

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND	)	
ELECTRIC COMPANY, METRO HUMAN NEEDS	)	
ALLIANCE, INC., PEOPLE ORGANIZED AND	)	CASE NO.
WORKING FOR ENERGY REFORM, AND	)	2004-00304
KENTUCKY ASSOCIATION FOR COMMUNITY	)	
ACTION, INC. FOR THE ESTABLISHMENT OF A	)	
HOME ENERGY ASSISTANCE PROGRAM	)	

COMMISSION STAFF'S FIRST DATA REQUEST  
TO THE JOINT APPLICANTS

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Louisville Gas and Electric Company ("LG&E"); the Metro Human Needs Alliance, Inc. ("MHNA"); People Organized and Working for Energy Reform ("POWER"); and the Kentucky Association for Community Action, Inc. ("KACA") (collectively "Joint Applicants") file the original and 6 copies of the following information with the Commission with a copy to all parties of record. The information requested herein is due September 17, 2004. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Section 3.14 of the Partial Settlement, Agreement, Stipulation and Recommendation (“Partial Settlement”) filed in LG&E’s recent rate case<sup>1</sup> stated, in part, “The signatories hereto, including the AG, agree that, in conjunction with the AG, KACA, CAC, MHNA and POWER, the Utilities will file plans for program administration with the Commission for year-round Home Energy Assistance (“HEA”) programs . . . .” Paragraph 8 of the Joint Application states that “During the months of June and July, 2004, representatives of LG&E, MHNA, POWER, KACA and the Office of the Attorney General met to discuss development of the programmatic details of the new HEA program. Each party participated in the development of the Application, made recommendations for the program, and agreed with the details as set forth in the Joint Application.”

a. Although the basic parameters of the proposed HEA program were approved in Case No. 2003-00433, given the criteria in KRS 278.285, Sections (1)(f) and (4), explain why the Joint Application was filed without the Attorney General (“AG”) being included as one of the applicants.

b. Provide an expanded description of the involvement of the AG in the development of the programmatic details of the proposed HEA program. The description should include, but not be limited to, the following information:

(1) The dates of each discussion between the Joint Applicants and the AG.

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<sup>1</sup> Case No. 2003-00433, An Adjustment of the Gas and Electric Rates, Terms, and Conditions of Louisville Gas and Electric Company, final Order dated June 30, 2004.

(2) The date the proposed HEA programmatic details were submitted to the AG for his review and comment.

(3) The specific programmatic details the AG expressed concerns about and/or offered comments and suggestions.

(4) The date the AG indicated his agreement with the proposed HEA programmatic details.

2. Explain why the Joint Applicants decided that the LG&E HEA program would be a modified fixed credit subsidy program, rather than a direct subsidy of a set dollar amount during peak cooling and heating months as proposed by Kentucky Utilities Company (“KU”) and its joint applicants in Case No. 2004-00303.<sup>2</sup>

3. In its June 30, 2004 Order in Case No. 2003-00433, the Commission urged LG&E to reconsider its decision to not be a financial contributor to the HEA program which it has agreed to implement.<sup>3</sup> During the development of the proposed programmatic details of its HEA program, did LG&E reconsider its decision not to be a financial contributor to the program? Explain the response.

4. Refer to paragraph 10 of the Joint Application. The Joint Applicants state that from 1993 to 2002, the All Seasons Assurance Plan (“ASAP”) operated as a year-round monthly utility subsidy program and was based on the modified fixed credit

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<sup>2</sup> Case No. 2004-00303, Joint Application of Kentucky Utilities Company, Kentucky Association for Community Action, Inc., and Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. for the Establishment of a Home Energy Assistance Program.

<sup>3</sup> Case No. 2003-00433, June 30, 2004 Order at 71.

concept. Based on several references in the Joint Application, it appears that ASAP in some form is still in operation.

- a. Is ASAP still in operation within the LG&E service territory?
- b. If yes to (a) above, describe in detail ASAP as it currently operates.

This description should include, but not be limited to, the following information:

- (1) A discussion of how the program is operated and funded.
- (2) Whether utility subsidies are still provided to participants.
- (3) The number of participants in the program as of August 31,

2004 and a schedule indicating the counties where those participants reside.

c. If ASAP is still in operation, will the proposed HEA program in effect be an expansion of the existing program? Explain the response.

d. If ASAP is still in operation, will the HEA funds from the meter charge be an additional source of ASAP funding, or replace a current source of funding? Explain the response.

5. Refer to paragraph 10 of the Joint Application. Concerning the Affordable Energy Corporation ("AEC"),

a. Describe AEC's affiliation, either directly or indirectly, with each of the Joint Applicants in this case.

b. Provide AEC's staffing level as of August 31, 2004.

c. Provide the name of each employee or contractor of AEC and each member of its board of directors.

d. Describe AEC's current assistance programs and activities. Include with this description the number of persons or households impacted by the programs and activities.

e. Describe how the proposed HEA program will impact the existing programs and activities.

6. Refer to paragraph 12 of the Joint Application. Describe the weatherization services available in the LG&E service territory.

7. Refer to paragraph 14 of the Joint Application. Given the limited funding available from the HEA meter charge, explain why the Joint Applicants believe it is necessary to retain the payment of participant arrearages as part of ASAP.

8. Refer to paragraphs 19 through 22 of the Joint Application, the responsibilities of the parties.

a. The discussion of the responsibilities of the parties makes no mention of KACA. What are KACA's responsibilities in the proposed HEA program?

b. Paragraphs 19 and 21 describe the responsibilities of AEC and LG&E respectively. In its December 27, 2001 Order in Case No. 2001-00323,<sup>4</sup> the Commission stated that any new HEA program proposed for the LG&E service territory must be structured to demonstrate that as many administrative functions as possible have been examined and assigned to LG&E rather than a separate, third party program

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<sup>4</sup> Case No. 2001-00323, Joint Application of Louisville Gas and Electric Company, Metro Human Needs Alliance, People Organized and Working for Energy Reform, Kentucky Association for Community Action, and Jefferson County Government for the Establishment of a Home Energy Assistance Program, final Order dated December 27, 2001.

operator.<sup>5</sup> In its June 30, 2004 Order in Case No. 2003-00433, the Commission stated that there was a real need for LG&E to actively monitor the implementation, operation, and expenditures of the HEA program, and that LG&E was expected to fulfill this role.<sup>6</sup> Explain in detail how the responsibilities outlined in paragraphs 19 and 21 of the Joint Application are consistent with the Commission's previous Orders in Case Nos. 2001-00323 and 2003-00433.

c. Explain the purpose of the "customer balancing" mechanism referenced in paragraph 21 of the Joint Application and how the Joint Applicants envision this mechanism being calculated.

9. Refer to paragraph 26 of the Joint Application. Concerning the 2002 HEA pilot program:

a. Provide the number of customers by county that were served under the pilot HEA program.

b. Provide the amount of subsidy determined and budgeted to ASAP participants in Jefferson County and outside of Jefferson County. List the amounts for areas outside of Jefferson County by county.

c. Provide sample calculations showing the determination of a subsidy payment under the HEA pilot program for a participant in Jefferson County and outside Jefferson County. Include all assumptions, supporting calculations, and workpapers. If there were any differences in determining the subsidy payment, explain the differences and the reason(s) for the differences.

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<sup>5</sup> Id. at 25.

<sup>6</sup> Case No. 2003-00433, June 30, 2004 Order at 71.

d. Provide a list of the dates and locations of the orientation training sessions held in conjunction with the 2002 HEA pilot program.

10. Refer to paragraph 26 of the Joint Application. To ensure that all LG&E customers have equal access to the HEA program, the Joint Applicants state that the dollar proportion generated by LG&E customers outside of Jefferson County will be determined and budgeted to ASAP participants outside Jefferson County.

a. Explain in detail why the Joint Applicants believe this is a reasonable approach.

b. Identify the community action agencies that operate in the counties included in LG&E's electric service territory and the counties where LG&E gas service is available.

c. Using the most current customer information available, prepare a schedule for the electric and gas service areas showing the allocation of the total potential annual HEA funds to the community action agency districts corresponding to the electric and gas service areas.

d. Assume for purposes of this question that ASAP assistance requests in two counties outside of Jefferson County exceed the allocated portion of HEA funds to those counties. Explain how this situation would be handled by the Joint Applicants.

11. In Case No. 2004-00303, the joint applicants for the KU HEA program proposed to use a pro rata allocation of potential HEA participants based on the number of KU customers by county in each community action agency district.

a. Did the Joint Applicants in this case consider such an approach for the LG&E electric and gas assistance? Explain the response.

b. Prepare a schedule showing the pro rata calculations for availability of subsidies for counties in the LG&E electric service territory and the LG&E gas service area. The counties should be grouped by community action agency districts. The schedule should use a format similar to Exhibit F in the Joint Application filed in Case No. 2004-00303.

c. Assume for purposes of this question that the allocation of HEA assistance was based on the pro rata share of participants in the service areas. Explain how the Joint Applicants would propose to handle a situation where the number of eligible participants applying for the HEA program in a given community action agency district exceeded the pro rata share of participants for that district.

12. Concerning the counties included in the LG&E electric service territory and the counties where LG&E provides gas service:

a. Indicate and name any of these counties that are also included in KU's electric service territory.

b. Is it possible that some of the community action agencies could be involved with assisting customers with both LG&E's and KU's HEA programs?

c. Given the differences between LG&E's and KU's HEA programs, will the community action agency staffs be sufficiently trained to present the applicable HEA program to eligible customers? Explain the response.

d. Are any of LG&E's gas customers also KU electric customers? If yes, provide an estimate of the number of customers.



e. Could the same customer qualify for both HEA programs? Explain the response.

f. If a customer could qualify for both HEA programs, explain in detail how a participant that is an LG&E gas customer and a KU electric customer would be served under both programs.

13. Paragraph 31 of the Joint Application states that, "The financial records of the entire project will be audited annually in accordance with OMB A-133 auditing standards by a third-party independent auditor."

a. Provide a detailed description of OMB A-133 auditing standards.

b. Provide a copy of the OMB A-133 standards.

c. Explain how an independent auditor will be chosen.

d. Exhibit E of the Joint Application includes a cost estimate of \$2,000 for an annual audit. Explain how this estimate was derived.

14. Refer to paragraph 33 of the Joint Application. Paragraph 33 states that the proposed operating budget for the ASAP program is attached as Exhibit E. However, Exhibit E contains only the estimated HEA administrative budget.

a. Explain why the total budget for the 3-year program was not provided.

b. Provide the 3-year HEA program budget showing the revenues, client benefits, and administrative expenses. Include a complete, detailed description of each portion of the budget.

15. Refer to Exhibit E of the Joint Application.

a. The administrative budget in Exhibit E appears to include the hiring of a full-time manager.

(1) Explain in detail why it will be necessary to hire additional personnel in conjunction with the HEA program. Include in this explanation why existing AEC staff cannot cover the work associated with the HEA program.

(2) Explain how the salary for the full-time manager was determined. Provide copies of any study, analysis, or other documentation used to determine the salary.

b. Are the health insurance expenses just for the new full-time manager or does this cover additional employees of AEC? Explain the response.

c. If the health insurance coverage is for employees in addition to the new full-time manager, explain in detail why this expense should be exclusively part of the HEA program budget.

d. Explain why it will be necessary to establish another telephone line in conjunction with the HEA program.

e. Explain the purpose of the “Contract fee per LIHEAP subsidy application” and why this expense should be included in the administrative budget of the HEA program.

f. Explain how the amounts shown as Administrative Support – Clerical were determined. Include with the explanation the calculation of the amount.

g. Explain why the Joint Applicants believe it will be necessary to hire temporary support personnel for “daily or weekly coverage in the manager’s absence.”

h. Explain how the rent expense was determined. The explanation should include, but not be limited to:

(1) From whom is the space rented.

(2) The square footage that is rented and why that amount of space is necessary for the HEA program.

(3) Why half of the total rent should be included as an expense of the HEA program.

i. Explain the purpose of the Accounting expense shown in the administrative budget.

j. Given AEC's familiarity with the ASAP program, and the fact that the HEA pilot program was operational during the first half of 2002, explain why there is a need for staff training.



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DATED September 7, 2004

cc: All Parties