



a PPL company

Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602-0615

September 7, 2011

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 Mr. DeRouen:

On June 28, 2011, 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 2010. 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"). However, on September 2, 2011, LG&E received 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

RECEIVED  
SEP 07 2011  
PUBLIC SERVICE  
COMMISSION

**Louisville Gas and Electric  
Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.lge-ku.com

Rick E. Lovekamp  
Manager - Regulatory Affairs  
T 502-627-3780  
F 502-627-3213  
rick.lovekamp@lge-ku.com

RECEIVED  
SEP 07 2011  
PUBLIC SERVICE  
COMMISSION

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**AFFORDABLE ENERGY CORPORATION**

**DECEMBER 31, 2010 AND 2009**

## CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	3
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS	4
STATEMENTS OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS - CASH BASIS	5
NOTES TO FINANCIAL STATEMENTS	6

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Affordable Energy Corporation

We have audited the accompanying statements of assets, liabilities and net assets - cash basis of Affordable Energy Corporation (a nonprofit corporation) as of December 31, 2010 and 2009 and the related statements of revenues, expenses, and other changes in net assets - cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Affordable Energy Corporation as of December 31, 2010 and 2009 and its revenue and expenses and changes in net assets for the years then ended, on the basis of accounting described in Note 1.

*Anderson, Bryant, Lasky + Winslow, P.S.C.*

Louisville, Kentucky  
August 23, 2011

**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS**  
**AFFORDABLE ENERGY CORPORATION**  
**DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash - Checking	\$ 40,124	\$ 9,913
Cash - Savings	<u>7,597</u>	<u>7,688</u>
Total assets	<u>\$ 47,721</u>	<u>\$ 17,601</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 47,721</u>	<u>\$ 17,601</u>
Total liabilities and net assets	<u>\$ 47,721</u>	<u>\$ 17,601</u>

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

**STATEMENTS OF REVENUES, EXPENSES AND OTHER  
CHANGES IN NET ASSETS - CASH BASIS  
AFFORDABLE ENERGY CORPORATION  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

CHANGES IN UNRESTRICTED NET ASSETS	<u>2010</u>	<u>2009</u>
Revenue and support		
Administrative fee	\$ 116,142	\$ 104,038
Interest income	<u>9</u>	<u>23</u>
Total unrestricted revenue and support	<u>116,151</u>	<u>104,061</u>
Expenses		
Salaries	45,526	70,252
Payroll taxes and benefits	15,132	14,679
Computer assistance	2,532	5,030
Contract services	1,390	759
Insurance	2,028	1,995
Intake training	1,598	4,993
Office supplies and expense	2,296	5,126
Postage	3,446	5,679
Professional fees	3,900	3,755
Rent	6,000	3,445
Advertising	-	78
Telephone	2,083	2,579
Mileage	-	130
Miscellaneous	<u>100</u>	<u>-</u>
Total expenses	<u>86,031</u>	<u>118,500</u>
Increase (decrease) in unrestricted net assets	30,120	(14,439)
Net assets, beginning of year	<u>17,601</u>	<u>32,040</u>
Net assets, end of year	<u>\$ 47,721</u>	<u>\$ 17,601</u>

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

**NOTES TO FINANCIAL STATEMENTS  
AFFORDABLE ENERGY CORPORATION  
DECEMBER 31, 2010 AND 2009**

**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 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 through December 31, 2015. 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.

**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:

## **NOTES TO FINANCIAL STATEMENTS – CONTINUED**

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, and no related interest or penalties have been recorded in the operating statement or accrued in the balance sheet. Federal and state tax returns of the entity are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

### **Subsequent Events**

Management has evaluated subsequent events for recognition or disclosure in the financial statements through August 23, 2011, which was the date at which the financial statements were available to be issued.



## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 2. LEASE

The Organization leases office space under an operating lease expiring in August, 2011 with monthly payments of \$500. Future minimum lease payments under operating leases at December 31, 2010 are as follows:

2011	<u>\$ 4,000</u>
Total	<u><u>\$ 4,000</u></u>

The rent expense for the years ended December 31, 2010 and 2009 was \$6,000 and \$3,445, respectively.

### NOTE 3. 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:

	<u>2010</u>	<u>2009</u>
Program services	\$ 77,428	\$ 106,650
Management and general	<u>8,603</u>	<u>11,850</u>
	<u><u>\$ 86,031</u></u>	<u><u>\$ 118,500</u></u>