



PPL companies

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RECEIVED

JUN 15 2011

PUBLIC SERVICE
COMMISSION

LG&E and KU Energy LLC
State Regulation and Rates
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Rick E. Lovekamp
Manager Regulatory Affairs
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June 15, 2011

RE: *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Existing, and Addition of New, Demand-Side Management and Energy-Efficiency Programs - Case No. 2011-00134*

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and ten (10) copies of the response of Louisville Gas and Electric Company and Kentucky Utilities Company to the First Request for Information of the Metropolitan Housing Coalition dated June 1, 2011, in the above-referenced matter.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Rick E. Lovekamp". The signature is written in a cursive, flowing style.

Rick E. Lovekamp

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY AND KENTUCKY UTILITIES)
COMPANY FOR REVIEW, MODIFICATION, AND)
CONTINUATION OF EXISTING, AND ADDITION OF NEW)
DEMAND-SIDE MANAGEMENT AND ENERGY-)
EFFICIENCY PROGRAMS)

CASE NO.
2011-00134

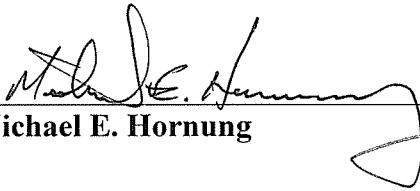
RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY
TO THE FIRST REQUEST FOR INFORMATION
OF THE METROPOLITAN HOUSING COALITION
DATED JUNE 1, 2011

FILED: June 15, 2011

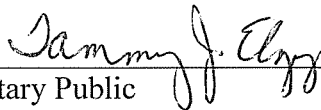
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Michael E. Hornung**, being duly sworn, deposes and says that he is Manager of Energy Efficiency Planning & Development for LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


Michael E. Hornung

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 15th day of June 2011.

 (SEAL)
Notary Public

My Commission Expires:

November 9, 2014

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Metropolitan Housing Coalition's
First Set of Requests for Information
Dated June 1, 2011**

Case No. 2011-00134

Question No. 1

Witness: Michael E. Hornung

Q-1. For Jefferson County, Kentucky, please provide the amount of DSM fees billed for by census tract for the calendar years 2009 and 2010.

A-1. The Residential DSM rates are provided below for rate effective at the beginning of 2009 and 2010. Average bill impact is calculated using 1,000 kWh for the typical electric customer and 70 CCF for the typical gas customer. The Companies do not track information by census tract.

<u>LG&E Electric</u>	<u>\$/kWh</u>	<u>Average Bill Impact</u>
Effective 1/1/2009	0.00286	\$2.86
Effective 1/1/2010	0.00290	\$2.90

<u>LG&E Gas</u>	<u>\$/CCF</u>	<u>Average Bill Impact</u>
Effective 1/1/2009	0.01193	\$0.84
Effective 1/1/2010	0.01124	\$0.79

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Metropolitan Housing Coalition's
First Set of Requests for Information
Dated June 1, 2011**

Case No. 2011-00134

Question No. 2

Witness: Michael E. Hornung

- Q-2. For Jefferson County, Kentucky, please provide the amount of DSM fees for all programs spent by census tract for calendar years 2009 and 2010.
- A-2. The Companies do not track information by census tract. However, the program expenses for 2009 and 2010 are outlined in the table below. The DSM rider contains an annual balancing adjustment to ensure customers are only paying for program costs incurred by the Companies.

LG&E Residential Program Expenses

Program	2009	2010	TOTAL
Residential High Efficiency Lighting	\$847,070	\$1,262,235	\$2,109,305
Residential New Construction	\$363,522	\$572,075	\$935,597
Residential HVAC Tune Up	\$145,512	\$78,622	\$224,134
Customer Education & Public Information	\$1,800,131	\$1,626,254	\$3,426,385
Dealer Referral Network	\$28,496	\$39,246	\$67,742
Residential Responsive Pricing (RRP)	\$575,793	\$430,925	\$1,006,718
Program Development & Administration	\$418,640	\$516,285	\$934,925
Residential Conservation	\$322,135	\$369,454	\$691,589
Residential Load Management	\$5,182,726	\$3,946,550	\$9,129,277
Residential Low Income Weatherization	\$872,578	\$931,623	\$1,804,201
Total LG&E Program Expenses	\$10,556,602	\$9,773,269	\$20,329,871

**LOUISVILLE GAS AND ELECTRIC COMPANY
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**Response to the Metropolitan Housing Coalition's
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Case No. 2011-00134

Question No. 3

Witness: Michael E. Hornung

Q-3. What percent of each of the DSM programs is anticipated to be used for rental units?

A-3. All customers on the residential tariff can participate in DSM programming. Participant goals were not developed considering ownership status, but approximately 30% of LG&E's customers reside in rental units

**LOUISVILLE GAS AND ELECTRIC COMPANY
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**Response to the Metropolitan Housing Coalition's
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Case No. 2011-00134

Question No. 4

Witness: Michael E. Hornung

- Q-4. What strategies for marketing DSM programs to low-income neighborhoods will be used?
- A-4. DSM programs are marketed to all residential customers using traditional methods such as television, print ads, etc. For the WeCare program, LG&E provides to a third-party contractor a list of LIHEAP recipients to contact. The specified contractor then calls the eligible customers on the list and explains the benefits of the WeCare program. If the customer is interested in participating in the program, the contractor then schedules an appointment to conduct the home energy audit. Any customer who independently inquires through an agency or call-center will be referred to the respective contractor to determine eligibility and to schedule the energy audit and weatherization.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Metropolitan Housing Coalition's
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Case No. 2011-00134

Question No. 5

Witness: Michael E. Hornung

Q-5. What strategies will be used for marketing DSM programs to owners of rental units?

A5. Owners of rental units will be marketed to in similar fashion as the rest of the residential rate class.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Metropolitan Housing Coalition's
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Case No. 2011-00134

Question No. 6

Witness: Michael E. Hornung

Q-6. What is the plan for allowing non-profit housing development and rehabilitation organizations to participate in providing services under the We Care program or any of the other DSM programs?

A-6. The Company has taken a multi-phased approach to the WeCare Program. As there are many low-income community action and support organizations across the service territories that conduct weatherization services, the Companies sought to coordinate and in some instances develop contractual relationships with these organizations to minimize any duplication of efforts. In addition, the Company has gone through a competitive bid process and has contracted with a third-party contractor to perform the weatherization service in order to serve any eligible low-income customer not represented by other organizations.

Through the procurement process and contractual agreements, the Company has outlined the various requirements required to perform the weatherization associated with the WeCare Program, which includes adherence to the Company's safety policy as well as quality review of the work by the Company.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Metropolitan Housing Coalition's
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Case No. 2011-00134

Question No. 7

Witness: Michael E. Hornung

Q-7. Administrative costs for three proposed programs (which range from 19.9% to 30.1 % of proposed seven-year program budgets) are very high in comparison to other administrative costs (which range from 3.1% to 8.5% of proposed seven-year program budgets). Please explain why the administrative costs are relatively higher and provide a breakdown of those cost components, and please provide an explanation for the 30.1 % cost in the Residential Conservation Home Energy Performance Program (item 3 .0 in the filing).

A-7. "Administration" costs for Residential Conservation / Home Energy Performance Program include program labor, training, office supplies and expenses, data processing, advertising, and program evaluation. Cost distribution between the four areas provided in the filing (administration, implementation, incentives, miscellaneous) will vary between programs due to differing requirements and program complexity. For example, administrative cost for the Residential Conservation / Home Energy Performance Program includes nearly \$1.8 million for contractor training support and advertising which may be minimal or non-existent in other programs. The breakdown of cost is provided below in thousands of dollars.

Administrative Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Direct Program Labor	\$165	\$170	\$176	\$182	\$189	\$195	\$202	\$1,280
Training	\$102	\$104	\$54	\$55	\$56	\$57	\$58	\$485
Office Supplies & Expenses	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$7
Data Processing	\$69	\$76	\$82	\$126	\$85	\$87	\$88	\$613
Advertising	\$120	\$163	\$207	\$211	\$215	\$219	\$223	\$1,357
Program Evaluation	\$75	\$81	\$119	\$90	\$91	\$93	\$128	\$678
Total	\$532	\$595	\$640	\$665	\$637	\$652	\$700	\$4,420

**LOUISVILLE GAS AND ELECTRIC COMPANY
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**Response to the Metropolitan Housing Coalition's
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Case No. 2011-00134

Question No. 8

Witness: Michael E. Hornung

Q-8. Please explain the basis for the administrative costs of 24.12% for the Residential Incentive Program (item 7.0 in the filing).

A-8. "Administration" costs for Residential Incentives include program labor, office supplies and expenses, data processing, and advertising. Cost distribution between the four areas provided in the filing (administration, implementation, incentives, miscellaneous) will vary between programs due to differing requirements and program complexity. A majority of administrative costs for the Residential Incentives Program is related to program advertising. The breakdown of cost is provided below in thousands of dollars.

Administrative Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Direct Program Labor	\$176	\$182	\$188	\$195	\$202	\$209	\$216	\$1,368
Office Supplies & Expenses	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$7
Data Processing	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$119
Advertising	\$234	\$280	\$410	\$410	\$410	\$410	\$410	\$2,564
Total	\$428	\$480	\$616	\$623	\$630	\$637	\$644	\$4,058

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**Response to the Metropolitan Housing Coalition's
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Dated June 1, 2011**

Case No. 2011-00134

Question No. 9

Witness: Michael E. Hornung

Q-9. Please explain the basis for the administrative costs of 19.9% in the Residential Refrigerator Removal Program (item 8.0 in the filing).

A-9. "Administration" costs for Residential Refrigerator Removal include program labor, training, office supplies and expenses, and advertising. Cost distribution between the four areas provided in the filing (administration, implementation, incentives, miscellaneous) will vary between programs due to differing requirements and program complexity. A majority of administrative costs for the Residential Refrigerator Removal Program is related to program advertising. The breakdown of cost is provided below in thousands of dollars.

Administrative Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
Direct Program Labor	\$77	\$79	\$82	\$85	\$88	\$91	\$94	\$597
Training	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$7
Office Supplies & Expenses	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$7
Advertising	\$120	\$244	\$311	\$316	\$322	\$328	\$334	\$1,976
Total	\$199	\$326	\$395	\$404	\$412	\$421	\$431	\$2,588

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Metropolitan Housing Coalition's
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Case No. 2011-00134

Question No. 10

Witness: Michael E. Hornung

Q-10. In addition to the administrative costs of each program, the filing includes a request for \$9.7 million for other administrative costs.

- (a) Since the entire We Care budget (with only a 5.1% administrative cost) is \$34 million, what are the expected deliverables of this \$9.7 million that will result in lowering usage?
- (b) How does that compare in effectiveness with using the same money for the We Care program?
- (c) Since each component of the program has administrative costs assessed, what is the basis for the additional \$9.7 million requested for other administrative costs?

A-10. (a) Cost distribution between the four areas provided in the filing (administration, implementation, incentives, miscellaneous) will vary between programs due to differing requirements and program complexity. For example, implementation costs for the WeCare program are approximately 90% of total program budget and include costs related to third party weatherization services. Administration costs for programs referenced in Q-7, Q-8 and Q-9 range from 8% to 62% for implementation costs.

The \$9.7 million is directly related to overall program portfolio management, office administrative support, new program research and development, market research, accounting, regulatory compliance, data processing, program verification and other supporting activities.

- (b) The programs are designed in an effort to reduce energy and demand with the primary goal of delaying construction of additional generating units. The costs associated with the Program Development and Administration ensure that the commitment is maintained via overall program management, review, and new program research and

development. These costs are necessary to ensure the effectiveness of all DSM/EE programs.

- (c) Please refer to the responses to Q-7 through Q-10(b). Administration costs for each individual program are related only to staffing requirements necessary to manage contractual requirements and daily operation.

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**Response to the Metropolitan Housing Coalition's
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Question No. 11

Witness: Michael E. Hornung

Q-11. Please explain how community input is solicited of LG&E consumers in decisions on the rules and administration of the DSM programs, and how that input is considered and incorporated into the decisions?

A-11. The Companies solicited input from various groups that represent residential and commercial customers across the service territory. As explained on page 10 in the direct testimony of Michael Hornung, the Energy Efficiency Advisory Group includes representatives from the Governor's Office of Energy Policy, low income advocacy groups, governmental environmental protection agencies, and business as well as consultation with the Attorney General. Also explained in the testimony is the importance the Companies place on the feedback from these meetings. Finally, the Companies consider the feedback they receive from participating customers.