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Cincinnati / Cleveland / Columbus / Dayton / Indianapolis / Northern Kentucky / Phoenix / Beijing

THOMAS P. VERGAMINI
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June 2, 2008

RECEIVED
JUN 3 2008
PUBLIC SERVICE
COMMISSION

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 responses to the Attorney General's Supplemental Requests for Information in the above-referenced proceedings.

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

Very truly yours,

Thomas Vergamini

Thomas P. Vergamini

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

{W1256956.2}

Taft/

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Cincinnati / Cleveland / Columbus / Dayton / Indianapolis / Northern Kentucky / Phoenix / Beijing

THOMAS P. VERGAMINI
513-357-9625
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June 2, 2008

Paul Adams
Assistant Attorney General
The Kentucky Office of the Attorney General
1024 Capital Center Dr.
Frankfort, KY 40602-2000

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JUN 3 2008
PUBLIC SERVICE COMMISSION

Quang D. Nguyen
Kentucky Public Service Commission
211 Sower Blvd.; P.O. Box 615
Frankfort, KY 40602-0615

Rocco O. D'Ascenzo
Senior Counsel
Amy B. Spiller
Associate General Counsel
Duke Energy Shared Services, Inc.
Room 2500 Atrium II
P.O. Box 960
Cincinnati, OH 45201-0960

Re: In the Matter of The Application of Duke Energy Kentucky, Inc. to Re-Institute a Home Energy Assistance Program, Case No. 2008-00100

Dear Ms. Spiller and Messrs. Adams, Nguyen, D'Ascenzo:

Enclosed please find a copy of the Supplement Data Responses of The Northern Kentucky Community Action Commission in the above-referenced proceeding, which is being filed with the Kentucky Public Service Commission.

Very truly yours,

Thomas Vergamini

Thomas P. Vergamini

TPV:sw
Enclosure
cc: Florence Tandy (w/enclosure)

{W1247736.2}

RECEIVED
JUN 3 2008
PUBLIC SERVICE COMMISSION

BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

In The Matter Of:

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

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION'S RESPONSES TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST FOR INFORMATON DATED MAY 13, 2008

Now comes Northern Kentucky Community Action Commission ("NKCAC"), a party intervenor in this action, and hereby submits its Responses to the Attorney General's Comments Supplement Data Request for Information dated May 13, 2008.

Respectfully submitted,

NORTHERN KENTUCKY COMMUNITY ACTION COMMISSION, INC.

By: Thomas P. Vergamini

Thomas P. Vergamini (KBA #72983)
Taft Stettinius & Hollister LLP
1717 Dixie Highway, Suite 340
Covington, KY 41011-4704
phone: (513) 357-9625
fax: (513) 381-6613
e-mail: vergamini@taftlaw.com

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 2nd day of June, 2008:

Paul Adams
Assistant Attorney General
The Kentucky Office of the Attorney General
1024 Capital Center Drive
Frankfort, KY 40602-2000

Quang D. Nguyen
Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602-0615

Rocco O. D'Acsenzo
Senior Counsel
Amy B. Spiller
Associate General Counsel
Duke Energy Shared Services, Inc.
Room 2500 Atrium II
P. O. Box 960
Cincinnati, OH 45201-0960

Thomas P. Vergamini

Thomas P. Vergamini

VERIFICATION

Commonwealth of Kentucky)
)
County of Kenton)

The undersigned, Florence W. Tandy, the Executive Director of Northern Kentucky Community Action Commission, being duly sworn, deposes and says that I have prepared and reviewed the responses to the foregoing information requests and that the information set forth in response to these information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.

COMMONWEALTH OF KENTUCKY
UNITED WE STAND
DIVIDED WE FALL

THOMAS PAUL VERGAMINI
Notary Public, Kentucky
State At Large
My Commission Expires
May 6, 2010

Florence W. Tandy

Subscribed and sworn to before me by Florence W. Tandy on this 30th day of May, 2008.

Thomas Paul Vergamini
Notary Public

My Commission expires:

{W1281854.1}

TABLE OF CONTENTS

Duke Energy Kentucky
Case No. 2008-00100
Response by Northern Kentucky Community Action Commission to Attorney General's Supplemental Requests for Information
Date Received: May 14, 2008
Date Submitted: June 2, 2008

AG-SUPP-01-001

REQUEST 1:

Please reference the Company's Responses to the Supplemental Data Requests of Commission Staff in Case No. 2007-00369, Question 3, Part f. With reference to the administration of the program by the Northern Kentucky Community Action Commission (NKCAC), please provide a breakdown of the proposed administrative costs, which are stated to be approximately $41,000.00.

SUPPLEMENTAL RESPONSE:

The cost of operation for the proposed HEA program is based on the Duke Energy estimates of the number of electric and gas customers in the service region, and taking 15% of that figure to provide the proposed energy assistance services. While referred to as *administrative* costs, the more precise term is *operating* costs, or the costs of determining eligibility, providing client assistance, processing payments and keeping program records.

The budget does not include the costs of rent, utilities, phone, liability insurance, travel, staff training, and other related costs, but only those of staff directly providing the direct services for families in need. While we believe those costs are certainly reasonable and allowable, they will be paid by other agency resources. Based on our program averages, that cost is approximately 12.00 per voucher, at an estimated contribution to the HEA program of nearly $16,000.

Salaries	24,093	10 staff in each of the six neighborhood center offices, at approximately 11% of their time; average hourly rate of $10.53. This is for direct services staff providing services for the HEA only.
Fringe benefits	10,741	Currently fringe benefits average 44.5% of salaries
Contractual		
Travel & transportation		

Space/occupancy		
Utilities		
Supplies	1,685	paper, pens, computer and printer supplies, copier supplies, etc.
Telephone		
Printing		
Insurance		
Client benefits		
Equipment		
Staff development		
Legal fees		
Other costs		
Allocation of indirect costs	4,481	voucher processing, financial record-keeping. Computed at 18.6% of salaries, as approved by the US Department of Health and Human Services.
Total expenses	41,000	

PERSON RESPONSIBLE: Florence W. Tandy

Duke Energy Kentucky
Case No. 2008-00100
Response by Northern Kentucky Community Action Commission to Attorney General's Supplemental Requests for Information
Date Received: May 14, 2008
Date Submitted: June 2, 2008

AG-SUPP-01-002

REQUEST 2:

Please reference the Company's Responses to the Supplemental Data Requests of Commission Staff in Case No. 2007-00369, Question 3, Part f. With reference to the administration of the program by the Northern Kentucky Community Action Commission (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.

SUPPLEMENTAL RESPONSE:

Respectfully, the Attorney General's question is based on flawed information. Northern Kentucky Community Action Commission provides only some of the Company's existing low income programs, amounting to about 18% of the low income program portion of Duke Energy's DSM budget, or just under 5% of the entire DSM program operated by Duke Energy. But even if NKCAC operated all of the low income programs for Duke, we allocate costs for all programs and staff according to the specific service, with each program paying its fair share of the costs of providing that service. Costs are allocated using the cost principles of the U.S. Office of Management and Budget's Circular A-122, and generally accepted accounting practices (GAAP).

Payment Plus is the largest of those services we provide on behalf of Duke Energy, and the costs associated with that program are specific to the operation of that program. Staff time for recruiting participants, enrolling them, scheduling classes, providing energy education and budgeting education for participants are the primary costs in that budget. We also receive a small amount for testing and replacing refrigerators, but those costs are specific for the services we provide. Neither of those two budgets provides for general agency support, with all costs allocated according to the operating expenses of those services.

PERSON RESPONSIBLE: Florence W. Tandy

AG-SUPP-01-003

REQUEST 3:

Please reference the Company's Responses to the Supplemental Data Requests of the Attorney General dated April 11, 2008, Question 1. In the response the Company states that the bulk (90% or approximately $37,000.00) of the administration fees paid to NKCAC will be allocated to staff salaries and benefits. Please provide a detailed breakdown of exactly how these funds will be allocated by NKCAC including whether NKCAC intends to hire additional staff as part of its administration of the proposed program and whether the funds will be used to provide pay increases of any sort (i.e. salaries, benefits, etc.) to NKCAC's existing staff.

SUPPLEMENTAL RESPONSE:

No additional staff will be hired to provide the services under the HEA program. NKCAC has a salary scale for all of its 140 employees, with annual raises given according to merit. HEA funds will not be used to provide pay increases to staff beyond any salary increment that staff would be eligible anyway, nor will staff working with the HEA program receive additional benefits beyond what the agency provides to all staff.

PERSON RESPONSIBLE: Florence W. Tandy

Duke Energy Kentucky
Case No. 2008-00100
Response by Northern Kentucky Community Action Commission to Attorney General's Supplemental Requests for Information
Date Received: May 14, 2008
Date Submitted: June 2, 2008

AG-SUPP-01-004

REQUEST 4:

Concerning the proposed administrative funds, please explain in detail how NKCAC is paid, or otherwise remunerated for its services, e.g. fixed amount per participant, lump sum, etc.

SUPPLEMENTAL RESPONSE:

For the proposed HEA program, NKCAC would bill Duke Energy monthly based on amount of assistance provided, at the 15% rate. For example, if the agency provided $25,500 in benefits in a month, we would bill Duke Energy $3,825 for the operating costs we incurred during that month.

PERSON RESPONSIBLE: Florence W. Tandy

AG-SUPP-01-005

REQUEST 5:

Please reference the Company's Responses to the Supplemental Data Requests of the Attorney General dated April 11, 2008, Question 1. The Company states that total number of customers which could be eligible for benefits under the proposed program is approximately 32,000. As NKCAC administered the pilot program on behalf of the Company in Case No. 2005-00402, please provide the following:

a. Total number of participants in the pilot program;

b. The number of participants in the pilot program with incomes within the target range of 150%-200% of the federal poverty guideline level;

c. The average benefit level paid for all participants in the pilot program;

d. The average benefit level in the pilot program for participants within the income target range of 150%-200% of the federal poverty guideline level;

e. An estimate of the number of participants in the proposed program with incomes within the 150%-200% of the federal poverty guideline level included in the Company's 32,000 estimate;

f. The number of participants who received benefits under the pilot program and benefits under one or more of the Company's other programs; and,

g. The average benefit level paid for participants receiving benefits under the pilot program and under one or more of the Company's other programs.

SUPPLEMENTAL RESPONSE:

The program referred to by the Attorney General, was actually called the Energy Assistance Program (EAP). The benefits were computed by a matrix that was developed by Duke Energy, and was a subsidy-type program. Eligibility was customers who were

200 percent of poverty or below, period. Higher income customers received lower benefits than customers with lower incomes. Clients did not have to prove a crisis, and the assistance was given for any Duke customer coming to NKCAC offices while the program was operating, whether they received other types of assistance or not. Most typically, they received the EAP and another type of assistance during the same visit.

It should also be pointed out that the EAP was established in response to high energy bills anticipated for 2006, in response to requests from the Executive Branch of Kentucky government to establish a program to help low income customers weather the storm. Ironically, the prices for energy – and other prices, as well – have continued to climb even more drastically as was being predicted in late 2005, and low income families still need relief.

The HEA program being proposed is significantly different in design from the EAP. Not only must clients quality based on income, but they must also be in a home energy crisis, i.e. a cut off notice, and it will be the assistance source of last resort. In other words, during the LIHEAP period, those funds will be used first (for those who qualify, and when WinterCare funds are available, those funds will also be used before any HEA funds are available for that client.

a. Total number of participants in the pilot program;

3,419 families benefitted from the 2006 energy assistance program

b. The number of participants in the pilot program with incomes within the target range of 150-200% of the federal poverty guideline level;

NKCAC did not keep records in this manner, but we reviewed the data to arrive at an *estimated* five percent, or about 170 families of the EAP participants receiving assistance during that program.

c. The average benefit level paid for all participants in the pilot program;

$56.00

d. The average benefit level in the pilot program for participants within the 150-200% of the federal poverty guideline level included in the Company's 32,000 estimate.

$27.00 (*estimate*) It should be pointed out that the 32,000 figure is an estimate of the potential number of customers that could be eligible for the entire program, not just those from 150 to 200 % of poverty.

e. An estimate of the number of participants in the proposed program with incomes within the 150-200% of the federal poverty guideline level included in the Company's 32,000 estimate;

We estimate that approximately 15-20% of those to be assisted with the proposed HEA program will fall between 151 and 200% of poverty. The increase from the earlier EAP program is anticipated because of the more difficult economic climate today, and because the benefit is for families in a crisis situation, when they are more likely to request assistance.

f. The number of participants who received benefits under the pilot program and benefits under one or more of the Company's other programs;

Records of this type were not kept for the EAP, and it would take hours of staff time going through 3,419 individual files to answer this question. NKCAC believes that the Attorney General would agree that this would not be a prudent use of time. As an alternative response, NKCAC can generalize. Clients who received EAP assistance typically received other energy assistance, including LIHEAP and WinterCare.. This is due to two primary factors. First, the benefits were low, from $5 to $70 depending on income, so the amount of assistance was rarely enough to help a family maintain utility service. Second, it was a subsidy program, so there was no restriction on the types of assistance clients received or whether they received help from more than one source.

g. The average benefit level paid for participants receiving benefits under the pilot program and under one or more of the Company's other programs.

NKCAC is unable to provide information about which clients also received benefits under all of the Company's other programs, as we only participate in two – WinterCare and Payment Plus. Average benefits for the EAP were $56. NKCAC is unable to determine which EAP clients also receive assistance from the WinterCare program, sponsored by Duke and funded both by Duke and by customers who add a donation to their utility bills. WinterCare is not a part of Duke Energy's DSM program. For fiscal year 2006, a total of 519 Duke customers received help through WinterCare, with an average assistance amount of $144. Payment Plus and HEA records are not integrated so it is not possible to determine which of NKCAC's clients may have received services under both programs without significant time going through records manually.

PERSON RESPONSIBLE: Florence W. Tandy

Duke Energy Kentucky
Case No. 2008-00100
Response by Northern Kentucky Community Action Commission to Attorney General's Supplemental Requests for Information
Date Received: May 14, 2008
Date Submitted: June 2, 2008

AG-SUPP-01-006

REQUEST 6:

Please reference the Company's Responses to the Supplemental Data Requests of the Attorney General dated April 11, 2008, Question 5. The Company states that the formula used by NKCAC to qualify participants under the proposed HEA program will not include cash value benefits received by the participant from any public or private agency and notes that no federally funded assistance programs consider these types of benefits as income. As the proposed program is funded by ratepayers and is NOT federally funded, please provide a detailed explanation as to why NKCAC will not use the cash value of other benefits received by participants in its income calculations.

SUPPLEMENTAL RESPONSE:

There are several reasons for this. First and foremost, we believe that this additional requirement – which is not placed on other assistance programs operated by NKCAC or other social service agencies – places an undue burden on our low income clients. Even federal benefit programs, which are typically much more stringent than privately funded efforts, do not require this. For example, neither food stamps nor public housing subsidies are counted as income for LIHEAP, nor are LIHEAP or public housing counted as income for food stamp eligibility.

Since the HEA is a "last dollar" benefit, it would be inconsistent to have one set of documentation requirements for other types of assistance, but when the client became eligible for HEA dollars, a new set of requirements would be required. Again, this would result in both confusion and fairness issues.

This additional requirement would be cumbersome for clients, as they would have to bring in documentation of all benefits they received during the month. This would mean traveling over great distances to secure documentation from various sources, creating an unnecessary hardship on the clients we are trying to help. If they have a car, the additional gas costs would be significant. And for those without a car, the challenge would be even greater. The result would be that many would not be able to access the help at all.

It is also difficult to compute these amounts, as each client will have different benefits that would make the calculations quite complicated for little value returned. Those benefits that have a specific cash amount associated with them, like food stamps, for example, would be easy to compute, but others, like food pantry assistance, would be nearly impossible to assign a cash value to. This would lead to lack of consistency - and thus fairness – as well as confusion about how to place a fair value on in-kind types of benefits.

The logistics of determining which benefits a family received would be quite challenging. There is no master database that lists all the benefits a person receives. Stringent confidentiality rules and the clients' rights to privacy would preclude us receiving such information directly from the various agencies, so we would have to rely on the client to disclose that information. An honest client would potentially be harmed, while one who does not disclose their full range of benefits, would potentially benefit. Again, fairness and consistency would be at issue.

For all of NKCAC's other assistance programs, we require proof of income only. To add quite stringent requirements for a new program will result in confusion among clients. Even if we could reach potential clients with the information, few, if any, will bring the new required documentation on their first visit. This will result in wasted time for both staff and clients, and additional costs for clients to access the assistance due to the additional travel costs to get the documentation at various other social service locations, and then return to the office to receive assistance.

NKCAC questions the value, fairness, and wisdom of adding this requirement to the HEA program.

PERSON RESPONSIBLE: Florence W. Tandy

Duke Energy Kentucky
Case No. 2008-00100
Response by Northern Kentucky Community Action Commission to Attorney General's Supplemental Requests for Information
Date Received: May 14, 2008
Date Submitted: June 2, 2008

AG-SUPP-01-007

REQUEST 7:

Please reference the Company's Responses to the Supplemental Data Requests of the Attorney General dated March 11, 2008, Question 1 and April 11, 2008, Question 5. In its responses, the Company notes that it is responding to a request from NKCAC in proposing the subject program and asserts that customers at the 150%-200% federal poverty guideline level require the proposed assistance.

a. Please explain in detail what efforts NKCAC took in addressing this shortfall prior to contacting the Company and the result of these efforts;

b. Please explain in detail why NKCAC believes ratepayers should be required to address this shortfall in light of the failure of NKCAC's other efforts; and,

c. Please explain in detail the basis of the assertion by the Company on behalf of NKCAC that customers at the 150%-200% federal poverty guideline level require the proposed assistance.

SUPPLEMENTAL RESPONSE:

a. Please explain in detail what efforts NKCAC took in addressing this shortfall prior to contacting the Company and results of those efforts;

NKCAC contacted the media, put information regarding the shortfall in LIHEAP on our website and requested donations, called other service providers to alert them to the problem, and contacted the United Way and Greater Cincinnati Foundation to inquire about the possibility of an emergency grant through those sources. In addition, on the state level, community action agencies advocated for state funding to offset the shortfall, but were unsuccessful in that effort.

b. Please explain in detail why NKCAC believes ratepayers should be required to address shortfall in light of the failure of NKCAC's other efforts;

The proposed program would result in \$1.20 for gas or electric customers and \$2.40 for customers with both gas and electric service. NKCAC believes that this is a negligible and reasonable trade off for the societal benefit derived. A community is stronger when all of its citizens can afford their housing, including energy costs. For low income families, the affordability of home energy costs is often out of reach, especially in economic downturns, when gasoline, food and other costs are rising so quickly.

Without resources to help during such times, the danger is that families in crisis will walk away from their energy burdens, leaving the utility company to absorb the bad debt, which NKCAC presumes is at a much higher cost to ratepayers than this HEA program will be. This consequence is less desirable for the ratepayer than the reasonable amount of \$1.20 to \$2.40 a year. For what amounts to "pocket change" for many of us, approximately 1,300 low income customers can get much needed relief from their energy burdens. This, we believe, is a reasonable investment in a rate payer's community wellbeing.

c. Please explain in detail the basis of the assertion by the Company on behalf of NKCAC that customers at 150-200% of poverty require the proposed assistance.

There is the designation of the "poverty line" which the federal government sets every year (currently \$10,400 for an individual or \$21,200 for a family of four), which means that a family making less than the poverty rate, is living in poverty.

The second designation is "low income," which most experts define as income below 200% of poverty, or currently \$42,400 for that family of four. Taking it to the specific level, think about a two parent family with two kids. With both adults working full time at minimum wage they would earn just under 125% of the poverty threshold (\$25,584 before any taxes were taken out). They would cease to be eligible for LIHEAP when they both earned \$6.62, or about what the minimum wage goes to in July. They would no longer be eligible for WinterCare when they reached \$7.64 per hour – still not much money. To reach 200% of poverty, that couple would each have to earn \$10.19 per hour.

Few would characterize such a family as being wealthy, or even comfortable. Such families carve out a very delicate balance, where one additional expense can throw that balance off. A car repair, a medical bill, a month with high energy costs, can send that family into despair. It is for these reasons, and because we see such families regularly at NKCAC service locations, that we believe HEA guidelines to reach up to 200% of poverty, is the right approach.

PERSON RESPONSIBLE: Florence W. Tandy