COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TWO-YEAR REVIEW OF KENTUCKY POWER COMPANY'S HOME ENERGY ASSISTANCE PROGRAM	)))	CASE NO. 2009-00117

ORDER

This matter comes before the Commission as a result of the March 31, 2009 joint filing by Kentucky Power Company ("Kentucky Power") and Community Action Kentucky, Inc.[1] ("CAK") of an evaluation of the Kentucky Power Home Energy Assistance ("HEA") program. The details of the HEA program were approved by Commission Order dated December 14, 2006 in Case No. 2006-00373.[2] One of the provisions of the HEA program was that Kentucky Power and CAK would jointly file an assessment and evaluation, by February 28, 2009, of the first two years' operations of the program. On March 2, 2009, Kentucky Power and CAK requested an extension until March 31, 2009 to make the required filing, which was granted. There are no intervenors in this proceeding; however, the Attorney General of the Commonwealth of Kentucky requested that he be allowed to file comments. A procedural schedule was

[1] Community Action Kentucky, Inc. is the former Kentucky Association for Community Action, Inc.

[2] Case No. 2006-00373, Joint Application of Kentucky Power Company and Kentucky Association for Community Action, Inc. for the Establishment of a Home Energy Assistance Program (Ky. PSC Dec. 14, 2006).

issued that allowed for discovery and the filing of comments. Discovery was conducted, but no comments were filed. This matter now stands submitted for decision.

BACKGROUND

In Kentucky Power's most recent general rate case, Case No. 2005-00341,[3] the Commission approved a 10-cent-per-month HEA charge to residential customers as part of a settlement agreement between the parties. Although the Commission authorized the billing of the HEA charge at that time, it prohibited the expenditure of any funds collected until it had approved the program details. On December 14, 2006, in Case No. 2006-00373, the Commission approved an agreement between Kentucky Power and CAK ("the HEA agreement") that set forth the details of the program.

DISCUSSION

The HEA program is intended to provide low-income residential customers financial assistance with their electric bills during peak heating and cooling months. As previously stated, the HEA program is funded by a 10-cent-per-month charge on each residential meter. In addition, Kentucky Power committed to making monthly contributions equal to the amount collected from residential customers (estimated to be $175,000 per year) for the first two years of the program. The HEA program allowed for CAK to recover its actual reasonable operating expenses in administering the HEA program in an amount up to, but not exceeding in total, 10 percent of the total HEA funds collected.

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[3] Case No. 2005-00341, A General Adjustment in the Rates of Kentucky Power Company (Ky. PSC Mar. 14, 2006).

As part of the HEA agreement, CAK, in conjunction with Kentucky Power, was required to file with the Commission a comprehensive program assessment ("the report"). In addition to providing information regarding certain statistical information, the report was to measure the HEA program against the following benchmarks: (1) the need for Low Income Home Energy Assistance Program ("LIHEAP") Crisis Assistance; (2) arrearages; (3) loss of service due to nonpayment; and (4) energy savings in combination with weatherization programs.

The report submitted by CAK and Kentucky Power states that the HEA program was designed to start in November of each year and run through October of the following year, with benefits being distributed for the heating season months of December through March and the cooling season months of July through September. The report states that, because the program was approved in December 2006, applicants were not actually enrolled until January 2007 and were not able to receive the full benefits during the first year of the program. The report infers that, as a result, the results from the 2007-2008 year are a better measure of the program.

CAK and Kentucky Power reported that the HEA program had 548 participants in the 2006/2007 program year and 1,370 participants in the 2007/2008 program year. The tables provided on pages 5 and 6 of the report show that $119,329 and $549,480, respectively, were distributed during the 2006/2007 and 2007/2008 program years. In addition, the tables show that Kentucky Power contributed $339,367 during the two-year period.

The report states that the program resulted in the following: (1) participants who stayed in the program reduced their use of LIHEAP Crisis assistance; (2) participants who stayed in the program had lower arrearages than those who withdrew; (3) the number of participating households receiving disconnect notices began to decline in the 2007/2008 program year; and (4) the percentage of households participating in the program who received service disconnects in 2006/2007 was reduced by over 25 percent in 2007/2008.

With regard to increased energy savings in combination with weatherization programs, the report states that, of participants in the two program years, only 82 had received weatherization services, and even fewer had accumulated 12 months of usage data. The report concludes that the small, incomplete data set, along with variability of factors such as weather over the two-year period, makes it difficult to directly relate cost savings in a single 12-month period to the performance of the HEA program.

When the Commission approved the settlement in Case No. 2005-00341, it applauded Kentucky Power's willingness to provide shareholder funding for the first two years of the HEA program. It also encouraged Kentucky Power to continue its shareholder match of ratepayer funds beyond the program's first two years; however, Kentucky Power chose not to continue providing shareholder funding beyond that time.

In response to discovery, Kentucky Power stated that it made contributions to a number of entities on a recurring, annual basis and that continuing to provide funding to the HEA program would likely limit its ability to make those contributions. It also pointed to its decline in earnings in recent years as affecting its decision not to provide funding for the program beyond the first two years.

The Commission has long recognized that it lacks the authority to require utilities to provide funding to their ratepayer assistance programs, but it has urged them to be contributors to those programs.[4] In doing so, the Commission has emphasized that, while customers may have sincere objections to mandatory charges on their utility bills to fund financial assistance programs, they should have fewer objections and be more supportive of such programs if they know that the utility is also funding the program with a shareholder contribution. It has also stated that a utility that has a financial interest in such a program will have greater incentive to be vigilant in monitoring the program and the expenditures therein. The Commission continues to believe that utilities should help fund such programs and we urge Kentucky Power to further consider doing so.

CONCLUSION

The Commission, based on the evidence of record and being otherwise sufficiently advised, finds that:

1. The report filed by CAK and Kentucky Power meets the requirements set forth in the HEA agreement.

2. Kentucky Power and CAK have complied with the Commission's December 14, 2006 Order in Case No. 2006-00373.

IT IS THEREFORE ORDERED that this case shall be closed and removed from the Commission's docket.

[4] Case No. 2004-00303, Kentucky Utilities Company (Ky. PSC Nov. 24, 2004); Case No. 2004-00304, Louisville Gas and Electric Company (Ky. PSC Nov. 24, 2004); Case No. 2007-00337, Louisville Gas and Electric Company (Ky. PSC Sept. 14, 2007); and Case No. 2007-00338, Kentucky Utilities Company (Ky. PSC Sept. 14, 2007).

By the Commission

Commissioner Borders abstains

ENTERED
AUG 19 2009
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

Case No. 2009-00117

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