Steven L. Beshear
Governor

Leonard K. Peters, Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda K. Breathitt
Commissioner

NEWS RELEASE

Contact:
Andrew Melnykovych
502-782-2564 or 502-564-3940
502-330-5981 (cell)
Andrew.Melnykovych@ky.gov

PSC OKs Energy Efficiency Plan for KU, LG&E

Portfolio will change as programs are added, expanded or ended

FRANKFORT, Ky. (Nov. 14, 2014) – The Kentucky Public Service Commission (PSC) has approved a revised slate of residential and commercial energy efficiency and demand side management programs for Kentucky Utilities Co. (KU) and Louisville Gas & Electric Co. (LG&E).

In an order issued today, the PSC authorized KU and LG&E to continue 10 existing programs for residential or commercial customers – five of them with additional features. Four programs will be dropped and one limited program will be initiated on a trial basis.

The PSC also ordered the two utilities to study the potential for energy efficiency programs for industrial customers.

KU and LG&E's energy efficiency initiatives are included in the companies' demand-side management (DSM) programs. In accordance with Kentucky statutes, the DSM programs are funded through a surcharge on customers' bills.

A utility is required to demonstrate that its DSM programs are cost-effective in a number of ways, including providing long-term savings to ratepayers as a whole. The KU and LG&E programs meet those tests, the PSC said.

Components of the existing KU and LG&E DSM portfolio that will be continued include:

- Providing incentives to residential customers to install high-efficiency air conditioners, heat pumps and appliances, and to replace windows or add window films that reduce air conditioning usage;
- An energy audit program available to all residential customers;
- A program that provides high-usage residential customers with an energy usage profile and suggestions for reducing usage;
- Energy audit, energy efficiency and weatherization programs specifically tailored to the needs of low-income customers;

-more-

- Bill credits to residential customers who allow the utility to remotely turn off air conditioners for brief periods during times of peak demand;
- Cash incentives for residential customers who recycle inefficient and old, but functioning, refrigerators and freezers;
- Financial incentives for commercial customers to reduce energy usage through installation of energy-efficient equipment, through new construction that exceeds building code requirements for energy efficiency and through measures that reduce energy usage during times of peak demand; and
- Public education efforts, including programs in schools and for teachers.

KU and LG&E proposed discontinuing four programs because they have reached the end of their useful lives. Those programs are:

- Mailing free compact fluorescent bulbs to residential customers;
- Incentives to encourage the incorporation of energy efficient features in new home construction;
- Discounts for residential and commercial customers to check and tune up their heating, ventilation and air conditioning systems to optimize efficiency; and
- A web-based referral network for energy efficiency services.

The new program approved by the PSC involves the use of advanced “smart” electric meters that can track the details of a customers’ usage. KU and LG&E are planning to provide the meters to as many as 5,000 customers per utility on a first-come, first-served basis.

Customers who receive the meters will have access to a website that allows them to see their own hour-by-hour usage within 48 hours of the time the data are collected.

LG&E and KU said the program will serve as a test of the functionality of smart meters in preparation for potential wider use of the technology in conjunction with energy efficiency and demand-side management initiatives. Customers will benefit from having better information about their energy usage, the companies said.

PSC Chairman David Armstrong and Commissioner Linda Breathitt supported the inclusion of the advanced meter program. The DSM program provides a good way to test the concept on a limited scale, they said in the PSC order.

PSC Vice Chairman Jim Gardner, in a dissent confined solely to the issue of the advanced meter program, noted that KU and LG&E did not apply a cost-benefit analysis to the program, as is required for all DSM programs. The fact that usage data will not be available on a real-time basis, and that no price data is included, means the program will be of limited use in encouraging reduced energy consumption, he said.

KU and LG&E are required to file regular reports on the progress of the advanced meter program. It and the other programs extend through 2018.

-more-

In addition to approving the DSM programs for residential and commercial customers, the PSC ordered KU and LG&E to study the potential of energy efficiency programs for industrial customers.

Under Kentucky law, energy-intensive industrial customers that already have cost-effective demand side management programs are allowed to opt out of DSM programs and not pay the surcharge that funds the programs. Therefore, KU and LG&E do not offer any DSM programs for industrial users.

The PSC noted that state law gives it only the authority to review and approve or reject DSM programs proposed by utilities. But it does have the ability to require an energy efficiency study for industrial customers, the PSC said.

The PSC emphasized that it “is not directing the companies to offer a particular program, nor is the Commission suggesting consideration of a particular program.”

In today’s order, the PSC also approved revised surcharges to reflect the changed program and resulting costs. A KU or LG&E customer using 1,000 kilowatt-hours per month (a kilowatt-hour is the amount of power used by a 100-watt light bulb in 10 hours) will see the surcharge increase by about 29 cents per month, to $4.68 per month for an LG&E customer and $3.78 per month for a KU customer. An LG&E customer using 7,000 cubic feet of gas per month will see a DSM surcharge increase of about 22 cents, to $1.72.

KU and LG&E are both subsidiaries of PPL Corp. LG&E has 397,000 electric customers and 321,000 natural gas customers in Louisville and 16 surrounding counties. KU serves 543,000 customers in 77 Kentucky counties.

In addition to the two utilities, parties to the case included the Kentucky Office of Attorney General; the Kentucky Industrial Utility Customers, Inc., representing large industrial customers; the Association of Community Ministries, Inc.; the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc., and the Metropolitan Housing Coalition, all representing low-income ratepayers; the Sierra Club; and Wal-Mart Stores East, LP and Sam’s East, Inc.

The PSC conducted an evidentiary hearing in the case Sept. 3, 2014.

Today’s order, other documents in the case and a video of the hearing are available on the PSC website, psc.ky.gov. The case number is 2014-00003.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 85 employees.

-30-

FOLLOW THE PSC ON TWITTER @KYPSC