



an e-on company

RECEIVED

MAY 14 2007

PUBLIC SERVICE
COMMISSION

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

**Louisville Gas and Electric
Company**
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Kent W. Blake
Vice President
T 502-627-2573
F 502-217-2442
kent.blake@eon-us.com

May 14, 2007

**RE: Application of Louisville Gas and Electric Company for an Order
Approving a Responsive Pricing and Smart Metering Pilot Program**
Case No. 2007-00117

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and five (5) copies of Louisville Gas and Electric Company's ("LG&E") Response to the First Data Request of Commission Staff dated April 30, 2007, in the above-referenced matter.

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

Sincerely,

Kent W. Blake

cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY FOR AN ORDER)	
APPROVING A RESPONSIVE PRICING)	CASE NO. 2007-00117
AND SMART METERING PILOT)	
PROGRAM)	

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
FIRST DATA REQUEST OF COMMISSION STAFF
DATED: APRIL 30, 2007

FILED: May 14, 2007

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to First Data Request of Commission Staff
Dated: April 30, 2007**

Case No. 2007-00117

Question No. 1

Witness: Kent W. Blake (A, B) / Gregory B. Ferguson (C)

- Q-1. Refer to the Application, pages 7 and 8, paragraphs 15 and 16 regarding Pilot Cost and Cost Recovery
- A. How long will it take LG&E to recover the full amount of the customer-specific costs for one Residential or one GS customer?
 - B. Explain how LG&E will recover the full amount of the customer specific-costs if the customer does not stay on the program long enough to pay the full amount.
 - C. What dollar effect will the \$1.9 million non-customer-specific costs have on the DSM Cost Recovery Mechanism?
- A-1. A. The facilities charge incorporated into the RS and GS customer charges was designed to recover the customer-specific costs over the life of the installed equipment. As a result, the Company will not recover the full amount of the customer-specific costs over the three-year pilot term.
- B. To the extent that a customer who initially volunteers to be on the responsive pricing pilot tariff does not stay on the tariff rate for the entire term of the pilot but remains an LG&E customer, that customer would move to one of the other categories of participants noted in the testimony of Gregory Ferguson, page 5, line 14. To the extent a volunteer participant on the tariff does not wish to stay on the tariff rate, moves out of the LG&E service territory, or otherwise terminates service, the Company will attempt to maintain the target number of participants within each of the participant categories with recovery of costs addressed accordingly. Of course, the Company will seek comments from any volunteer participant who discontinues service under the pilot tariff and will consider all such activity and cost recovery as part of the program evaluation to be performed at the end of the pilot.

- C. The increase in the DSM Cost Recovery Mechanism over the three year pilot is expected to be as follows:

	<u>Residential</u>	<u>GS - Commercial</u>
Year 1	\$0.00025/kWh	\$0.00018/kWh
Year 2	\$0.00005/kWh	\$0.00003/kWh
Year 3	\$0.00006/kWh	\$0.00005/kWh

These numbers are approximate because the exact allocation between rate classes has not been determined and 2007 sales forecast billing determinants were used. See the testimony of Gregory Ferguson, page 9, lines 9-16 – “For a typical residential customer’s bill (using 1,000 KWH per month), the estimated annual cost impact in the first year is \$2.97, or \$0.248/month. In the second year this declines to \$0.046/month and in the third year is estimated at \$0.065/month. For a typical general service customer’s bill (using 3,100 KWH per month), the estimated annual cost impact in the first year is \$6.64, or \$0.553/month. In the second year this declines to \$0.103/month and in the third year is estimated at \$0.146/month.”