



Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
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PUBLIC SERVICE
COMMISSION

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October 5, 2007

RE: *THE JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY DEMAND-SIDE MANAGEMENT FOR THE REVIEW, MODIFICATION, AND CONTINUATION OF ENERGY EFFICIENCY PROGRAMS AND DSM COST RECOVERY MECHANISMS – CASE NO. 2007-00319*

Dear Ms. O'Donnell:

Enclosed please find an original and seven (7) copies of the Response of Louisville Gas and Electric Company and Kentucky Utilities Company to the Second Data Request of Commission Staff dated September 21, 2007, in the above-referenced proceeding.

Please contact me if you have any questions concerning this filing.

Sincerely,

Rick E. Lovekamp

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE JOINT APPLICATION OF LOUISVILLE)
GAS AND ELECTRIC COMPANY AND)
KENTUCKY UTILITIES COMPANY DEMAND-)
SIDE MANAGEMENT FOR THE REVIEW,) CASE NO. 2007-00319
MODIFICATION, AND CONTINUATION OF)
ENERGY EFFICIENCY PROGRAMS AND)
COST RECOVERY MECHANISMS)

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY
TO THE SECOND DATA REQUEST
OF COMMISSION STAFF
DATED SEPTEMBER 21, 2007

FILED: OCTOBER 5, 2007

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

**Response to the Second Data Request of Commission Staff
Dated September 21, 2007**

Case No. 2007-00319

Question No. 1

Witness: Irvin ("Irv") Hurst

- Q-1. Refer to the last page of the application.
- a. The Companies propose to modify the calculation of the incentive to employ the method used for the Education and Load Control programs. Provide an example of what the incentive would be under the existing method and under the proposed new methodology for a program other than Education and Load Control.
 - b. Explain why LG&E and KU chose to adopt the methodology from the Education and Load Control programs for all the programs rather than adopting the methodology from the other programs for the Education and Load Control programs.

- A-1. a. The comparison of incentive calculations of all proposed programs is tabulated below.

DSM Incentive Comparison

Program	2008 Program Budgets	Existing Incentive Methodology	Proposed Across Board 5%
Residential Conservation Program	\$ 642,432	\$ 32,122	\$ 32,122
Residential Low Income	1,728,665	86,433	86,433
Commercial Conservation	3,177,328	158,866	158,866
Residential Load Management	9,991,125	499,556	499,556
Commercial Load Management	436,110	21,806	21,806
Residential HVAC Diagnostics & Tune Up	204,825	-	10,241
Commercial HVAC Diagnostics & Tune Up	190,077	7,973	9,504
Residential New Construction	859,994	-	43,000
Residential High Efficiency Lighting	3,434,829	171,741	171,741
Responsive Pricing Pilot	1,272,349	-	63,617
Customer Education & Public Information and Dealer Network	3,182,504	159,125	159,125
Program Development & Administration	736,320	-	36,816
Total	\$ 25,856,558	\$ 1,137,623	\$ 1,292,828

Note that for several programs there is no difference in the two methods. Also note that the difference overall is only \$155,205 per year, which is insignificant relative to the annual program budget. Finally, the Companies believe that the provision of an incentive for the programs that receive no incentive under the existing method is appropriate under the portfolio approach undertaken herein. (See the response to part B.)

- b. LG&E and KU are proposing to adopt the methodology currently used in the Education and Load Control programs rather than that the net resource savings methodology used in the other programs because the methodology is computationally more straightforward, is more easily understood and verifiable, and is consistent with the portfolio approach undertaken by the Companies in this filing.