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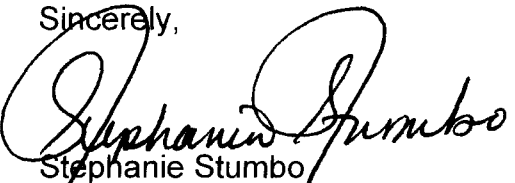
September 24, 2008

PARTIES OF RECORD

Re: Case No. 2007-00117
Louisville Gas and Electric Company

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you wish to file any comments regarding the contents of the memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Rick Bertelson at 502/564-3940, Extension 260.

Sincerely,


Stephanie Stumbo
Executive Director

RB:v

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: File: Case No. 2007-00117

FROM: Rick Bertelson, Staff Attorney

DATE: September 24, 2008

RE: Motion to Amend July 12, 2007 Order in Case No. 2007-00117;
Application of Louisville Gas and Electric Company for an Order
Approving a Responsive Pricing and Smart Metering Pilot Program

On September 24, 2008, Commission Staff held a telephonic Informal Conference to discuss LG&E's September 12, 2008 Motion to Amend the July 12, 2007 Order in the above-referenced case. In its motion, LG&E requested permission to amend its Responsive Pricing and Smart Metering Pilot Program ("Pilot Program") to include an additional fifteen customers under the RRP tariff rate. LG&E is seeking to partner with General Electric Company ("GE") in GE's effort to deploy certain appliances with built-in demand-side management ("DSM") technology to consumers. GE plans to provide fifteen of its employees with certain "DSM-ready" appliances in order to test their effectiveness in reducing electricity usage during times when electricity prices are relatively high.

In e-mail messages to Commission Staff on September 17, 2008, both Kentucky Industrial Utility Customers, Inc. ("KIUC") and the Attorney General ("AG"), who were the only intervenors in the case, stated that they did not have objection to LG&E's motion to amend the Order. However, Commission Staff had additional questions regarding the proposed changes to the Pilot Program and their possible impacts on the program. A list of questions (attached hereto) was provided to the parties prior to the conference.

Attending the informal conference on behalf of the Attorney General's Office were Larry Cook and Paul Adams. Attending on behalf of LG&E were Greg Ferguson, Mike Hornung, Allyson Sturgeon, Rick Lovecamp, and Lonnie Bellar. Commission Staff in attendance were Chris Whelan, Daryl Newby, Elie Russell, Aaron Greenwell, Jeff Shaw, and Rick Bertelson. KIUC did not participate in the conference.

In response to Commission Staff's questions, LG&E stated that there would be no difference between the equipment (a smart meter, a programmable thermostat, and an in-home display) that LG&E will provide to the GE employees and the equipment provided to all other participants in the Pilot Program. LG&E also stated that all aspects of the program will be the same for the GE employees as for the current participants—

all of the parameters will be identical; it will continue to be cost-neutral; the initial terms of the program will be the same; there will be no additional administrative costs created by adding the fifteen GE employees; and all non-specific customer costs will be recovered in the same manner as in the existing Pilot Program.

LG&E stated that the GE appliances are equipped with 2.4 gigahertz technology that will allow them to receive pricing signals transmitted by the smart meter installed in each participant's residence. In response to Commission Staff's questions regarding the appliances, LG&E stated that the refrigerator can be programmed to avoid going into a defrosting cycle (which requires more electric power than during normal use) at times when electricity prices are highest. LG&E further stated that the dishwasher, washer and dryer units can be programmed to prompt the user when electricity prices are high to allow the user to shift his usage of those appliances to a time when electricity prices are lower.

In response to a request by Commission Staff during the conference, LG&E stated that it will file a list of the appliances with the Commission, as well as its contract with GE. LG&E indicated that it would file the contract under seal with a request for confidentiality, and also in redacted form for the Commission's public files.

The AG inquired about the evaluation to be done at the end of the Pilot Program pursuant to the July 12, 2007 Order. The AG was concerned that introducing these fifteen additional customers into the study at this time might skew the statistical analysis of the program. In response, LG&E stated that, in order to avoid that problem, it will exclude the fifteen GE employees from the general population of the program evaluation. LG&E stated that it will evaluate those customers separately and prepare a separate evaluation for the Commission's review at the conclusion of the Pilot Program in 2011.

There being no further questions from the participants, the conference was concluded.

Attachment

cc: Parties of Record

Case No. 2007-00117

Teleconference, Wednesday, September 24, 2008

Questions for the teleconference:

1. Define "DSM-ready appliances."
2. Identify the appliances the GE employees will receive and note any differences between those appliances and the appliances provided to the regular real pricing pilot customers.
3. Describe the parameters of the program in which the GE employees will participate.
4. Identify any differences between this program and the regular real pricing pilot program.
5. Will this program be cost neutral like the regular real pricing pilot program?
6. Is the initial term of the program for the GE employees the same as for the RRP?
7. Identify any administrative costs (including non-specific customer costs) created by the GE DSM-ready program.
8. How will the non-specific customer costs be recovered?