the Budget Billing year.

The **Adjusted Due Date program (ADD)** is also available to all Duke Energy residential customers. The ADD program allows customers to change their due date to better align with their income. This program is advantageous to customers who are on a fixed income and only get paid once a month.

PERSON RESPONSIBLE: Pam Ball

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AG-SUPP-01-012

REQUEST:

Please reference the Motion to Amend in case 2007-00369, Paragraph 2. Is the Company proposing that the level of benefits available under the proposed program is capped at maximum of \$300.00?

- a. If so, please describe why the Company feels it is appropriate to utilize ratepayer funds to subsidize this class of customers rather than offering other options.
- b. If not, please describe in detail the maximum dollar amount available to customer under the program.
- c. Please state the reason(s) the proposed program would be preferable to merely providing customers the option to make up a maximum of \$300.00 in bill arrearage payments over a 12 month period (\$25.00 per month).

RESPONSE:

- a. The company is proposing that the benefits payable under the proposed HEA program be capped at a maximum of \$300. It is appropriate to use ratepayer funds because the amount is small enough that it won't impair the average residential customer. And cumulatively, ratepayers help to address a significant need in the communities where they live and work. Other options to address low-income customers in crisis situations are to provide funds from existing programs: 1) the WinterCare program, which is funded by Duke Energy shareholders, and voluntary contributions from employees and customers, or 2) LIHEAP, which is funded by tax dollars. Or use a third option – offer no bill payment assistance and simply shut off utilities due to nonpayment when low-income customers are most in need of energy assistance.
- b. N/A.

c. While we could place these low-income customers on a bill payment program, Duke Energy does not believe the Attorney General's suggestion is helpful and would not provide the needed solution for the customer. The spirit of the proposed HEA program is to truly assist customers who are in a crisis situation and facing disconnection. Experience has shown that if families don't have the funds, they will simply continue to add up bills. Families in low-income situations also put a greater share of family budgets toward energy costs. Studies have shown that low-income customers have a greater share of their family total budget going toward energy costs, than customers who are not low-income.

PERSON RESPONSIBLE: Pam Ball