PPL companies

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
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RECEIVED

AUG 29 2011

PUBLIC SERVICE COMMISSION

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August 29, 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 an original and ten copies of Louisville Gas and Electric Company's and Kentucky Utilities Company's Rebuttal Testimony of David Huff and Michael E. Hornnung in the above referenced proceeding.

Should you have any questions regarding the enclosed, please do not hesitate to contact me.

Sincerely,

Rick E. Lovekamp

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**

REBUTTAL TESTIMONY OF
DAVID HUFF
DIRECTOR OF CUSTOMER ENERGY EFFICIENCY AND
SMART GRID STRATEGY
LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY

Filed: August 29, 2011

Q. Please state your name, position, and business address.

A. My name is David Huff. I am the Director of Customer Energy Efficiency and Smart Grid Strategy for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, "Companies") and an employee of LG&E and KU Services Company, which provides services to the Companies. My business address is 220 West Main Street, Louisville, Kentucky.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address the objective of Kentucky's Demand-Side Management and Energy Efficiency ("DSM/EE") Programs, the alignment of LG&E and KU DSM/EE Plan ("Plan") to serve statutory factors of utility DSM/EE Programs, and thereby address the concerns raised by some case participants. By reviewing the objectives of Kentucky's DSM/EE Programs, the purpose of the Plan—namely to reduce overall demand and energy consumption—and the basic means by which the DSM/EE programs function, as well as by reviewing the steps the Companies have taken to enhance the DSM/EE resources available to low-income customers, I respectfully show that the Plan, as filed, deserves Commission approval.

DSM/EE Programs' Purpose Is to Reduce Demand and Consumption

Q. What is the purpose of Demand-Side Management ("DSM") and Energy Efficiency ("EE") programs?

A. The Companies have an obligation to provide safe and reliable electrical service to everyone in our service area at the lowest reasonable cost.[1] To meet this obligation during times when energy consumption is the greatest requires that generation,

[1] *See* KRS 278.018; KRS 278.020(1); KRS 278.030; 807 KAR 5:058.

transmission, and distribution facilities be built to serve peak energy demand. The purposes of DSM programs are to reduce or shift energy usage from peak periods to off-peak periods in a cost-effective manner. Shifting energy needs away from peak periods increases the utilization of installed assets and delays the need for additional infrastructure. The Companies' most recent Integrated Resource Plan ("IRP") recognizes DSM programs as a cost-effective means of meeting additional capacity needs and the current DSM/EE filing is consistent with the plans filed in the IRP. Consequently, to the extent a customer can be induced to reduce energy consumption on peak, all customers benefit from the delayed need for additional capacity. This overall sharing of costs and benefits across the customer base is the foundation of sound DSM programs found in our current DSM/EE filing.

EE programs induce customers to reduce energy consumption irrespective of time. Consequently, EE programs have a slight impact on DSM by the amount of energy reduced on peak. However, EE programs have the additional advantage of reducing consumer consumption across all time periods. When energy consumption is reduced, the need for additional generating capacity is again delayed and all customers benefit from this delayed expense.

The Companies' existing and proposed DSM/EE programs exist to benefit all customers by reducing demand and increasing energy efficiency. Though participating customers typically enjoy greater benefits than non-participants, non-participants benefit through the delayed need for additional infrastructure costs. For example, the Companies' DSM/EE programs have already avoided the need for 182 MW of capacity, equivalent to avoiding the need for a new combustion turbine, and the new Plan should avoid a total of over 491 MW of capacity (including the 182 MW already achieved). All of the Companies' customers are receiving and will continue to receive the benefit of those avoided capacity costs.

In sum, the purpose of DSM/EE programs is to benefit all customers.

Q. Is the Companies' DSM/EE filing guided by regulatory requirements?

A. Yes. KRS 278.285 (1) describes eight factors for the Commission to consider in determining the reasonableness of demand-side management plans proposed by any utility under its jurisdiction. While the Companies realize that the Commission is not limited solely to these eight factors, these factors were utilized to form the DSM/EE filing.

These factors include specific changes in customers' consumption patterns; cost and benefit analysis; recovery of costs; consistency with IRP; whether the plan results in any unreasonable prejudice or disadvantage to any class of customer; the level of involvement of customer representatives and the Attorney General's Office; programs that are available, affordable, and useful to customers; and, next-generation utility meters that meet certain requirements.

The Companies' DSM/EE filing defines specific programs aimed at changing consumer consumption patterns, on a portfolio basis produces a positive customer cost benefit utilizing the California Standard Test criteria as demonstrated through Michael E. Hornung's direct testimony filed on April 14, 2011, provides for cost recovery, is consistent with the Companies' IRP, and, provides programs that are available, affordable and useful to customers without prejudice or disadvantage to customer class through an extensive collaborative effort with customer representatives and the Attorney General's Office.

Q. How have the Companies considered the bill impact on customers?

A. The Companies have analyzed the average impact on customers' bills as discussed in Michael E. Hornung's direct testimony and through the corresponding data requests, but has not performed specific and detailed analysis nor pursued alternative options for low-income customers. KRS 278.285 (3) limits the assignment of cost for DSM programs only to the class or classes of customers which benefit from the programs. Segregation of customers on income level has never been recognized in Kentucky as a customer class.[2] However, the Companies recognize the needs of these customers and have worked with low-income customer advocates to eliminate any unintended barriers to participation. In fact, the filed DSM/EE programs are the result of suggestions made through discussion of the program details with the Energy Efficiency Advisory Group.[3]

CAC's Jack Burch testified, "Demand Side Management is the least cost alternative for meeting electrical load needs now and into the immediate future. The Council is increasingly concerned about the rapid increase in all utility rates and its impact on low-income households who are disproportionately affected due to variables such as an older housing stock and lack of available capital for home energy

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[2] *See In the Matter of: Application for Adjustment of Electric Rates of Kentucky Power Company*, Case No. 1991-00066, Order at 5-13 (Oct. 31, 1991) ("The Commission well recognizes the problems facing low-income utility customers; nevertheless, given our statutory mandate to set fair, just, and reasonable rates, we must reject the proposed Low Income Rate. This rejection is based on the Commission's rate-making obligations as set out in KRS Chapter 278 and the Commission's judgment of what constitutes reasonable consideration and unreasonable discrimination.").

[3] 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. 2011-00314, Volume III, Exhibit G 1-3.

improvements that would reduce consumption."[4] "However, when faced with the alternative of higher rates for generation, operations and environmental compliance demand side management programming is the most cost effective alternative for both the utility and the low-income customer. If there has to be an expense – and there does - then DSM programming is the easiest pill to swallow for low-income households."[5] The Companies recognize the unique challenges this customer segment faces. The Companies take their societal responsibility seriously and offer assistance through WinterHelp, WinterCare, Foundation Grants, Day of Caring Employee Activities, and contributions to charitable organizations for community services, amongst other actions. The Companies worked very closely with interested parties, including low-income advocates, to develop a collaborative DSM/EE filing which reflects the varied interests of all customers. Also, the Companies have in place Home Energy Assistance programs to aid low-income customers in accordance with KRS 278.285(4). But it is not within the Companies' ability or authority to solve the broader, societal problems negatively impacting low-income customers.

Q. **What is the Companies' overall response to the feedback received by means of the case participants' testimony?**

A. The Companies welcome and invite feedback from case participants and the rest of the Energy Efficiency Advisory Group both through this formal proceeding and informally as a matter of normal program operations. Formulating the Companies' proposed Plan has been an iterative and cooperative process carried out over the course of years, during which time the Companies have received invaluable input and

[4] Jack Burch Testimony, page 10.
[5] Jack Burch Testimony, page 11.

feedback from these case participants and other participants, including the Attorney General. Many of the improvements to existing programs and ideas for new programs have their roots in the Advisory Group process, which the Companies will continue as long as they have DSM/EE programs. The Companies welcome the input and participation they have received and continue to receive from all groups both on a formal and informal basis.

The Companies believe some case participants have raised some important challenges to the equity of the Plan and the entire administration of the DSM/EE programs; I will respond to these individually below. Ultimately, the Companies' Plan is a significant improvement to the existing DSM/EE program portfolio that meets the Commission's requirements and deserves the Commission's approval.

Q. How do the Companies determine who will participate in DSM/EE programs?

A. The Companies emphatically do not determine who will participate in DSM/EE programs; the programs are open to all qualifying customers on a first-come, first-served basis. The programs are entirely voluntary and are advertised on the same basis to all customers of the same class (e.g., all residential customers). Although not all customers can or do participate in every program, the more customers that participate the greater the benefit to all customers. The Companies welcome all efforts to encourage additional customer participation that meets program goals and results in significant benefit to all customers.

All Customers Benefit from DSM/EE Programs

Q. Do low-income customers benefit from the Companies' DSM/EE programs?

A. Yes, low-income customers undeniably benefit from the Companies' DSM/EE programs. The Plan clearly provides benefits to low-income customers:[6]

- From April 2009 through the end of 2010, LG&E customers who received third-party assistance to pay their energy bills paid a total of $1,428,805 in DSM/EE charges. During the same period, LG&E's Residential Low-Income Weatherization Program ("WeCare") spent $1,487,601 to provide weatherization services to low-income customers, almost $60,000 more than LG&E collected from low-income customers. That does not include the other DSM/EE program benefits low-income customers received.
- In 2011, WeCare expenditures constituted 7.4% of all LG&E DSM/EE expenditures, and WeCare was the fifth-largest DSM/EE program as measured by expenditures[7]. The proposed Plan more than doubles the 2011 WeCare funding level in 2014 and more than triples it by the final year of the proposed Plan, 2017, to over $7.8 million.
- Under the proposed Plan, WeCare will be LG&E's second-largest DSM/EE program in 2017 (second only to the flagship DSM/EE program, Residential Load Management), and will constitute 20.3% of LG&E's total DSM/EE budget that year[7]. WeCare's funding in 2017 will nearly

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[6] Only LG&E figures are shown because only LG&E-based intervenors have suggested low-income customers are not receiving an adequate amount of overall DSM/EE benefits.

[7] Based upon table E.S..9.1, Annual Budget by Program, of Mike Hornung's direct testimony, exhibit 1. Volume 1, page 16.

equal that of the Residential Refrigerator Removal, Residential Incentives, and Residential Conservation (HEPP) programs combined.

The case participants that suggest low-income customers are not receiving their fair share of DSM/EE funding nevertheless acknowledge that such customers participate in, and receive benefits from, programs other than WeCare, sometimes even in apparently disproportionally high numbers.[8] So it is clear that low-income customers, on the whole, receive significant direct benefits from DSM/EE programs in addition to sharing in the benefits all customers receive from DSM/EE programs.

It is important to note that this straightforward global assessment of the benefits low-income customers receive from DSM/EE programs avoids the errors that analyzing only certain small geographic segments, such as zip codes, create. Comparing various streets, census tracts, or zip codes will almost certainly provide widely varying and largely misleading information about how the Companies' programs are performing on the whole. The unavoidable fact is that on a utility-wide basis low-income customers are receiving DSM benefits, and the proposed Plan will increase DSM/EE program funding even more; providing for greater numbers of customers to participate.

Q. Do the Companies implement, administer, and provide DSM/EE programs which are non-discriminatory?

A. Yes. The Companies' DSM/EE programs do not discriminate against any customer on the basis of race, sex, or any other characteristic or quality set out in the Fair Housing Act. The Companies' DSM/EE programs are currently marketed to all customers identically and are administered on a first-come, first-served basis.

[8] *See*, *e.g.*, Testimony of Marlon Cummings on behalf of Association of Community Ministries, Inc. at 4-5.

Moreover, the Companies do not maintain, nor do they desire to maintain, the demographic data about their customers that would be needed to discriminate against customers on those bases, or to track how many dollars from which programs went to customers of various racial, ethnic, or other groups.

The Companies will continue to work with all of the case participants to this proceeding and the rest of the Advisory Group to maximize the effectiveness of the proposed DSM/EE Plan. If there are ways the Companies can be more effective in marketing the programs to certain groups of customers in non-discriminatory ways, the Companies are more than willing to discuss such ideas (and implement those that are reasonable and feasible).

The Companies will also continue to encourage groups like the low-income advocates to make the benefits of DSM/EE programs known to their clientele. Groups like CAC have been very successful in doing just that; the Companies are willing to help the other low-income advocates do likewise. No matter how much marketing the Companies do, low-income advocates like those that are case participants in this proceeding are in the best position to encourage low-income customers to participate in these programs. The advocates work daily with low-income customers, understand their clients' challenges, and are members of the Advisory Group, so they can easily help customers sign up for such programs. To the extent they can reasonably do so, the Companies will encourage and work with the case participants and other low-income advocates to help them spread the word about the benefits of participating in DSM/EE programs.

<u>The Companies' Proposed DSM/EE Plan and</u>
<u>the Administration Thereof Provides Effective Programs</u>

Q. Should the Companies continue to offer programs, without revision, that do not have participation targets for low-income-customers?

A. Yes. At the beginning I stated that the purpose of DSM/EE programs is to reduce the relative amount of electric demand and energy usage to help reduce the expense of additional capacity on all customers' energy bills. For that very reason it is appropriate to maintain and increase WeCare funding levels even though most customers do not qualify for the program. Thus, although it may be true that fewer low-income customers have HVAC units than the average, it would not therefore be advisable to terminate the Residential Load Management Program, which has the best cost-benefit scores of any of the Companies' DSM/EE programs and provides clear benefits to all customers, including non-participants. In other words, every customer or some representative section of customers need not participate in a DSM/EE program for it to benefit all customers; rather, a well-designed and worthwhile DSM/EE program benefits all customers even though only a relatively small number of customers choose to participate. That is what the Companies have achieved in the programs in their proposed Plan.

Q. Does the current method of managing DMS/EE funding across the whole service area provide effective DSM/EE programs?

A. Yes. Some believe that DSM/EE funding should be allocated along geographic or demographic lines.[9] But allocating DSM/EE funding in such ways reduces the effectiveness of DSM/EE programs. Allocating DSM/EE funds even on as seemingly

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[9] *See generally* Hinko Testimony and Cummings Testimony.

benign a basis as zip codes would inevitably result in lower overall program efficiency. First, such an allocation process would add administrative costs and slow program administration as program personnel spent time ensuring each geographic area received its allocation, necessarily decreasing program efficiency. Second, allocating DSM/EE funds in such a way would likely decrease program efficiency by denying services in "over-subscribed" zip codes to people eager to participate while consuming additional resources trying to induce customers in other zip codes to participate. This second effect would be particularly pronounced if DSM/EE resources were allocated geographically (or otherwise) on a program-by-program basis; allocating WeCare funds to eastern Jefferson County in amounts proportional to the DSM/EE charges collected from that area would almost certainly result in leaving customers willing to participate in WeCare unserved in other parts of the LG&E service territory. Third, the expense of trying to get additional customers to enroll in the program could be better spent on those who actually choose to participate and thus generate benefits for all customers. In sum, to manage the DSM/EE program on a micro level induces inefficiencies in DSM/EE programs and would result in sub-optimal program performance.

Q. Is the current governance structure of the DSM/EE programs optimal?

A. Yes. The Companies are responsible for assuring an adequate and reliable energy supply to meet energy demand of its customers. To meet this obligation, the company must assess load growth through understanding customer adoption of electrical devices such as appliances, vehicles, etc. which tend to increase the need (demand-side) for additional generation, distribution, and transmission capacity (supply). The Companies then attempt to balance the demand-side with DSM/EE programs designed to appeal to a large cross-section of customers for the purpose of gaining voluntary participation to reduce their consumption, both on-peak and off-peak, thus offsetting some of the increased need for supply (supply-side). This balancing of demand-side to supply-side becomes increasingly challenging as the desire to grow supply-side increases for customer economic benefit. In the end, the Companies are responsible for the analysis, determining the level of supply-side programs to assure ongoing reliable energy at a reasonable cost. The ability to meet these obligations must remain solely with the Companies.

Consequently, the Companies need to retain responsibility for formulating, proposing to the Commission, and administering Commission-approved DSM/EE programs. It was suggested that the governance of the Companies' DSM/EE programs should be removed from the Companies and placed in the hands of a board on which the Companies would sit, but would not have a majority of the votes.[10] Notwithstanding possible legal impediments to implementing such a suggestion, there are sound policy reasons not to do so.

First, as discussed above, the Companies alone have the statutory obligation to accomplish the purpose of DSM/EE programs – achieving customer participation that when aggregated matches supply-side plans. Other groups may have worthwhile purposes and be able to participate constructively in the Advisory Group, but they do not have the primary goal of the DSM/EE programs at their core. For example, helping low-income customers is a noble aim, but it is not the regulatory or statutory goal of the DSM/EE Plan. Removing the governance of the DSM/EE programs from

[10] Hinko Testimony at 10.

the Companies, no matter how well intended, would not likely result in the most effective or efficient set of DSM/EE programs; keeping the DSM/EE program governance in the Companies' hands, as overseen by the Commission and with input from the Advisory Group, has resulted, and will continue to result, in increasingly diverse and fruitful DSM/EE portfolios with anticipated customer participation to meet overarching program objectives.

Second, LG&E had such an arrangement, the "DSM Collaborative," during the development of its first DSM/EE programs. For many of the reasons discussed above, LG&E and KU effectively dissolved the Collaborative with the filing of the Companies' 2000 DSM Plan, which did not include the other Collaborative members as applicants.[11] The Attorney General favored dissolving the Collaborative, "[n]oting that the majority of the collaborative members represent one main segment of one customer class ...."[12] The Commission did not oppose the group's dissolution, but rather stated:

> KRS 278.285, under which the Companies' application was filed, does not require that a utility's DSM programs be developed through a collaborative process. Rather, the Commission must only consider the extent to which customer representatives were involved in the development of such programs and their support for the programs. Whether DSM programs are developed through a collaborative process or with input from an advisory group is an issue to be resolved by the Companies and the interested parties.[13]

[11] *See In the Matter of: The Joint Application of the Louisville Gas and Electric Company and Kentucky Utilities Company for the Review, Modification, and Continuation of DSM Programs and Cost Recovery Mechanisms*, Case No. 2000-00459, Order at 4-5 (May 11, 2001).
[12] *In the Matter of: The Joint Application of the Louisville Gas and Electric Company and Kentucky Utilities Company for the Review, Modification, and Continuation of DSM Programs and Cost Recovery Mechanisms*, Case No. 2000-00459, Order at 5 (May 11, 2001).
[13] *In the Matter of: The Joint Application of the Louisville Gas and Electric Company and Kentucky Utilities Company for the Review, Modification, and Continuation of DSM Programs and Cost Recovery Mechanisms*, Case No. 2000-00459, Order at 8 (May 11, 2001).

Lastly, the Commission has held that DSM/EE vendors may not participate in the governance of the programs for which they are vendors because such participation creates a clear conflict of interest.[14] Were a new DSM/EE board of directors created in accordance with the Commission's Order, the Companies are concerned about the effect this could have on the current collaborative process with CAC and other low-income groups that provide WeCare or other DSM/EE services. The Companies do not believe such an arrangement would improve their DSM/EE programs; rather, continuing the current Advisory Group process, in which groups like CAC can participate freely because of their non-governing role, is the best means to obtain advice and input from all stakeholders.

The Companies Will Continue to Work with the Case participants and the Advisory Group to Improve their DSM/EE Programs

Q. Are the Companies willing to continue to work with the case participants in this proceeding and the rest of the Advisory Group to improve the Companies' current, proposed, and future DSM/EE programs?

A. Yes, and without qualification. As stated in the Companies' application in this proceeding, the Companies' proposed Plan is the result of years of consultation with the Attorney General, the case participants, and the rest of the Advisory Group. For example, it was input from low-income participants in the Advisory Group that caused the Companies to include in the Residential Incentives Program, a provision to permit low-income advocacy groups to purchase appliances on behalf of low-income

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[14] *See In the Matter of: A Joint Application for the Approval of Demand-Side Management Programs, a DSM Cost Recovery Mechanism, and a Continuing Collaborative Process on DSM for Louisville Gas and Electric Company*, Case No. 1993-00150, Order at 6-7 (June 24, 1996) ("No program vendor should have a representative serving on the management panel overseeing the program").

customers. The collaboration has been productive and useful, and the Companies will continue to work with the Advisory Group and its members individually to improve and expand their DSM/EE programs.

One of the first items to discuss, as one case participant pointed out, is the Companies' policy of not performing weatherization services for low-income customers that live in apartment buildings with more than eight units, which excludes a number of low-income customers from receiving such services. Although the Companies put their current policy in place for a sound reason—namely to avoid effectively renovating whole apartment buildings at no charge to the owners—they are willing to reconsider that policy and discuss how it might be changed while still avoiding the problem that gave rise to the policy. The issue is complex and multifaceted. For example, in addition to the issues above, another issue that the Companies must consider is individual customer privacy associated with information related to both tenant and landlord. Although a resolution is not immediately clear due to the complexities of this problem, it is an example of the kind of complex issues that have been resolved through the power of the collaborative efforts of the Energy Efficiency Advisory Group.

Q. Does the company add members to the Energy Efficiency Advisory Group?

A. Yes. The Energy Efficiency Advisory Group was formulated to provide a representative cross-section of the Companies' customer base eligible to participate in DSM/EE programs. Consequently, the company strived to achieve balance amongst the number of members representing any sub-segment of customers. However, when the Companies or an interested party expresses an interest in joining the group; the request is reviewed and a decision is rendered on membership.

Recognizing the value in communicating with all interested parties, the Companies held meetings on the DSM/EE programs that expanded participation beyond Energy Efficiency Advisory Group members. One case participant states they are not a member of the Energy Efficiency Advisory Group[15]. As discussed extensively herein, the Companies respect and value the perspectives of our low-income advocates and offers ACM participation on the Energy Efficiency Advisory Group.

Recommendation and Conclusion

Q. What is your recommendation to the Commission?

A. Although no portfolio of DSM/EE programs is or ever could be perfect, the Companies' proposed Plan is a significant improvement over the current portfolio of DSM/EE programs that has already produced over 180 MW of avoided capacity savings. The proposed Plan will provide benefits to all customers, both participants and non-participants, regardless of race, sex, creed, or color, in all geographic areas the Companies serve, and promises to be particularly beneficial to low-income customers. It is the product of long-running and productive consultation with the Attorney General, the case participants, and the rest of the Advisory Group, and has received the endorsement of the CAC, a group with which the Companies have had differences in the past: "In summary, I would urge the Commissioners to approve the Demand Side Management portfolio as filed."[16] I therefore respectfully ask the

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[15] Marion Cummings response to Commission Staff's first information request question 7.
[16] Burch Testimony at 14.

Commission to approve the Companies' proposed Demand-Side Management and Energy Efficiency Program Plan as filed.

Q. Does this conclude your testimony?

A. Yes.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **David E. Huff**, being duly sworn, deposes and says that he is Director of Customer Energy Efficiency & Smart Grid Strategy for Louisville Gas and Electric Company and Kentucky Utilities Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

David E. Huff
David E. Huff

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 29th day of August 2011.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2014

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. 2011-0134**

REBUTTAL TESTIMONY OF
MICHAEL E. HORNUNG
MANAGER, ENERGY EFFICIENCY PLANNING/DEVELOPMENT
LOUISVILLE GAS AND ELECTRIC COMPANY AND
KENTUCKY UTILITIES COMPANY

Filed: August 29, 2011

Q. Please state your name, position and business address.

A. My name is Michael E. Hornung. I am the Manager, Energy Efficiency Planning/Development, for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively "Companies"), and an employee of LG&E and KU Services Company, which provides services to the Companies. My business address is 220 West Main Street, Louisville, Kentucky.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to respond to program-specific comments made in the intervenors' various pieces of testimony. I conclude by recommending that the Commission approve the Companies' Demand-Side Management and Energy Efficiency ("DSM/EE") Program Plan ("Plan") as filed.

Q. Does the Plan contain a proposal to allow low-income-advocacy and other charitable groups to help low-income customers participate in the proposed Residential Incentives Program?

A. Yes, contrary to certain intervenor testimony,[1] the Plan contains such a proposal. I described this feature of the Residential Incentives Program in my direct testimony in this proceeding: "This is a program that will be available to low-income customers as well: if an assistance agency buys a qualifying appliance for a low-income client, the agency will receive the incentive, freeing up more of the agency's funds to help more people."[2]

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[1] *See* Direct Testimony of Cathy Hinko on Behalf of Metropolitan Housing Coalition at 11 ("Yet LG&E is not proposing to provide financing to allow low- and moderate- income ratepayers to make such purchases, nor (as currently proposed), will LG&E reimburse non-profit agencies that purchase such equipment for low-income homeowners.").

[2] Direct Testimony of Michael E. Hornung at 27.

The testimony of Jack Burch on behalf of the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. ("CAC") also describes this element of the Residential Rebates Program:

> The Companies have generously agreed to allow third party organizations - such as providers of low-income home weatherization measures like the Council - to access the rebates associated with this program when they purchase new appliances for customers with programmatic funds. This step will benefit other low-income weatherization programs by allowing non-profit organizations to recoup some of the cost of installing Energy Star rated appliances in low-income homes.[3]

Q. Do the Companies accept referrals from Community Action Agencies and community-based organizations in order to enroll customers in the WeCare Program?

A. Yes. The Companies not only accept, but would encourage the assistance of Community Action Agencies and community-based organizations to refer their clients to all the Companies DSM/EE programs. The Companies would also encourage any community-based organization that has questions related to any of the approved DSM/EE programs to contact the Company directly. As expressed throughout the testimony, the Companies are willing to discuss operational constraints and potential barriers of enrollments through the DSM Advisory Group or on an individual agency basis. This feedback and assistance will allow the Companies to continue to achieve the annual participation and energy/demand savings goals outlined within each of the Commission approved DSM/EE programs.

[3] Burch Testimony at 13.

Q. Why do the Companies bill the DSM/EE charge volumetrically?

A. Although there is some criticism of the volumetric DSM/EE charge as having a disproportionate impact on low-income residential customers,[4] there is a good reason to bill the charge that way: it encourages high-usage customers to seek out the DSM/EE programs and other means of increasing efficiency. Billing the DSM/EE charge in any other way could compromise or eliminate the most effective means of encouraging high-usage customers to participate in the programs while penalizing customers who have already increased their efficiency (or who simply have low usage). The Companies therefore continue to support the volumetric DSM/EE charge as the most effective and fair means of funding DSM/EE programs.

Q. What do you recommend to the Commission?

A. I recommend and respectfully ask the Commission to approve the Plan as filed. I have been involved in all stages of creating the Plan, including conferring with the intervenors and the rest of the Advisory Group, and can attest to the thorough analysis and vetting of each program that is part of the Plan. Though no plan or program is perfect, and the Companies continue to analyze, improve, and implement new and existing programs, the Companies' proposed Plan will achieve even greater demand and energy savings than have been achieved to date, and will do so while the portfolio of programs as a whole meets the required cost-benefit tests. I therefore recommend that the Commission approved the Plan as filed.

Q. Does this conclude your testimony?

A. Yes.

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[4] Hinko Testimony at 5.

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 Louisville Gas and Electric Company and Kentucky Utilities Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

Michael E. Hornung
Michael E. Hornung

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 29th day of August 2011.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2014