In the Matter of:

Joint Application of Louisville Gas and	)
Electric Company and Kentucky Utilities	) Case No.
Company for an Order Approving a Large	) 2007-00161
Commercial and Industrial Real-Time	)
Pricing Pilot Program	)

Response to Second Data Request of Commission Staff
Dated June 15, 2007

Filed – June 28, 2007

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PUBLIC SERVICE COMMISSION

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

June 28, 2007

RE: ***Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for an Order Approving a Large Commercial and Industrial Real-Time Pricing Pilot Program***
Case No. 2007-00161

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") and Kentucky Utilities Company's ("KU") Response to the Second Data Request of Commission Staff dated June 15, 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

Kent W. Blake

cc: Lawrence W. Cook
Kurt J. Boehm
Michael L. Kurtz

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Joint Application of Louisville Gas and	)	
Electric Company and Kentucky Utilities	)	
Company for an Order Approving a Large	)	**Case No. 2007-00161**
Commercial and Industrial Real-Time	)	
Pricing Pilot Program	)	

Response of
Louisville Gas and Electric Company
and
Kentucky Utilities Company
to the Second Data Request of Commission Staff
Dated June 15, 2007

Filed: June 28, 2007

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Kent W. Blake**, being duly sworn, deposes and says that he is Vice President of State Regulation and Rates for E.ON U.S. Services, Inc., that he has personal knowledge of the matters set forth in the responses (Question Nos. 1, 2 and 4), and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Kent W. Blake
____
KENT W. BLAKE

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 28th day of June, 2007.

Tammy J. Elzy ______________(SEAL)
Notary Public

My Commission Expires:
November 9, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Butch Cockerill**, being duly sworn, deposes and says that he is Director of Revenue Collection for E.ON U.S. Services, Inc., that he has personal knowledge of the matters set forth in the responses (Question No. 3), and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Butch Cockerill
BUTCH COCKERILL

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 28th day of June, 2007.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:
November 9, 2010

Louisville Gas and Electric Company
and
Kentucky Utilities Company

Response to the Second Data Request of Commission Staff
Dated June 15, 2007

Case No. 2007-00161

Question No. 1

Witness: Kent W. Blake

Q-1. Refer to the response to Item 2 of the Commission Staff's First Request for Information dated May 21, 2007 regarding bill neutrality and the fact that such neutrality protects participating customers "by ensuring that their energy charges will not differ from the standard tariff rates if they do not deviate from their historical load patterns." If participation is voluntary and the intent is to modify behavior, why do LG&E and KU believe that bill neutrality is necessary to protect the customers?

A-1. The Companies believe customers will be more likely to consider participating in the RTP pilot program when the risk of participation is minimized. Bill neutrality minimizes that risk by ensuring that a pilot participant whose consumption pattern does not change will pay only the Program Charge in addition to their standard tariff rate. Of course, the added cost of the Program Charge itself provides economic incentive for participating customers to alter their consumption patterns so as to decrease their energy costs. Thus, for customers to benefit from RTP they must alter their consumption patterns, which the Commission stated is the purpose of such pilot programs in the Commission's December 21, 2006 Order in Administration Case No. 2006-00045.

In addition, the Companies' standard tariff rates have been established based on, among other factors, historic energy consumption. The Companies chose not to propose a rate structure that would bill a participating customer's overall load growth, as opposed to simply changes in consumption patterns, at marginal cost rather than standard tariff rates out of concern that such a structure may arguably be considered a rate increase outside of a general rate case. Similarly, while an overall load reduction for a participating customer would likely be a greater benefit to that customer if priced at marginal costs, it could lead to a revenue deficiency for the utility which could effect non-participating customers in a future rate case. For these reasons, the Companies proposed a rate structure whereby only changes in load consumption patterns are billed/credited at real-time, marginal cost.

Louisville Gas and Electric Company
and
Kentucky Utilities Company

Response to the Second Data Request of Commission Staff
Dated June 15, 2007

Case No. 2007-00161

Question No. 2

Witness: Kent W. Blake

Q-2. Since the Customer Baseline Load ("CBL") is one complete calendar year of hourly firm load data developed from metered interval data for a customer's specific location, why is it necessary to adjust the CBL monthly?

A-2. The historical Customer Baseline Load represents a specific customer's most recent actual consumption pattern for 365 days. Such a data set will include variations in load for any seasonal operational shifts particular to the customer as well as variations resulting from the customer's response to changes in weather. The customer's actual consumption pattern for a current billing period is matched as closely as possible to an historical consumption pattern for a corresponding time period from the customer's historical Customer Baseline Load. This is done in order to account for such seasonal load patterns.

Louisville Gas and Electric Company
and
Kentucky Utilities Company

Response to the Second Data Request of Commission Staff
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Case No. 2007-00161

Question No. 3

Witness: Butch Cockerill

Q-3. Other companies have indicated it will take from 4 to 6 months to complete the tasks necessary to implement their Real-Time Pricing Pilot. Do LG&E and KU believe that they cannot reduce their proposed 8-month time frame by any amount? Explain the response.

A-3. In reviewing the plan developed by LG&E and KU, the main drivers for the 8 month timeframe are the implementation of new software and developing interfaces for two different CIS systems. LG&E and KU have evaluated the results of the planning effort for the Real-Time Pricing pilot and believe there are some opportunities to reduce the 8-month timeframe. First, the Companies will address the Requests for Proposals activities and look for opportunities to reduce the timeframe initially allocated for these activities. Second, the Companies will work with the selected vendors to identify any opportunities to reduce the effort related to the software implementation timeframe. Once the Companies have installed the software, they will have an opportunity to reexamine the timeframe for developing interfaces for the current CIS systems. The Companies feel there are opportunities to reduce the overall timeframe to six months, but the actual reduction will not be known until the project begins.

Louisville Gas and Electric Company
and
Kentucky Utilities Company

Response to the Second Data Request of Commission Staff
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Case No. 2007-00161

Question No. 4

Witness: Kent W. Blake

Q-4. With reference to the response to Item 8(c) of the Attorney General's First Request for Information dated May 21, 2007 and the statement that "the Companies are requesting recovery of any program costs not recovered through the all Program Charge in subsequent base rates" and Paragraph 14 of the Application.

a. Does that mean that LG&E and KU are seeking the Commission's authority to set up a deferred account to record these costs for future recovery? Explain your response.

b. How do the companies plan to isolate and track costs related to the pilot program?

A-4. a. The Companies are not requesting authority to set up a deferred account for recovering any program costs not recovered through the all Program Charge in subsequent base rates. To the extent any such costs would exist in a future test year, the Companies would seek recovery of such costs at that time.

b. The Companies plan to track the costs using specific project numbers in the Companies' financial system.