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June 1, 2011

Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

Dear Mr. Derouen:

On September 14, 2007, the Commission issued an Order approving LG&E's application for changes to, and a five-year extension of, its Home Energy Assistance Program ("HEA Program," based on the All Seasons Assurance Program or "ASAP"). As approved by the Commission, the HEA Program provides to eligible low-income participants a modified fixed credit to their energy bills. There are four levels of annual credit available to HEA Program participants: \$200, \$400, \$700, and \$1,000. A number of factors enter into the calculation of which level of credit an eligible HEA customer should receive, including the number of members in the customer's household. Currently, the HEA Program's calculations require an eligible household to contribute a percentage of its income toward energy costs, which percentage varies by the number of people in the household (from a maximum of 12% for a 1-person household to a minimum of 5% for a 12-person household). Thus, for example, a 2-person household with an annual income of \$10,000 and an adjusted annual energy usage of \$1,800 would be responsible for making an annual contribution toward energy costs of \$1,000 (10% of \$10,000). The \$800 difference between the household's contribution and its annual energy costs would qualify it for the \$700-subsidy level under the HEA Program.<sup>1</sup> (An eligible customer receives the highest subsidy level that is less than his contribution shortfall.)

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<sup>1</sup> See *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*



PPL companies

At the request of the Affordable Energy Corporation (the Commission-approved administrator of LG&E's HEA Program), LG&E has agreed to a 2% reduction in the required annual income percentage contribution required of HEA Program-qualifying households (i.e., from a maximum of 10% for a 1-person household to a minimum of 3% for a 12-person household). AEC is proposing these changes to the program based on experience gained in operating the program since 2007. Due to the current state of the economy, increases in gasoline prices, and the cost of living, the AEC board of directors suggests updating the calculations. Though this change will enable certain HEA-Program-eligible households to receive benefits that would not receive them under the current calculations (because the difference between their energy bills and required contributions are less than \$200), LG&E views this change to be an adjustment of benefit levels rather than of eligibility requirements. Today, in essence, certain eligible customers qualify for a zero-dollar subsidy because the gap between their annual energy bills and their required contributions are less than \$200.<sup>2</sup> Under the proposed reduced contribution level requirements, some of such eligible customers will qualify for \$200 (or greater) subsidies, and a number of other eligible customers already receiving subsidies will qualify for increased subsidies.

The Commission's September 14, 2007 Order, states that HEA Program benefit levels may be adjusted so long as notice is given to the Commission in the annual reports on the HEA Program: "[I]f the Joint Applicants determine that the annual subsidy benefit to be paid under the HEA program will be different than described in the Application, this information should also be disclosed in the annual report."<sup>3</sup> Therefore, unless the Commission advises LG&E that an application is required to implement this change in benefits, the proposed 2%

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*Program*, Case No. 2007-00337, Response to Request for Information Posed by the Attorney General dated 8/24/2007, Response to DR No. 2, Exh. 1 (Sept. 14, 2007).

<sup>2</sup> The full set of eligibility requirements is set out in Paragraph 17 of LG&E's Application in this proceeding, as modified by the Commission's Sept. 14, 2007 Order. *See 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, Order at 7 (Sept. 14, 2007).

<sup>3</sup> *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, Order at 8 (Sept. 14, 2007).



income contribution reduction will become effective on July 1, 2011, and will be reported in the following HEA Program annual report.

If you have any questions or concerns about this matter, please do not hesitate to contact me at your convenience.

Sincerely,

A handwritten signature in cursive script that reads 'Allyson K. Sturgeon'.

Allyson K. Sturgeon