

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS	)	CASE NO.
AND ELECTRIC COMPANY AND KENTUCKY	)	2013-00067
UTILITIES COMPANY FOR THE REVIEW AND	)	
APPROVAL OF A TWO-YEAR DEMAND SIDE	)	
PROGRAM RELATED TO SCHOOL ENERGY	)	
MANAGEMENT AND ASSOCIATED COST	)	

ORDER

On February 28, 2013, Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (collectively “Joint Applicants”) filed a joint application (“Application”) for the review and approval of a two-year demand-side management (“DSM”) Energy Management Program (“EMP”) for schools. The Application included a proposed tariff and rates for the recovery of the costs associated with the proposed two-year DSM program. The proposed tariff had an effective date of April 1, 2013, but was suspended by Commission Order<sup>1</sup> up to and including August 31, 2013. The Application was filed pursuant to KRS 278.285 and in compliance with the “Settlement Agreement, Stipulation and Recommendation” (“Settlement”) in Case Nos. 2012-00221<sup>2</sup> and 2012-00222.<sup>3</sup> The Joint Applicants have requested a final Order in

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<sup>1</sup> Commission Order issued March 11, 2013.

<sup>2</sup> Case No. 2012-00221, Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates (Ky. PSC Dec. 20, 2012).

<sup>3</sup> Case No. 2012-00222, Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates, A Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Service Lines and Riders, and a Gas Line Surcharge (Ky. PSC Dec. 20, 2012).

this proceeding by May 31, 2013. The Joint Applicants responded to one round of discovery by the Commission Staff. There were no intervenors in this proceeding.

### BACKGROUND

In Case Nos. 2012-00221 and 2012-00222, the Commission approved the Settlement in Orders issued on December 20, 2012, that included terms pertaining to the DSM Program Proposal, as outlined in Article IV, Section 4.6. Specifically, the Settlement provided that LG&E and KU committed to propose a two-year DSM program to help fund energy-management programs for schools affected by KRS 160.325. LG&E and KU committed to file an application with the Commission no later than February 28, 2013, seeking approval by May 31, 2013. The annual levels of funding to be proposed are \$500,000 for KU and \$225,000 for LG&E pursuant to the settlement agreement.<sup>4</sup>

The Joint Applicants' proposed DSM program includes: (1) an EMP proposal that will facilitate the hiring and retention of qualified, trained energy specialists by public school districts; and (2) the utilization of \$160,000, from the Development and Administration Program, approved in Case No. 2011-00134<sup>5</sup> to support a Schools Facility Automation Project.

### ENERGY MANAGEMENT PROGRAM FOR SCHOOLS

KRS 160.325 required mandatory participation for all school districts to enroll in the Kentucky Energy Efficiency Program for Schools by January 1, 2010.<sup>6</sup> Each Kentucky school district under KRS 160.325 and Board policy is required to develop

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<sup>4</sup> Application, paragraph 7, p. 5.

<sup>5</sup> Case No. 2011-00134, 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 (Ky. PSC Nov. 9, 2011).

<sup>6</sup> Application, paragraph 9, p. 6.

and implement Energy Management Plans (“EMPlans”).<sup>7</sup> Pursuant to KRS 160.325 each school district’s board of education on or before December 1, 2011 was required to report annually through the Kentucky Pollution Prevention Center to the Department for Energy Development and Independence and the Legislative Research Commission on the status of the development of EMPlans by those boards of education and the anticipated savings to be obtained by those plans.<sup>8</sup> The Kentucky School Boards Association (“KSBA”) initiated the School Energy Managers Project (“SEMP”) in March 2010. This effort coordinated the development of a statewide energy management infrastructure that has focused on public and independent school districts.<sup>9</sup>

The Joint Applicants state that they have supported KSBA and the SEMP through their DSM Commercial Incentive Program. Through the end of 2012, the program has served 102 kindergarten through 12th-grade schools by contributing a total of \$400,000 toward energy efficiency (“EE”) retrofits.<sup>10</sup>

The EMP proposed in this proceeding will be available to the 83 public and independent school districts<sup>11</sup> served by the Joint Applicants. The EMP is intended to facilitate the hiring and retention of qualified, trained energy specialists by public school districts through fiscal years 2014 and 2015 to lead the continued expansion of EE improvements within the districts.<sup>12</sup>

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<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at pp. 6-7.

<sup>11</sup> Response to Commission Staff’s First Request for Information, Item 3, filed April 2, 2013.

<sup>12</sup> Application, paragraph 11, p. 7.

The primary goal of the EMP for Schools is to support school districts in utilizing energy more wisely, with a targeted reduction in energy consumption over time of 2.5 percent annually and achieving energy utilization indices (“EUI”) of 50 or lower.<sup>13</sup> (EUI is a measured value. The total energy used for cooling or heating a building or facility over a specific period. Displayed or stated as British thermal unit (Btu) per gross square footage cooled or heated.<sup>14</sup>) The participation goal is for all of the 83 districts served by either LG&E or KU to retain or employ an energy manager through at least fiscal year 2015 to maximize district response to KRS 160.325.<sup>15</sup>

According to the Application, the KSBA will manage and operate the program. Joint Applicants state that upon Commission Order, they will request that KSBA provide the Companies a report for LG&E and a report for KU that provide the amount of district funding; initiatives implemented; EUI; consumption reduction; preceding and current year peak demand and annual energy use; as well as associated energy and demand savings compared to the metrics as set out in the Application. The Joint Applicants state that they will review the initial reports and will note whether interim results are consistent with the EMP goals and objectives as defined in the Application.<sup>16</sup>

The annual levels of funding for the EMP for Schools as established in the Settlement, \$500,000 for KU and \$225,000 for LG&E, provide for a total of \$1,450,000 for the two-year period.<sup>17</sup>

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<sup>13</sup> Application, paragraph 12, pp. 7-8.

<sup>14</sup> <http://thelawdictionary.org/energy-utilization-index/>

<sup>15</sup> Application, paragraph 13, p. 8.

<sup>16</sup> Application, paragraph 15, p. 8.

<sup>17</sup> Application, paragraph 16, p. 9.

## Fayette County Public Schools Facility Automation Project

The Fayette County Public Schools' ("FCPS") Facility Automation Project initiative allows the Joint Applicants to monitor school utilization of energy-monitoring equipment that enables energy managers to demonstrate the results of their comprehensive energy-conservation programs.<sup>18</sup>

FCPS applied and was awarded grant funding to support completion of the integrated live energy metering project from the Kentucky Department of Energy.<sup>19</sup> The \$335,000 project award comprised live energy-monitoring equipment, live data-analysis software, and a district-wide public-facing energy and sustainability education portal.<sup>20</sup>

In the Joint Applicants' Application, FCPS is quoted stating,

"Live monitoring of district electrical and natural gas use has the potential to reduce energy consumption by a minimum of 10%-20% through monitoring and awareness alone. The data gathered through live metering will guide the design of future actions to further reduce energy consumption. Not only will tax dollars be redirected from utility companies to the classroom, there will be significant emission reductions through reduced energy demand. The student educational aspects of this component will teach students the importance of thoughtful energy use; this knowledge will spread out from the classroom into students' homes, expanding the impact of the project."<sup>23</sup>

To support the FCPS project, KU committed to supporting the purchase and installation of the required Digital Energy Monitoring ("DEM") metering for live electric

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<sup>18</sup> Application, Section entitled "Introduction," p. 5.

<sup>19</sup> Application, p. 9 and Exhibit 3

<sup>20</sup> Application, p. 9.

<sup>23</sup> *Id.*

consumption monitoring at \$160,000.<sup>21</sup> This is a sub-metering energy-efficiency monitoring and management project. KU has committed to DEM meters for approximately 45 FCPS schools in its service territory.<sup>22</sup>

Joint Applicants state that this project provides them experience with sub-metering in support of schools and commercial energy-conservation programs and the achievement of overall energy-efficiency goals. They state that the knowledge gained through this initiative will support the Joint Applicants' understanding of how providing customer insight to their energy consumption in a real-time environment will encourage them to take control of their consumption and initiate necessary behavioral and operational changes to realize energy savings, thus supporting future program development efforts.<sup>23</sup>

#### COST-EFFECTIVENESS

The Joint Applicants state that they performed a cost/benefit analysis for the EMP according to the California Standard Practice Manual.<sup>24</sup> The calculations for the program were developed using DSMore, a PC-based software package developed by Integral Analytics; and the data entered in the software model associated with energy and demand savings were provided by KSBA.<sup>25</sup> Exhibit 2 of the Application shows that the result of The Total Resource Cost Test for this program is 2.2.<sup>26</sup>

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<sup>21</sup> Application, pp. 9-10.

<sup>22</sup> Application, p. 10.

<sup>23</sup> *Id.*

<sup>24</sup> Application, p. 8.

<sup>25</sup> *Id.*

<sup>26</sup> Application, p. 8 and Exhibit 2.

## RATE IMPACT ON DSM FACTORS OF THE JOINT APPLICANTS

The proposed rate impact to LG&E's DSM cost recovery for General Service Rate GS is \$0.00016 per kWh; for Commercial Customers served under Power Service Rate PS is \$0.00007 per kWh; and Commercial Customers served under Time-of-Day Secondary Service Rate TODS and Commercial Time-of-Day Primary Service Rate CTODP is \$0.00007 per kWh. There is no rate impact on the residential customers.<sup>27</sup>

The proposed rate impact to KU's DSM cost recovery for General Service Rate GS is \$0.00029 per kWh; for All Electric Schools Rate AES is \$0.00010 per kWh; and Commercial Customers served under Power Service Rate PS, Time-of-Day Secondary Service Rate TODS, and Time-of-Day Primary Service Rate CTODP is \$0.00011 per kWh. There is no rate impact on the residential customers.<sup>28</sup>

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the Joint Applicants' proposed two-year EMP for Schools and the projected program costs, projected lost revenues, and projected incentives provided in the Application are reasonable and should be approved.

The Commission further finds that for the duration of this Energy Management Program, the Joint Applicants should request KSBA to provide annually, within 45 days of the fiscal year end June 30 beginning 2014, individual reports to LG&E and KU that describe district funding; initiatives implemented; Energy Utilization Indices; consumption reduction; the preceding and current year peak demand and annual energy use; as well as associated energy and demand savings compared to the

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<sup>27</sup> Response to Commission Staff's First Request for Information, Item 12, filed April 2, 2013.

<sup>28</sup> *Id.*

metrics<sup>29</sup> set out in the Joint Application. Joint Applicants should submit to the Commission a copy of KSBA's report to LG&E and KU within 30 days of its receipt of the report from the KSBA.

IT IS THEREFORE ORDERED that:

1. The proposed two-year DSM Energy Management Program for Schools and the proposed changes in the DSM rates and tariffs as set out in the Joint Application are approved as of the date of this Order.

2. For the duration of this Energy Management Program, Joint Applicants shall request the KSBA to provide annually within 45 days of the fiscal year end June 30 beginning 2014, individual reports to LG&E and KU that describe district funding, initiatives implemented, Energy Utilization Indices; consumption reduction; the preceding and current year peak demand and annual energy usage, and associated energy and demand savings compared to the metrics<sup>30</sup> set out in the Joint Application. Joint Applicants shall submit to the Commission a copy of the KSBA report to LG&E and KU within 30 days of its receipt of the report from the KSBA.

3. Within 20 days of the date of this Order, the Companies shall file their revised DSM tariffs with the Commission showing the date of issue, the effective date, and that they were issued by authority of this Order.

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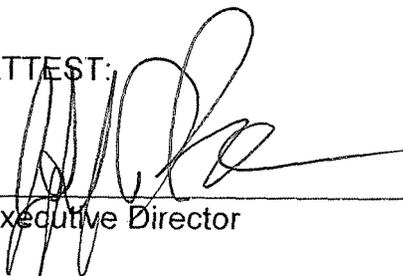
<sup>29</sup> Application, Exhibit 3.

<sup>30</sup> *Id.*

By the Commission

ENTERED  
APR 30 2013  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



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