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July 24, 2008

VIA FEDERAL EXPRESS

Ms. Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602


Re: Case No. 2008-00100

Dear Ms. Stumbo:

I enclose for filing the original and eleven copies of The Northern Kentucky Community Action Commission's Reply to the Attorney General's Comments and Supplemental Requests in the above-referenced proceedings.

Please return to me in the enclosed self-addressed stamped envelope a file-stamped copy of this pleading.

Very truly yours,


Thomas P. Vergamini

TPV:sw

Enclosures

cc: Paul Adams (w/encl.)
Quang D. Nguyen (w/encl.)
Rocco O. D'Ascenzo (w/encl.)
Amy B. Spiller (w/encl.)
Florence W. Tandy (w/encl.)

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BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

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In The Matter Of:

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

**NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION'S REPLY TO
THE ATTORNEY GENERAL'S COMMENTS AND SUPPLEMENTAL
COMMENTS**

Now comes Northern Kentucky Community Action Commission ("NKCAC"), a party intervenor in this action, and hereby respectfully tenders and submits it's Reply to the Attorney General's Comments and Supplemental Comments in the above-styled proceeding, ("Reply Comments").

NKCAC disagrees with the position taken by the Attorney General and respectfully requests the Commission approve the Duke Energy Kentucky ("DE-Kentucky") HEA Application.

In its Application DE-Kentucky structures the proposed HEA program in a similar manner as the original HEA pilot program approved in 2006.¹

The Attorney General Comments and Supplemental Comments collectively express objection to this new HEA program. This current opposition seems in contradiction of the Attorney General's earlier support of the prior DE-Kentucky and other HEA programs throughout the Commonwealth.²

¹ *In the Matter of the Annual Cost Recovery Filing for Demand Side Management by The Union Light, Heat and Power Company, Case No. 2005-00402 (Opinion and Order)(April 4, 2006).*

² *Attorney General's Comments to the Union Light, Heat and Power Company's Amended*

The Attorney General mistakenly believes there exist two DE-Kentucky ratepayer financed HEA programs to which NKCAC clients are or may be beneficiaries.³ This assertion is incorrect. NKCAC refers to and concurs with the program summary that DE-Kentucky clearly outlined in its initial response to the Attorney General Comments.⁴ These programs each have different objectives although both are intended to benefit low income DE-Kentucky residential ratepayers, many of whom are NKCAC clients. By the mischaracterization of these programs and collectively referring to them as an HEA, does not clearly show the differences in these programs and the benefits that each provides to low income residential ratepayers. The HEA program is intended as a means to provide direct financial assistance to help lower income residential ratepayers pay high utility bills. On the other hand, the Payment Plus program is intended principally as an education and weatherization program that uses utility bill arrearage reduction as an incentive for participation.

The pending DE-Kentucky application for this HEA program is intended to work along the same concepts and principals of the several Kentucky public utility HEA programs that have been approved by the PSC.

Application for Approval of a Pilot Home Energy Assistance Program, Approval of a Pilot Personalized Energy Report Program, and Approval to Expand Funding of the C&I High Efficiency Incentive Program in conjunction with the filing of the Annual Status Report, Application for Continuation of the Residential Comprehensive Energy Education, and Program Administration Programs, and Adjustment of the 2005 DSM Cost Recovery Mechanism with filing of Amended Tariff Sheets for gas rider DSM (Revised Sheet No. 62.9) and Electric Rider DSM (Revised Sheet No. 78.9) and filing of KYPSC Electric No. 4 (8th Revised Sheet No. 30) and KYPSC Gas No. 5 (92nd Revised Sheet No. 30) Case No. 2005-00402 (January 18, 2006) (AG Comment 2006).

³ Attorney General's Supplemental comments at 2.

⁴ DE-Kentucky Reply to Attorney General's Comments at 1-3

The economic circumstances including the increase in residential energy costs that gave rise to the initial HEA program still exist some two and one-half years later. Escalating energy costs and the resulting electric and gas recovery increases present an economic challenge for all residential utility ratepayers. This problem of high energy costs is particularly hard felt and much more difficult and financially burdensome on those DE-Kentucky residential ratepayers who fall into the lower economic income brackets. It is this group of DE-Kentucky residential ratepayers who are generally clientele of NKCAC and other social service organizations and government sponsored programs.

As the Attorney General once described:

Energy prices are currently at, or near, record prices. Natural gas is likewise experiencing volatility that is unprecedented. As a consequence, many consumers are facing financial hardship or even crisis. Moreover, with such extreme prices, consumers not previously able to qualify for governmental assistance are being stretched to the point where they too may qualify. In other words, the residential consumers who heretofore financed the program are either eligible or close to becoming eligible beneficiaries. This translates to fewer consumers who will actually carry the financial burden of the program. In sum, unless significant relaxation in rates occurs, energy consumers may face the choice of paying their utility bill over medications or even food.⁵

While in 2005-2006 the Attorney General appeared willing to proclaim a strong advocacy position for legislative action on both a federal and state level to appropriate money to supplement such programs such as IHEAP, such advocacy is presently and now alarmingly silent. Given the recently enacted state budget and the current state of financial economic woe that the state government of the

⁵ Attorney General Comment 2006 at 2, see footnote ², *supra*.

Commonwealth faces there is little likelihood of additional state governmental financial support available for the foreseeable future to help weather the storm.

One aspect of the present DE-Kentucky Application is to qualify other lower income residential ratepayers in the HEA program. The proposed HEA program is structured to assist lower income DE-Kentucky ratepayer families with an amount of financial assistance to be applied specifically to alleviate and avoid imminent electric or gas utility service shut-off due to the failure to pay ever increasing utility service charges. These ratepayers may not otherwise qualify for assistance because of the parameters of Federal poverty level guidelines created when energy costs were not escalating to the scale that is now taking place. Contrary to what the Attorney General proposes, the energy financial assistance floodgates will not suddenly open making eligible all low income DE-Kentucky residential ratepayers to this HEA program. One must be mindful that any potential DE-Kentucky residential ratepayer who may qualify as an HEA applicant must also meet specific income guidelines and be on the brink of being subject to a residential energy crisis because they are financially unable to pay their energy bills.

The Attorney General expresses concern that the median income of the residents within the NKCAC service area may be higher than the statewide median income as if this is a principal factor that ought to be considered in this Application. However, that fact alone does not give any economic advantage to the NKCAC client whose income level falls below this median income number. The NKCAC client cannot meet the financial obligations to balance payment of

higher utility bills against other increasing basic family support obligations. The circumstances the Attorney General sought to avoid in 2006 are now apparently reversed and a different attitude by the Attorney General now prevails.

The limited rate increase in the DE-Kentucky HEA application is relatively inexpensive with a very low burden for all residential ratepayers. Depending upon the type of utility account the customer has, the DE-Kentucky residential ratepayer will face paying only \$1.20 per year to \$2.40 per year.

Of the proposed HEA funds to be generated all of that money will be used to provide these qualified lower income residential ratepayers with funds to supplement the higher residential energy bills that they face.

DE-Kentucky has wisely concluded and decided that a separate organization, which in this case is NKCAC, is better suited and oriented to serve as the entity that selects and determines who, among the lower income DE-Kentucky residential ratepayers is best served by use of HEA money.

The Attorney General's non-specific comment of "other options exist" for DE-Kentucky residential ratepayers to meet the challenge of paying higher residential energy costs gives no specific detail of what those options may be, if any. The DE-Kentucky residential ratepayer who may or may not be a client of NKCAC, is faced daily with many financial obstacles that challenge the family household budget. Whatever of these "other options" exist, they serve little good in light of exponentially higher and often insurmountable residential energy bills that low income DE-Kentucky ratepayers are facing. As the primary energy assistance provider in Northern Kentucky, NKCAC seeks to access any and all

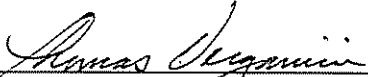
additional resources with which to help clients, including working with DE-Kentucky to establish payment plans and even-billing, but none, individually or collectively are adequate to meet the expanding need.

The HEA program that DE-Kentucky proposes to continue to offer provides in a small way one step that allows the lower income residential DE-Kentucky ratepayer the opportunity to address and hopefully meet their financial obligations to pay for higher residential energy utility costs.

For these reasons, NKCAC respectfully requests the Commission approve DE-Kentucky's Application for the HEA program as filed.

Respectfully submitted,

NORTHERN KENTUCKY COMMUNITY
ACTION COMMISSION, INC.

By: 

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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 24th day of July, 2008:

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