LG&E

a PPL company

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Ms. Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602-0615

September 10, 2018

Re: ***In the Matter of: Joint Application of Louisville Gas and Electric Company, Association of Community Ministries, Inc., People Organized and Working For Energy Reform, and Kentucky Association for Community Action, Inc. For The Establishment of a Home Energy Assistance Program,*** **Case No. 2007-00337**

Dear Ms. Pinson:

On June 29, 2018, Louisville Gas and Electric Company ("LG&E") filed pursuant to Ordering Paragraph No. 4 of the Commission's Order in Case No. 2007-00337, the Home Energy Assistance ("HEA") program information for calendar year 2017. At the time of the filing, LG&E had not received the Financial Statements and Independent Auditor's Report from the Affordable Energy Corporation ("AEC"). On September 5, 2018, LG&E was provided the signed report from AEC and is subsequently filing the report with the Commission. With the filing of this report, LG&E has fully complied with the provisions of Ordering Paragraph No. 4 of the Commission's Order.

Please confirm your receipt of this filing by placing the stamp of your Office with date received on the extra copy and returning to me in the enclosed envelope. Should you have any questions regarding this information, please contact me or Don Harris at 502-627-2021.

Sincerely,

Rick E. Lovekamp

Rick E. Lovekamp

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August 16, 2018

To the Board of Directors
Affordable Energy Corporation

In planning and performing our audit of the financial statements of Affordable Energy Corporation as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Affordable Energy Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Affordable Energy Corporation's internal control to be material weaknesses:

Financial Statement Preparation

As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to financial statements. Management reviewed, approved and accepted responsibility for those financial statements prior to their issuance; however, management does not have the ability to evaluate the completeness of financial statement disclosures. The absence of this control procedure is considered a significant deficiency because the potential exists that a more than inconsequential but less than material misstatement of the financial statements could occur and not be prevented or detected by the organization's internal control.

A significant deficiency is a deficiency, or combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Affordable Energy Corporation's internal control to be significant deficiencies:

Credit Card

Credit card usage and expense reimbursements by the Program Director for business expenses should be reviewed and approved by a board member to ensure supporting documentation is provided and that all credit card charges are appropriate. The documentation should consist of original receipts and should agree to the amount on the credit card. This documentation should be attached to the credit card and retained. This can be done after the bill is paid, while attending a finance or board meeting. The board member should indicate on the invoice that a review was performed by signing or initialing.

As a reminder, all original receipts must be attached to the charge card statements. This will avoid payment of unauthorized purchases and duplicate payment if the same receipt was also submitted as reimbursement from petty cash. All original receipts must be turned in to bookkeeping timely, matched to the expenditure and attached to the credit card and vendor statements. The employee credit card statements, after being reconciled, should be reviewed by the Executive Director and/or Board member.

Bank Statements

The primary signer of all checks under $600 is the Program Director. This would make it possible for the Program Director to write checks to herself. As a reminder, the bank statement should be reviewed by a board member since the primary signer of checks is the Program Director. The bank statement should be mailed directly to a board member. The board member should open the bank statement and review the canceled checks, noting the payee, amounts and endorsements. The bank statement can then be sent to the Program Director/Contract Accountant to reconcile the bank account.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Baldwin CPAs, PLLC

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August 16, 2018

To the Board of Directors
Affordable Energy Corporation

We have audited the financial statements of Affordable Energy Corporation for the year ended December 31, 2017 and have issued our report thereon dated August 16, 2018. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 29, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Affordable Energy Corporation are described in Note 1 to the financial statements. We want to emphasize one accounting policy:

> The financial statements of Affordable Energy Corporation have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. A schedule of these audit adjustments is attached.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 16, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the finance committee, board of directors, and management of Affordable Energy Corporation and is not intended to be and should not be used by anyone other than these specified parties.

BaldwinCPAs, PLLC

Affordable Energy Corporation

Independent Auditors' Report

And Financial Statements

For the Years Ended

December 31, 2017 and 2016

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Independent Auditors' Report

The Board of Directors
Affordable Energy Corporation

We have audited the accompanying financial statements of Affordable Energy Corporation, (a nonprofit organization) which comprise the statements of assets and net assets - cash basis as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net assets - cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of Affordable Energy Corporation as of December 31, 2017 and 2016, and the revenues, expenses, and changes in net assets for the years then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Baldwin CPAs, PLLC

Louisville, Kentucky
August 16, 2018

Affordable Energy Corporation
Statements of Assets and Net Assets – Cash Basis
December 31, 2017 and 2016

	2017	2016
Assets		
Cash - checking	$ 95,229	$ 108,562
Cash - savings	7,610	7,662
Total assets	$ 102,839	$ 116,224
Net Assets		
Unrestricted	$ 102,839	$ 116,224
Total net assets	$ 102,839	$ 116,224

The accompanying notes are an integral part of these financial statements.

Affordable Energy Corporation
Statements of Revenues, Expenses and Changes in Net Assets – Cash Basis
For the Years Ended December 31, 2017 and 2016

Changes In Unrestricted Net Assets	2017	2016
Revenue and support		
Administrative fee	$ 174,000	$ 188,500
Interest income	3	1
Total unrestricted revenue and support	174,003	188,501
Expenses		
Salaries	83,547	93,509
Payroll taxes and benefits	28,190	34,218
Computer assistance	15,466	8,224
Contract services	7,827	2,187
Insurance	2,360	2,528
Intake training	11,010	8,070
Office supplies and expense	13,830	15,293
Postage	3,618	9,098
Professional fees	7,878	7,775
Rent	7,150	7,150
Telephone and internet	6,512	6,353
Total expenses	187,388	194,405
Change in net assets	(13,385)	(5,904)
Net assets, beginning of year	116,224	122,128
Net assets, end of year	$ 102,839	$ 116,224

The accompanying notes are an integral part of these financial statements.

Affordable Energy Corporation
Notes to Financial Statements
December 31, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies

Affordable Energy Corporation (the Organization) was organized in 1992 to provide financial and other forms of assistance to low-income households in order to ensure that their basic energy needs are met, that the crisis of disconnection is avoided and that energy is conserved whenever possible. Affordable Energy Corporation works to gather and create the resources to accomplish these goals and works cooperatively with government, utility and social service agencies where appropriate. The Organization serves customers in the Louisville Gas & Electric Company service area that includes Louisville, KY and the surrounding counties.

The Organization is paid an administrative fee by Louisville Gas & Electric to administer the program. The financial statements of the Organization report only the administrative expenses of the program. The utility assistance payments are made directly by Louisville Gas & Electric Company.

Basis of Accounting

The financial statements of the Organization have been prepared on the cash basis of accounting. Under this basis, revenue is recorded when collected rather than when earned and expenditures are recorded when paid rather than when incurred. Consequently, these financial statements are not intended to present financial position or the results of operations in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with regards to financial statements of Not-for-Profit Organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net assets categories follows:

> Unrestricted net assets: include the portion of expendable funds that are not subject to donor-imposed stipulations.
>
> Temporarily restricted net assets: include gifts for which donor-imposed restrictions have not been met.
>
> Permanently restricted net assets: include amounts which the donor has stipulated that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions.

Note 2 – Concentration of Credit Risk

The Organization receives 100% of its total program revenues from Louisville Gas & Electric by contractual agreement. Reductions in funding of this program by Louisville Gas & Electric could have an adverse effect on the operations of the Organization.

Note 3 – Lease

The Organization receives donated office space in Louisville, Kentucky. The Organization pays an unspecified amount each month to help cover utility costs and classifies the costs as rent expense.

The rent expense for the years ended December 31, 2017 and 2016 was $7,150 and $7,150, respectively.

Note 4 – Functional Classification of Expenses

Expenses are allocated to program and management and general on the basis of time spent. Expenses by function were as follows:

	2017	2016
Program services	$ 168,649	$ 174,965
Management and general	18,739	19,440
	$ 187,388	$ 194,405

Note 5 – Accounting Standards Update

Accounting Standards Update 2016-14, Not-for-Profit Entities

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, that changes how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. The ASU includes a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The ASU will be effective for The Organization for the year ending December 31, 2018. Early adoption is permitted. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

Note 6 – Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the financial statements through August 16, 2018, which was the date at which the financial statements were available to be issued.