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JACK B. BATES

IRIS G. SKIDMORE

Via Hand-Delivery

August 19, 2011

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RECEIVED

AUG 19 2011

PUBLIC SERVICE
COMMISSION

Re: Case No. 2011-00134: The Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Existing, and Addition of New Demand-Side Management and Energy-Efficiency Programs

Dear Mr. Derouen:

Enclosed for filing in the above styled action are an original and ten copies of Response of Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. to Commission Staff's First Information Request.

Sincerely,


Iris G. Skidmore

Enclosure

RECEIVED

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

AUG 19 2011

PUBLIC SERVICE
COMMISSION

In the Matter of:

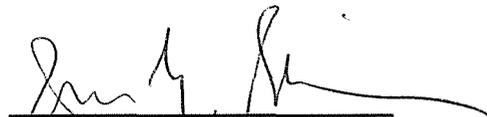
THE JOINT APPLICATION OF)	
LOUISVILLE GAS AND ELECTRIC)	CASE NO.
COMPANY AND KENTUCKY UTILITIES)	2011-00134
COMPANY FOR REVIEW, MODIFICATION,)	
AND CONTINUATION OF EXISTING, AND)	
ADDITION OF NEW DEMAND-SIDE)	
MANAGEMENT AND ENERGY-EFFICIENCY)	
PROGRAMS)	

RESPONSE OF COMMUNITY ACTION COUNCIL FOR
LEXINGTON-FAYETTE, BOURBON, HARRISON, AND NICHOLAS
COUNTIES TO COMMISSION STAFF'S FIRST INFORMATION REQUEST

* * * * *

Comes the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (CAC), by counsel, and submits the following Response to Commission Staff's First Information Request.

Respectfully submitted,



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COUNSEL FOR CAC

DATA REQUEST 1:

Provide a brief explanation of CAC's understanding of the purpose of Demand Side Management ("DSM") programs. Include in the explanation whether CAC believes that DSM programs should pay for themselves.

RESPONSE:**Witness Jack E. Burch**

The Council believes that low-income Demand Side Management programs serve a different, additional purpose than other similar DSM programming. Low-income programs should not be held to the same standard of paying for themselves as other programs within a DSM portfolio. This is because the purpose of a low-income DSM program is to reduce the energy burden of customers who have already demonstrated an inability to pay. In that way, low-income programs differ from commercial or even non-low-income residential programs.

A low-income DSM program greatly benefits all ratepayers, even if it does not entirely pay for itself. By reducing the energy burdens of customers who will be unable to pay their bills, low-income DSM programs serve an additional function of reducing shutoffs, arrearages, and other cost burdens which are ultimately shared by all ratepayers.

DATA REQUEST 2:

Provide a brief explanation of CAC's understanding of the purpose of Energy Efficiency ("EE") programs. Include in the explanation whether CAC believes that DSM and EE programs are the same.

RESPONSE:**Witness Jack E. Burch**

Demand Side Management programming is part of an overall state and national plan to reduce unnecessary energy consumption and delay the need for additional generation capacity. While both DSM programs and EE programs have an ultimate impact on energy consumption and the need for additional generation, there are some differences, and it is the Council's position that the two intersect at times. Perhaps one major difference is that private and even publicly funded EE programs – those not associated with utilities and/or ratepayer funding – seek no rate of return on lost revenue. These programs simply acknowledge the benefit to the participant and the larger benefit to all ratepayers and society from reduced energy demand.

DATA REQUEST 3:

Refer to page 5 of the Direct Testimony of Jack E. Burch on Behalf of CAC (“CAC Testimony”) filed July 25, 2011, wherein CAC states, “Since 1978, the Council has operated a Weatherization Assistance Program designed to help low-income individuals and families conserve energy.” Explain how this program works.

RESPONSE:

Witness Jack E. Burch

The Federal Weatherization Assistance Program is funded by the U.S. Department of Energy to assist low-income households in the repair or replacement of home heating equipment; insulation of thermal boundaries of the house; and reduction of air infiltration. This is achieved by insulating attics, exterior walls, floors, heating ducts, and water lines; and repairing leaks around doors, windows, plumbing penetrations, and holes in the structure of the house.

To be eligible, total household income must be at or below 200% of federal poverty guidelines, unless any member of the household currently receives SSI or has received K-TAP within the past 12 months. The applicant must be living in the house and have a primary source for heating, with fuel supplied to the heating equipment.

The Council leverages Federal Weatherization funding with other publicly and privately funded programs such as WeCare, Columbia Gas WarmWise, and the Lexington-Fayette Urban County Government’s Community Development Block Grant funds. In each case, the privately funded programs allow the Council to provide additional measures and/or serve a home that otherwise would not be served. This innovative leveraging model has been replicated by other community action agencies in Kentucky and elsewhere to make even better use of the limited Federal resources.

DATA REQUEST 4:

Refer to page 6 of the CAC Testimony. CAC states, “The Council’s Summer Cooling program serves seriously ill and disabled customers with the provision and installation of air conditioners.”

- a. Explain how this program works.

RESPONSE:

Witness Jack E. Burch

The Council’s Summer Cooling Program loans window-unit air conditioners to low-income households who are responsible for home energy costs and whose incomes are at or below 150 percent of the Federal Poverty Guidelines. Also, a member of the household must suffer from a medical condition that is exacerbated by heat. The program requires income verification as well as a doctor’s signature confirming the medical condition. Most recipients of these air conditioners are elderly households in which a member suffers from a chronic disease such as emphysema, asthma, and even cancer. Many other recipients are homes with young children who have asthma or other conditions making breathing difficult.

Each year the Summer Cooling program provides 120 to 150 air conditioners to households within the Council’s core service area of Lexington-Fayette, Bourbon, Harrison and Nicholas counties.

- b. Explain whether CAC receives funding for this program. If funding is received, include the source(s) of the funding.

RESPONSE:

Witness Jack E. Burch

The Council’s Summer Cooling Program is funded entirely by private donations to the Council from businesses and individuals. The program operates on approximately \$10,000 annually. In 2011 the program received a generous donation from Quantrell Auto Group in Lexington that covered nearly all of 2011 expenses. The Council is currently soliciting funds for the 2012 program year.

- c. Explain whether CAC counsels Kentucky Utilities Company (“KU”) customers as to the availability of the various residential DSM/EE programs for which they may qualify.

RESPONSE:

Witness Jack E. Burch

Community Action Council does not just administer its own programs but works with each family to find the assistance they need whether that is through the Council, the utilities, or some other source. In each case, the Council’s staff members sit down with individuals and families and conduct an intensive intake and assessment, during which they determine everything from household income to job history and housing. From that intake, the Council’s staff members

determine which programs the family may be eligible for and benefit from – including all DSM/EE programs with which the Council is familiar, regardless of whether they are operated by the Council, by Kentucky Utilities, or by any other entity. The Council’s interest, as an organization, is not in running programs but in meeting the needs of the families who come to the Council for assistance.

It is worth noting that the process described above occurs with all families who come to the Council for assistance and is not specific to customers of Kentucky Utilities.

- d. Explain whether CAC assists customers in identifying conservation methods that might help reduce their energy bills.

RESPONSE:

Witness Jack E. Burch

See the Council’s response to question 4.c.

- e. Explain whether CAC has computers available for use by KU customers so that they can go online and participate in the online audit in the Residential Conservation program.

RESPONSE:

Witness Jack E. Burch

In theory, yes, the Council does have computers available in its neighborhood and community centers that are available for its participants’ use (not for KU customers specifically, although many participants are KU customers). However, the Council does not recommend this solution nor would it support such a proposal. An online energy audit for low-income households is essentially useless. Such an audit will recommend measures ranging from additional insulation to door seals, energy efficient windows, and more efficient appliances. Low-income households do not have the money for such purchases and therefore would be unable to benefit from the audit. Also, the Council’s position is that the NEAT audit used in the WeCare program is a much more thorough and accurate audit and, whenever possible, should be utilized for all energy auditing functions.

- f. Explain whether CAC encourages KU customers to request the Compact Fluorescent Light (“CFL”) bulbs that are available to be mailed free to their homes?

RESPONSE:

Witness Jack E. Burch

No. The Council has no official interaction with this component of the Kentucky Utilities program. However, it is open to increased involvement and has some suggestions on how to efficiently distribute CFL bulbs to low-income households. For example, the Council’s Intake Referral Information System (its participant intake software) could be programmed to send bulbs or to notify KU to send bulbs to households as they enroll in and/or receive programs and services such as energy assistance. The software could even be programmed to generate a

handout for the participant that explains that the participant will receive a CFL and how and why it should be used.

- g. Explain whether CAC encourages qualifying KU Customers in the low-income areas they serve to participate in the Kentucky Home Performance Program.

RESPONSE:

Witness Jack E. Burch

The Kentucky Home Performance Program is not a low-income program and low-income customers are not the intended audience. Also, as stated in response to question 4.e., low-income customers lack the up-front capital to pay for energy audits or to pay for the items and actions recommended by an audit performed pursuant to the Kentucky Home Performance Program.

- h. If KU's efforts to communicate and educate KU customers about the residential DSM/EE programs that are available do not increase participation, explain whether CAC has recommendations for increasing participation.

RESPONSE:

Witness Jack E. Burch

The Council believes that additional interaction between it and KU could result in increased participation in the residential DSM/EE programs. In fact, some conversations to this effect have been held between the Council and KU. Unfortunately, the Council lacks the available resources to adequately promote energy efficiency and associated programming "on the ground." For example, when a Council staff member is working with a family to provide energy assistance and that staff member has 15 other families in the lobby who are all about to have their heat shut off, the staff member does not have adequate time available to educate the participant on energy efficiency and/or EE/DSM programming. This would require additional resources for the Council.

Also, the Council strongly recommends that KU lift its restrictions on serving rental properties. This would have an immediate impact on the customer utilization of the WeCare program. Currently, KU requires that 68 percent of WeCare homes be homeowner-occupied. However, approximately 80 percent of participants in the Low Income Home Energy Assistance Program (LIHEAP) are renters. This severely limits access to WeCare for a vast number of otherwise eligible KU customers.

DATA REQUEST 5:

Refer to page 11 of the CAC Testimony, wherein it is stated, “In some states, for example, cost recovery charges are waived on the accounts of low-income customers. The Council would be glad to participate in an exploration of alternatives for low-income customers.

- a. Provide those states that waive cost recovery charges and explain how the waiver works in those states.

RESPONSE:

Witness Jack E. Burch

The intent of this statement was to highlight the potential for creative, alternative solutions which can and should be considered as the Commission moves forward with this and other recovery charges which continue to increase along with rates and fees. Every action which serves to increase the low-income customer’s monthly bill – whether a rate increase or a higher DSM charge – makes that bill less affordable and reduces the customer’s ability to meet other basic needs including food, shelter, medication, etc.

The Council understands from information obtained through the California Public Utility Commission that in the state of California low-income customers do not pay the surcharge which funds the California Alternative Rates for Energy (CARE) program. Customers enrolled in the CARE program – which is open to those enrolled in any public assistance programs ranging from Medicaid to Head Start – receive a 20 percent discount on their electric and natural gas bills. CARE is funded by a rate surcharge paid by all other utility customers.

California also has a Low-Income Oversight Board which advises the California Public Utility Commission on all low-income programs operated under that commission’s jurisdiction.

- b. How are costs recovered that are not billed to the low-income customers, by an increased residential DSM factor or through the base energy charge?

RESPONSE:

Witness Jack E. Burch

In the CARE program referenced in response to 5.a., the costs are recovered by a rate surcharge paid by all other utility customers.

- c. Explain how it is confirmed that these residential customers are truly low- income customers. What control mechanisms are in place to assure accuracy of this information?

RESPONSE:

Witness Jack E. Burch

Applications for the CARE program referenced in response to 5.a. are obtained and processed through community agencies such as the Council. The Council does not have any further information about how this program operates, specifically, but all low-income programs

maintain adequate control mechanisms through regular enrollment that requires production of updated household residency and income information. Such a process is already utilized in the KU service area to certify eligibility for the KU Home Energy Assistance Program.

The Council will continue to research the CARE program and others and, as stated previously, will participate in any conversation about creative, alternative solutions to low-income customers' increasing inability to pay their home energy costs.

DATA REQUEST 6:

Refer to page 11 of the CAC Testimony.

- a. In the municipalities and counties that CAC serves, how many residences have been weatherized by the weatherization program that was funded by the American Reinvestment and Recovery Act of 2009 (“ARRA”)?

RESPONSE:

Witness Jack E. Burch

As of July 31, 2011, a total of 287 homes had been weatherized in the Council’s service area by the weatherization program that was funded by the American Reinvestment and Recovery Act of 2009 (“ARRA”). This program is scheduled to end on March 31, 2012.

- b. Does CAC believe the weatherization program has been successful? Explain.

RESPONSE:

Witness Jack E. Burch

Community Action Council believes the Weatherization Assistance Program has been successful. Since the Federal Weatherization Program began in 1976, nationally nearly 7 million homes of people with low to moderate income have been weatherized. It is estimated that, following weatherization, a home may use between 25-35% less energy. In 2010, this increase in energy efficiency translated into an average financial savings per household of \$541.00, with \$437.00 less in heating and cooling costs and \$104.00 less in baseload measures, or “other electricity” uses. Nationally, this equals a total household savings of just over 2 billion dollars. For every dollar that is saved on energy costs, there is approximately a \$2.51 return to both society and the home with savings to society supporting such things as prevention of utility disconnection. In 2010, the Weatherization Assistance Program received 5 billion dollars from the American Recovery and Reinvestment Act along with annual appropriations. With that additional funding more than 483,000 low and moderate income homes received weatherization and 14,832 jobs were created through June 2011. This allowed the Weatherization Assistance Program to rank as the 8th highest ARRA program to create jobs for three straight quarters.

Source: ORNL/TM-2010/66, EIA February 2010 Short Term Energy Outlook

DATA REQUEST 7:

Refer to page 13 of the CAC Testimony and the discussion of the proposed Residential Incentives Program, wherein it is stated, “The Companies have generously agreed to allow third-party organizations-such as providers of low income home weatherization measures like the Council-to access the rebates associated with this program when they purchase new appliances for customers with programmatic funds.

- a. Does the reference to “Companies” mean LG&E/KU?

RESPONSE:

Witness Jack E. Burch

Yes.

- b. If the answer to 6.a. is yes, since the Companies have agreed to allow third-party organizations like the Council to access the rebates associated with this program when they purchase new appliances for customers with programmatic funds, does CAC provide the remaining funds to cover the total cost of the new appliances? Explain.

RESPONSE:

Witness Jack E. Burch

Yes. Those appliances for which the Council will be accessing rebates will have been purchased through one or more of the weatherization and energy efficiency programs already operated by the Council, such as the Federal Weatherization Assistance Program. In each case, the Council will be legally required to apply the rebate funds back into the program that bought the appliance, thereby allowing the program to serve more families or provide more measures as a result of the rebate. This is an excellent partnership that allows low-income customers to benefit from a rebate program which they are paying for but otherwise could not afford to utilize.

DATA REQUEST 8:

Refer to page 13 of the CAC Testimony. Provide an explanation of the on-bill financing referenced.

RESPONSE:**Witness Jack E. Burch**

The Mountain Association for Community Economic Development (MACED), for example, operates the HowSmartKY program in collaboration with four rural utility cooperatives in Eastern Kentucky. Customers of Big Sandy RECC, Fleming-Mason RECC, Grayson RECC and Jackson Energy are able to enroll in the program which provides an initial energy assessment of their property that identifies and estimates potential energy savings. The utility then assures a contractor installs recommended measures and the customers are able to repay the cost in installments on their utility bills, utilizing the savings generated by the installed measures. This allows the customers to realize savings for which they may not have otherwise due to being unable to afford high up-front costs for installation of measures. In the case of the HowSmartKY program, the charges remain with the property, not with the customer, and are therefore available to both homeowners and renters.

The Commission approved the pilot for the HowSmartKY program in 2010 for a two year period to serve 200-300 customers. This is the kind of program the Council believes could help eliminate the barrier of up-front costs that many customers face and it is what was meant by “on-bill financing.”

DATA REQUEST 9:

Refer to page 14 of the CAC Testimony. CAC believes that the Companies have improved communications with their partners in the development, implementation and refinement of DSM programming. Providing specific examples, explain how communications have been improved.

RESPONSE:

Witness Jack E. Burch

It is the opinion of the Council's management and staff that current leadership at the Companies has been collaborative and open to reasonable outside input in the development and refining of this DSM proposal. Prior to filing in this case, Company representatives initiated several meetings with the Council's managers and staff to discuss proposed programs and program changes and to solicit the Council's input on the development of the portfolio. The Companies also presented their plans before several open forums such as their Customer Commitment Advisory Forum and Energy Efficiency groups. During those meetings – attended by the Council and other low-income advocates among other interests – Company representatives carefully explained their plans, answered questions and solicited feedback. The Companies then revised their plans based on the feedback received. For example, the issue of allowing third-party low-income providers to access rebates on appliances they have purchased on behalf of low-income households was an issue discussed in one of these meetings. The Companies decision to allow this resulted from a suggestion in one of these open forums.

This process was a significant change from the Companies' prior DSM filing in 2007, in which no conversation about the DSM portfolio took place outside of the regulatory process before the Commission. One Company representative met with the Council's senior managers to discuss that portfolio on the day it was filed – long after it was possible to collaborate on the program design. In this case, the Companies' leadership is to be commended for leading a process that was open, collaborative and responsive to feedback.

DATA REQUEST 10:

Explain how CAC participates in either LG&E's or KU's Energy Efficiency Advisory Group, or its participation, if any, as an invitee to meetings to discuss DSM/EE programs.

RESPONSE:

Witness Jack E. Burch

The Council is an active participant in this group and in the Customer Commitment Advisory Forum, attending meetings and participating in conversations about program design, issues, etc. The Council's staff members have found these meetings to be useful. The Council appreciates the Companies' collaboration through this process.

DATA REQUEST 11:

Provide a description of CAC's source of funding. What percentage of CAC's funds is used to provide assistance to low-income KU customers?

RESPONSE:

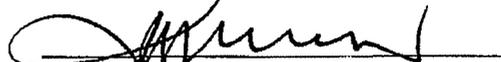
Witness Jack E. Burch

Community Action Council is a private, non-profit organization with an annual budget of more than \$25 million and operates dozens of Federal, state, local and privately funded programs. The Council receives approximately 80 percent of its funding (this number varies annually by about 5 percent) from various Federal grants and awards, the largest percentage of which comes from the U.S. Department of Health and Human Services (DHHS). The DHHS grants received include Head Start, Early Head Start and Migrant Head Start child development programs; the Low Income Home Energy Assistance Program; Community Services Block Grant and others. The Federal Weatherization Assistance Program is funded by the U.S. Department of Energy through Kentucky Housing Corporation.

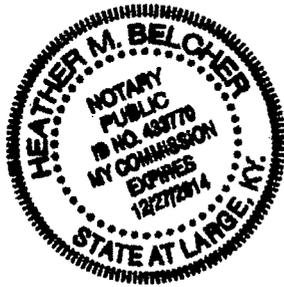
It is not possible to calculate what percentage of the Council's funding is used to provide assistance to KU customers. This is because the Council does not know a participant's utility provider unless the customer is receiving utility assistance. Some of the more than 10,000 households served annually by the Council do not receive utility assistance and therefore the Council does not possess the records necessary to make this calculation. For example, if a family were enrolled in the Tenant Based Rental Assistance program, it could be a KU customer but the Council would not know if that family's utilities are included in its rent. Even some LIHEAP payments are made directly to landlords if the heat source is included in the rent. Consequently, the Council would have no way of knowing that participant's utility provider.

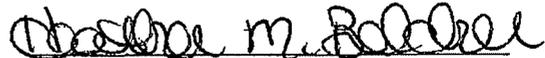
VERIFICATION

I have read the foregoing Responses and they are true and correct to the best of my knowledge and belief.


JACK E. BURCH

Subscribed and sworn to before me by Jack E. Burch on the 18th day of August, 2011.




Notary Public
My commission expires: 12/27/14

CERTIFICATE OF SERVICE

I hereby certify that on August 19, 2011, a true and accurate copy of the foregoing Response of Community Action Council of Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties to Commission Staff's First Information Request was served by United States mail, postage prepaid, to the following:

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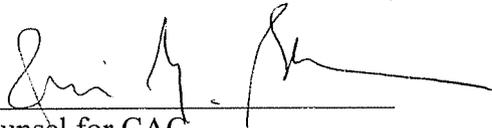
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