

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS)	
AND ELECTRIC COMPANY, METRO HUMAN)	
NEEDS ALLIANCE, PEOPLE ORGANIZED)	
AND WORKING FOR ENERGY REFORM,)	CASE NO. 2001-323
KENTUCKY ASSOCIATION FOR COMMUNITY)	
ACTION, AND JEFFERSON COUNTY)	
GOVERNMENT FOR THE ESTABLISHMENT)	
OF A HOME ENERGY ASSISTANCE PROGRAM)	

O R D E R

This matter comes before the Commission via the joint application of October 2, 2001, by Louisville Gas and Electric Company (“LG&E”), Metro Human Needs Alliance and People Organized and Working for Energy Reform (“MHNA & POWER”), the Kentucky Association for Community Action, and Jefferson County Government (collectively “Joint Applicants”). Joint Applicants request approval of a low-income home energy assistance subsidy program (“HEA”), pursuant to the 2001 amendments to KRS 278.285. As proposed, the HEA program would be funded through a surcharge of \$.46 per electric meter and \$.46 per gas meter applied to the bills of all LG&E residential customers effective November 1, 2001. The application requests that LG&E be allowed to modify its existing demand-side management (“DSM”) tariffs to include the proposed per-meter charge in addition to the usage-based DSM charges currently in effect to reflect the costs of existing DSM programs.

HEA DESCRIPTION

The HEA proposal includes funding for a low-income subsidy program for customers served by LG&E over a 5-year period, 2002 through 2006, at an average annual cost of approximately \$3.6 million. It contains two components: an emergency assistance component, to be operated by Winterhelp, Inc.; and a long-term subsidy program, the All Seasons Assurance Program (“ASAP”), to be operated by Affordable Energy Corporation, Inc. (“AEC”), to provide year-round customer assistance. As proposed, the emergency assistance program will receive approximately \$4.1 million over the proposed 5-year term of the HEA program and ASAP will receive \$14 million over the same period of time.

The emergency assistance program will target households that have incomes at or below 110 percent of the federal poverty level. Participation goals for the program start at 4,800 households in year one, with the number projected to decline to 900 by year five as more customers are provided year-round assistance through ASAP. To participate in ASAP, customers must participate in the Low Income Home Energy Assistance Program, a federally-funded utility subsidy program, have an arrearage owed to LG&E of no more than \$1,000, and have an average monthly LG&E utility bill that, on average, is greater than 10 percent of household income.

AEC has operated in Jefferson County, Kentucky for several years and, since 1997, has operated ASAP with funding of \$900,000 annually. This funding resulted from a settlement of litigation involving LG&E’s Trimble County Plant (“Trimble County”) that provided \$4.5 million to MHNA for a utility subsidy program. The funding agreed to by LG&E under the Trimble County settlement was provided by LG&E shareholders, did

not impact customers' rates, and was not subject to review or regulation by the Commission. ASAP consists of a modified fixed credit subsidy payment that varies by month based on a household's income and size, its utility bills for the 12 previous months, and an adjustment for normal heating degree days and any significant change in utility prices.

ASAP also includes a provision for paying off any pre-program arrearage over a period of 12 months, with the payoff split evenly (50-50) between the participant and ASAP. Participants in ASAP are also required to accept weatherization services if such services are offered to them.¹

DISCUSSION

An informal conference was held at the Commission's offices on October 19, 2001 at the request of the Joint Applicants. A presentation was made on the HEA proposal and an expeditious review and decision by the Commission was requested to avoid a lapse in the funding now provided by the Trimble County settlement, which terminates in December of 2001. A memorandum on that conference was filed into the record of this proceeding on October 25, 2001.

Although AEC has operated ASAP for several years pursuant to the terms of the Trimble County settlement, that program was funded by LG&E's shareholders and was not subject to the Commission's regulatory oversight. Two other applications have been filed with the Commission relative to home energy assistance programs under KRS 278.285. One, which has been approved, requested only to develop a program

¹ Joint Applicants indicate they are developing a low-income weatherization program to be submitted to the Commission for approval in the near future.

similar to ASAP. The other, which is pending, seeks approval of a program which is significantly different. Consequently, the Commission has very little experience with programs such as ASAP.

It is with this background that we must address the Joint Applicants' request to approve a 5-year, \$18 million program set forth in an application filed less than 30 days ago with no supporting prepared testimony. While the Commission is sensitive to the pending expiration of the Trimble County settlement funding for the ASAP program, the evidence of record is insufficient to determine the reasonableness of the proposed DSM program absent an investigation to obtain additional information. Since the proposed DSM tariffs include cost recovery beginning on November 1, 2001 for programs that have not yet been approved, the tariffs will be suspended for 2 months, through December 31, 2001, to allow sufficient time to determine the reasonableness of the HEA program.

Based on an initial review of the Joint Application and the documents presented at the October 19, 2001 informal conference, the following aspects of the filing have been identified for review:

1. Proposed participation goals and budget amounts.
2. Allowed pre-program arrearage levels of participants - ASAP.
3. Estimated administrative costs incurred for ASAP.
4. Quantification of LG&E cost reductions anticipated under ASAP.
5. Possible cross-subsidies between electric and gas customers - ASAP.
6. Structure and composition of the proposed consultative board.
7. Potential conflicts of program providers who serve on the board.
8. Rate impacts of HEA on non-participating residential customers.
9. Proposed 5-year term of the program.

This list is not intended to be exhaustive and the Joint Applicants are reminded that they bear the burden of proof in this case.

In an effort to conclude its review of the proposal by December 31, 2001, the Commission will follow the expedited procedural schedule set forth in Appendix A hereto.

IT IS THEREFORE ORDERED that:

1. LG&E's proposed revisions to its DSM tariffs are suspended for 2 months through December 31, 2001.
2. The procedural schedule set forth in Appendix A hereto shall be followed in this case.
3. Nothing contained herein shall prohibit the Commission from issuing further Orders on matters addressed herein prior to the end of the suspension period.

Done at Frankfort, Kentucky, this 31st day of October, 2001.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2001-323 DATED OCTOBER 31, 2001

Requests for information to Joint
Applicants shall be filed no later than 11/13/01

Joint Applicants shall respond to
requests for information no later than 11/28/01

Last day for Joint Applicants to publish notice of hearing11/29/01

Public hearing is to begin at 9:00 a.m.,
Eastern Standard Time, in Hearing Room 1
of the Commission's offices at 211 Sower
Boulevard, Frankfort, Kentucky for the
purpose of cross-examination of witnesses
of Joint Applicants and intervenors12/06/01