



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

RECEIVED

SEP 07 2007

PUBLIC SERVICE
COMMISSION

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State Regulation and Rates
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Rick E. Lovekamp
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September 7, 2007

RE: THE JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY DEMAND-SIDE MANAGEMENT FOR THE REVIEW, MODIFICATION, AND CONTINUATION OF ENERGY EFFICIENCY PROGRAMS AND DSM COST RECOVERY MECHANISMS – CASE NO. 2007-00319

Dear Ms. O'Donnell:

Enclosed please find an original and seven (7) copies of the Response of Louisville Gas and Electric Company and Kentucky Utilities Company to the Request for Information posed by the Attorney General dated August 24, 2007, in the above-referenced proceeding.

Please contact me if you have any questions concerning this filing.

Sincerely,

Rick E. Lovekamp

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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SEP 07 2007

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE JOINT APPLICATION OF LOUISVILLE)
GAS AND ELECTRIC COMPANY AND)
KENTUCKY UTILITIES COMPANY DEMAND-)
SIDE MANAGEMENT FOR THE REVIEW,) CASE NO. 2007-00319
MODIFICATION, AND CONTINUATION OF)
ENERGY EFFICIENCY PROGRAMS AND)
COST RECOVERY MECHANISMS)

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY
TO THE REQUEST FOR INFORMATION
POSED BY THE ATTORNEY GENERAL
DATED AUGUST 24, 2007

FILED: September 7, 2007

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, Irv Hurst, being duly sworn, deposes and states that he is Manager-Energy Efficiency Operations for E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the foregoing testimony and exhibits, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Irv Hurst
IRV HURST

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 7th day of September, 2007.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:
Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, Greg Fergason, being duly sworn, deposes and states that he is Energy Efficiency Program Manager for E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the foregoing testimony and exhibits, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Greg Fergason
GREG FERGASON

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 17th day of September, 2007.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:
Sept 20, 2010

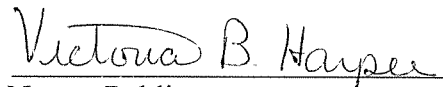
VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, Rick E. Lovekamp, being duly sworn, deposes and states that he is Manager Regulatory Affairs for E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the foregoing testimony and exhibits, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


RICK E. LOVEKAMP

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 7th day of September, 2007.

 (SEAL)
Notary Public

My Commission Expires:
Sept 20, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

KENTUCKY UTILITIES COMPANY

**Response to the Request for Information
Posed by the Attorney General
Dated August 24, 2007**

Case No. 2007-00319

Question No. 1

Witness: Irv Hurst

- Q-1. Please provide a list of other DSM programs offered by other utilities which the company reviewed and for each program identified provide:
- A. a summary of the program offered by each utility, and
 - B. the information which the company reviewed from each other program in designing its program.

A-1. A. & B.

The Companies reviewed a broad collection of programs and offerings when compiling this filing. Many of these programs were not reviewed directly in list form but were identified, categorized and assessed by third parties on our behalf. This includes the report provided by ICF International provided in Volumes II & III of the filing in Case No. 2007-00319.

Additional broad sources include industry and trade publications such as Chartwell Reports and the Electric Power Research Institute, consultant reports publicly available, case studies, white papers, and presentations made at seminars or publicly available, utility and vendor web sites, meetings with vendors, other utilities, equipment distributors, and manufacturers, government websites and publications, and various energy efficiency studies and teams within the E. ON family of companies.

Information regarding utility programs includes that from Duke Energy, American Electric Power, and East Kentucky Power Cooperative in Kentucky. Other utilities include Ameren, Austin Energy, Baltimore Gas and Electric, Commonwealth Edison, Florida Power and Light, Georgia Power, Gulf Power, Hoosier Energy, Indianapolis Power and Light, Kansas City Power and Light, National Grid, Pacific Gas and Electric, Progress Energy, San Diego Gas and Electric, Southern California Edison, Tampa Electric, the Tennessee Valley Authority, TXU, and Vectron.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
Posed by the Attorney General
Dated August 24, 2007**

Case No. 2007-00319

Question No. 2

Witness: Counsel/Rick E. Lovekamp

- Q-2. Please reference the Application, at page 4 paragraph 9. In consideration of the decision of the Franklin Circuit Court in case no. 06-CI-00269, does the company believe that its proposal to reconcile DSM program costs through the balancing adjustment component of the DSM cost recovery mechanism on a yearly basis is allowable? If so, why?
- A-2. Yes. The proposal to reconcile DSM program costs through the balancing adjustment component is consistent with the historic treatment of the costs as well as the legislative grant of authority to the Commission. This mechanism ensures that customers only pay costs that were actually spent on DSM programs.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
Posed by the Attorney General
Dated August 24, 2007**

Case No. 2007-00319

Question No. 3

Witness: Irv Hurst

Q-3. Please reference the Application, Volume III, Appendix D, at page 21. State how the company intends to address the errors and inconsistencies in the audit tool calculation methods and data collection and whether any additional quality control measures will be implemented by the company to address these areas.

A-3. The Companies have already addressed and corrected the issues that were concerning the inconsistencies and errors for the HomeStar audit tool calculation. The first was the heating degree days were inaccurate for the LG&E area. It was easily adjusted to the correct heating degree days for Kentucky. The second problem was the wall insulation calculation. In the HomeStar program, when adding a door and/or window to the wall area of the home, it did not subtract the total wall insulation area to accommodate the doors and window area in the total wall surface. This was immediately corrected by the field auditors. The final issue was the "Set Back Thermostat savings." The savings estimates that were incorporated in the calculations were estimating the savings higher than it should have, therefore, overestimating the heating and cooling savings from the installation of the programmable thermostat. The values were immediately corrected.

As part of the program development process going forward, an evaluation contractor will be engaged to assist in reviewing database design and data attributes to ensure data being captured is appropriate and accurate.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
Posed by the Attorney General
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Case No. 2007-00319

Question No. 4

Witness: Greg Ferguson

- Q-4. Please reference the Application, Volume I, Part 1.0, at page 17. Considering the onsite audit cost of \$200.00 per participant, please state whether the company considered increasing the customer fee of \$25.00. If not, then why not? Additionally, state how long this \$25.00 customer charge for onsite audits has been in effect and whether it has ever been increased.
- A-4. The Companies are raising the customer fee from \$15.00 to \$25.00. The fee has never been raised before and has been \$15 since inception of the program in 1998. The purpose of the price increase is to move customers who are only casually interested in energy efficiency and unlikely to implement audit recommendations unless they are low or no cost to the free online audit option.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
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Dated August 24, 2007**

Case No. 2007-00319

Question No. 5

Witness: Irv Hurst

Q-5. Please reference the Application, Volume I, Part 1.0, at page 17. How does providing CFLs under this program fit into the company's Residential High Efficiency lighting program proposed herein. Are there any duplication of efforts or costs?

A-5. Providing CFLs under the Residential Conservation program is not related to but does complement the Residential High Efficiency lighting program. The purpose in both cases is to achieve market transformation. The Companies feel providing CFLs as part of an audit will be very effective as there is personal contact with the customer and the opportunity to actually install CFLs in customers' homes during onsite audits. Audit customers will be eligible to purchase CFLs under the lighting program; however, if some do, it will enhance the market transformation effort and the Companies do not consider it a duplication of services.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
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Case No. 2007-00319

Question No. 6

Witness: Greg Ferguson

Q-6. Please reference the Application, Volume I, Part 1.0, at page 12. Provide a description of the measures recommended under the program but unimplemented by customers. Indicate whether the company intends to address the low implementation rate and describe how.

A-6. The energy efficiency measures recommended below had a 5% or less implementation rate:

- Storm Windows
- Caulk/Weatherstrip Doors
- Insulate Basement Ceilings, Walls and Ducts
- Replace HVAC Systems
- Replace Doors

The Companies plan to work with both the implementation and evaluation contractors to re-evaluate measures with low implementation rates to determine if rebates or other incentives should be considered.

In order to address the low implementation rates in part, air sealing services will be included as part of the audit in the new program. However, customers may choose not to implement some measures because of perceived cost or other barriers.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
Posed by the Attorney General
Dated August 24, 2007**

Case No. 2007-00319

Question No. 7

Witness: Greg Ferguson

Q-7. Please reference the Application, Volume I, Part 1.0, at page 12. Explain the large disparity between the savings reported for electrical customers (54%) and gas customers (234%). Describe any measures to be implemented by the company to address the disparity. Does the company believe that given the large discrepancy between electric and gas customers that focusing on both types of customers is cost effective? If so, why?

A-7. The savings reported are for electric and gas *use* and should not be confused as savings for electric customers or gas customers. As shown in the table below, over 80% of the customers receiving audits have both gas and electric service in their homes. When a customer receives an audit, all sources of energy usage are considered.

Residential Conservation Program Participation Summary by Utilities

Electricity Provider	Gas Provider	Participants	% of Total
Kentucky Utilities	LG&E	49	0.7%
Kentucky Utilities	None	998	13.6%
Kentucky Utilities	Other	1,233	16.8%
LG&E	LG&E	4,732	64.5%
LG&E	None	271	3.7%
Other	LG&E	51	0.7%
<i>Total</i>		<i>7,334</i>	<i>100.0%</i>

The program is designed to be cost effective across all customers.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
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Case No. 2007-00319

Question No. 8

Witness: Greg Ferguson

Q-8. Please reference the Application, Volume I, Part 1.0, at page 14. Are the projected annual savings listed in table 1.3.2 based upon the actual results obtained under the program? If not, then how were these projections derived? Provide supporting calculations and data.

A-8. No. Projected savings for the Residential Conservation program were developed as follows:

Energy impacts for onsite audits were developed by using evaluated impacts per customer from the existing program and adding engineering estimates of incremental savings for installation of additional measures.

Energy impacts for online audits were conservatively estimated to be 15% of the savings of onsite audits plus provided CFLs.

Provided below are the supporting calculations and data.

	2008	2009	2010	2011	2012	2013	2014
Online LG&E	1,500	2,500	3,000	3,000	3,000	3,000	3,000
Onsite LG&E	400	400	400	400	400	400	400
Online KU	1,500	2,500	3,000	3,000	3,000	3,000	3,000
Onsite KU	400	400	400	400	400	400	400
Total Audit Participants	3,800	5,800	6,800	6,800	6,800	6,800	6,800
Measures Calculation Section - LG&E							
Evaluated Energy Savings Per Standard On-site							
KWH	251	100,483	100,483	100,483	100,483	100,483	100,483
CCF	74	29,605	29,605	29,605	29,605	29,605	29,605
Additional CFL's above historical amount (4.5 additional per audit)	4.5						
KWH per customer - 46.3	46.3	83,340	83,340	83,340	83,340	83,340	83,340
KW per customer							
Additional water heater blankets above historical amount (17% cust)		92	92	92	92	92	92
KWH	35%	11,721	11,721	11,721	11,721	11,721	11,721
CCF	65%	990	990	990	990	990	990
Online Audits							
Provide 6 CFLs per audit, assume 4 are used	4						
KWH per customer	46.3	277,800	463,000	555,600	555,600	555,600	555,600
For other online savings assume 15% of evaluated KWH	37.7	56,522	94,203	113,043	113,043	113,043	113,043
CCF Per Customer at 15% of on-site audit	11	16,653	27,755	33,306	33,306	33,306	33,306
Air Sealing (41 KWH per 100 cfm50 reduction times 5) HP - Kwh	20%	31,980	31,980	31,980	31,980	31,980	31,980
Air Sealing (41 KWH per 100 cfm50 reduction times 5) AC - Kwh	80%	42,640	42,640	42,640	42,640	42,640	42,640
Air Sealing (36 ccf per 100 CFM50 reduction times 5) - CCF	80%	37,440	37,440	37,440	37,440	37,440	37,440
Total LG&E Kwh Savings		604,485	827,366	938,807	938,807	938,807	938,807
Total LG&E Kw Savings (Based on Kw per KWH From Evaluation)	0.0004862338	294	402	456	456	456	456
Total LG&E CCF Savings		84,689	95,791	101,342	101,342	101,342	101,342
Per Customer LG&E Kwh Savings	318	285	276	276	276	276	276
Per Customer LG&E Kw Savings	0.15	0.14	0.13	0.13	0.13	0.13	0.13
Per Customer LG&E CCF Savings	45	33	30	30	30	30	30
Measures Calculation Section - KU							
Evaluated Energy Savings Per Standard On-site							
KWH	622	248,930	248,930	248,930	248,930	248,930	248,930
CCF	17	6,634	6,634	6,634	6,634	6,634	6,634
Additional CFL's above historical amount (4.5 additional per audit)	4.5						
KWH per customer - 46.3	46.3	83,340	83,340	83,340	83,340	83,340	83,340
KW per customer							
Additional water heater blankets above historical amount (17% cust)		92	92	92	92	92	92
KWH	100%	33,488	33,488	33,488	33,488	33,488	33,488
CCF	0%	0	0	0	0	0	0
Online Audits							
Provide 6 CFLs per audit, assume 4 are used	4						
KWH per customer	46.3	277,800	463,000	555,600	555,600	555,600	555,600
For other online savings assume 15% of evaluated KWH	93.3	140,023	233,372	280,046	280,046	280,046	280,046
CCF Per Customer at 15% of on-site audit	2	3,732	6,219	7,463	7,463	7,463	7,463
Air Sealing (41 KWH per 100 cfm50 reduction times 5) HP - Kwh	50%	79,950	79,950	79,950	79,950	79,950	79,950
Air Sealing (41 KWH per 100 cfm50 reduction times 5) AC - Kwh	50%	26,650	26,650	26,650	26,650	26,650	26,650
Air Sealing (36 ccf per 100 CFM50 reduction times 5) - CCF	50%	23,400	23,400	23,400	23,400	23,400	23,400
Total KU Kwh Savings		890,181	1,168,730	1,308,004	1,308,004	1,308,004	1,308,004
Total KU Kw Savings (Based on Kw per KWH From Evaluation)	0.0003594685	320	420	470	470	470	470
Total KU CCF Savings		33,765	36,253	37,497	37,497	37,497	37,497
Per Customer KU Kwh Savings	469	403	385	385	385	385	385
Per Customer KU Kw Savings	0.17	0.14	0.14	0.14	0.14	0.14	0.14
Per Customer KU CCF Savings	18	13	11	11	11	11	11
Total Company Energy Savings							
Total Kwh Savings		1,494,666	1,996,096	2,246,811	2,246,811	2,246,811	2,246,811
Total Kw Savings (From DSMManager)		614	822	927	927	927	927
Total CCF Savings		118,454	95,791	101,342	101,342	101,342	101,342
Total Cumulative Company Energy Savings							
Total Mwh Savings		1,495	3,491	5,738	7,984	10,231	14,725
Total Kw Savings (From DSMManager)		614	1,436	2,363	3,290	4,216	6,070
Total CCF Savings		118,454	214,245	315,587	416,929	518,271	720,955

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
Posed by the Attorney General
Dated August 24, 2007**

Case No. 2007-00319

Question No. 9

Witness: Irv Hurst

Q-9. Please reference the Application, Volume I, Part 1.0, at page 17. Describe the type of educational materials and/or information which will be furnished to customers participating in the program. Are any of these materials or information duplicated under the proposed Customer Education and Public Information Program proposed by the company? If not, describe how the materials or information differ.

A-9. The type of educational materials which will be furnished to the customers are: booklets that contain information such as thermostat settings, HVAC operation and maintenance, the importance of ventilation, the role of humidity in heating and cooling, the benefits of using fans, the benefits of insulation and weatherization, and many other topics related to energy efficiency.

There may be some small amount of duplication in the proposed Customer Education and Public Information Program; however, less than 1% of residential customers will receive information through this audit program. The proposed Customer Education and Public Information Program targets the entire customer base.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
Posed by the Attorney General
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Case No. 2007-00319

Question No. 10

Witness: Irv Hurst

Q-10. Please reference the Application, Volume I, Part 1.0, at page 16. Describe what specific types of customer information is collected in both the online and onsite audits. Additionally, describe how any personal information collected under the program is protected from disclosure by the company and any contractors. State the terms of the policy of the company and any contractors regarding retention of this information.

A-10. The audit programs do not have a need for sensitive customer information so collection for both types of audits is limited to name, address, phone, number of people living in the house and historical energy usage in kWh and CCF. No sensitive billing information such as dollars billed/paid or payment history will be collected. Other information is strictly technical in nature, such as type and age of heating and water heating equipment, type and number of lights, type and amount of insulation, number of doors and windows, etc.

Contractors will be prohibited by contract language and company employees by policy stating that customers' rights to privacy must be maintained and that no information shall be released to anyone other than the customer without written permission from the customer. The only exception would be law enforcement, court, or government personnel with a legal subpoena or similar document from a proper authority. Paper and electronic records related to Energy Efficiency programs will be maintained for at least 7 years.

All processing of customer fees takes place within the Companies' billing systems and are managed and controlled along with utility bills. Data is maintained for 3 years.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
Posed by the Attorney General
Dated August 24, 2007**

Case No. 2007-00319

Question No. 11

Witness: Greg Ferguson

- Q-11. Please reference the Application, Volume I, Part 1.0, at page 16. As part of the quality assurance/measure implementation survey, state the methods by which the company will measure and verify energy savings? If estimated from customer data, state the size of the sample to be used to calculate energy savings.
- A-11. All energy efficiency programs will be evaluated by a professional, experienced vendor(s) that will be selected through a Request for Proposal solicitation yet to be done. Energy efficiency program evaluation is normally performed through customer response to mail or phone questionnaires, on-site inspections, bill analysis, end use metering, engineering estimation, or a combination of these various methods. The necessary sample size will be determined by the evaluation vendor(s) in accordance with industry norms and valid statistical analysis methodology.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
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Dated August 24, 2007**

Case No. 2007-00319

Question No. 12

Witness: Greg Ferguson

Q-12. Please reference the Application, Volume I, Part 2.0, at page 20. Does the company plan to increase the number of control days beyond the historical average of 11 control days per year? If not, why?

A-12. Depending on weather and power system operations, the actual number could be more or less than 20 days. The program guidelines have always been that customers should expect an "average" of 20 control days per year. While the average number of control days over the last four years has been 11, the range of control days has been from a low of 7 to a high of 16.

During the summer of 2007, temperatures were above average, resulting in 17 control days as of August 30th. With the possibility of additional control days to occur in 2007, the total number of control days may increase.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

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Case No. 2007-00319

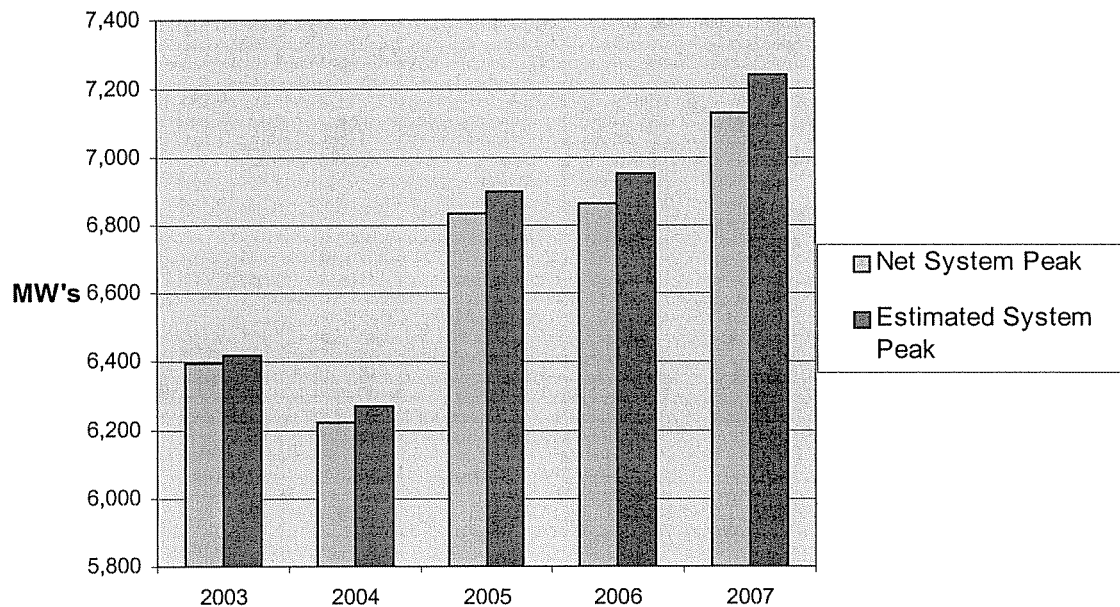
Question No. 13

Witness: Greg Ferguson

Q-13. Please reference the Application, Volume I, Part 2.0, at page 20. Provide data to illustrate the effect such control has had on the company's peak demand for the last five years. If such information can be illustrated graphically, provide the information in graphical format. If such data is unavailable, explain why such data is not collected by the company.

A-13.

E. ON System Generation Peaks



Year	Month	Day	Hour	System Peak Net	Load Control Estimated Reduction	Estimated System Peak Gross
2003	8	27	15	6,393	23	6,416
2004	7	13	16	6,223	50	6,273
2005	7	25	16	6,833	70	6,903
2006	8	3	15	6,863	89	6,952
2007	8	9	16	7,132	107	7,239

The table and chart above show the date and time of the generation system peak for each of the last four years and for 2007 to date. At the time of each of these annual system peaks, the load control system was active. The System Peak Net is the actual system peak in MW. The Load Control Estimated Reduction, stated in MW, is estimated and is from calculations using the number of devices controlled and based on program impact evaluation. The Estimated System Peak Gross is what the estimated system peak would have been without the use of the load control program.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
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Dated August 24, 2007**

Case No. 2007-00319

Question No. 14

Witness: Greg Fergason

Q-14. Please reference the Application, Volume I, Part 2.0, at page 20. Provide the basis, including any calculations, for the customer credits provided under the program. State how long the credits under the program have been in effect and whether they have ever been increased.

A-14. The customer credits have been in effect from the beginning of the program in 2001, and have not changed. The amount of the credit is not based on a calculation, but is instead driven from the marketing perspective of what is a fair amount that will allow the Companies to solicit customer participation and to retain those customers in the program.

Many other utilities have provided the same level of credits to customers participating in similar load control programs, including the Tennessee Valley Authority and Florida Power.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
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Case No. 2007-00319

Question No. 15

Witness: Greg Fergason

Q-15. Please reference the Application, Volume I, Part 2.0, at page 22. State the reasoning for splitting the incentive between property owners and tenants in multi-family units. Are the tenants affected by the program voluntarily enrolled in the program? If the property owner pays for the electric of the outdoor unit, is the tenant notified that such control will affect them? If so, how?

A-15. In the multi-family units participating in the program, the tenant pays for their individual electric usage. The rationale is that the landlord owns the property, including the air conditioner, and deserves some amount of credit in order to participate in the program. Further, the tenant is the Companies customer and also deserves some amount of the credit for allowing the Company to cycle the air conditioner usage.

Enrollment in the program is accomplished through the landlord on a complex-wide basis. Landlords are required to notify tenants of their participation in the program, and customers are allowed to choose not to participate. The Companies provide program literature, which the landlord can provide to the tenant, and must make available to tenants in the office. In lieu of distributing program literature to their tenants, most landlords place an article in their tenant newsletter explaining the program. At this time, of over 12,000 multi-family units participating in the program, fewer than 20 tenants have chosen not to participate.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
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Case No. 2007-00319

Question No. 16

Witness: Greg Ferguson

Q-16. Please reference the Application, Volume I, Part 2.0, at page 22. Indicate the number of participants affected by the pool pump control. Does the company believe that it is cost effective to include this category in the program? If so, why?

A-16. Currently there are 20 program participants with pool pumps. Demographic data indicates a significant penetration of pool pumps among our customers, but mainly due to wiring issues, few result in an installation.

While pool pumps remain eligible for program participation, the Companies do not actively promote this option. Pool pumps are an attractive load considering that their diversity is 100%, that is, most pool pumps are approximately 0.8 kW and run continuously during the summer peak.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
Posed by the Attorney General
Dated August 24, 2007**

Case No. 2007-00319

Question No. 16

Witness: Irv Hurst

Q-16. Please reference the Application, Volume I, Part 2.0. Describe what specific types of customer information are collected under this program. Additionally, describe how any personal information collected under the program is protected from disclosure by the company and any contractors. State the terms of the policy of the company and any contractors regarding retention of this information.

A-16. The Load Control programs do not have a need for sensitive customer information other than billing credits provided to customers as incentive for program participation. Customer data collected by program operating personnel and contractors is limited to name, address, phone and identification and dates of load control equipment that is currently or was previously installed on the premise.

Contractors will be prohibited by contract language and company employees by policy stating that customers' rights to privacy must be maintained and that no information shall be released to anyone other than the customer without written permission from the customer. The only exception would be law enforcement, court, or government personnel with a legal subpoena or similar document from a proper authority. Paper and electronic records related to Energy Efficiency programs will be maintained for at least 7 years.

All processing of credits takes place within the Companies' billing systems and are managed and controlled along with utility bills. Data is maintained for 3 years.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

**Response to the Request for Information
Posed by the Attorney General
Dated August 24, 2007**

Case No. 2007-00319

Question No. 17

Witness: Greg Ferguson

- Q-17. Please reference the Application, Volume I, Part 2.0. State the methods by which the company will measure and verify energy savings or program effectiveness? If estimated from customer data, state the size of the sample to be used.
- A-17. All energy efficiency programs will be evaluated by a professional, experienced vendor(s) that will be selected through a Request for Proposal solicitation yet to be done. Energy efficiency program evaluation is normally performed through customer response to mail or phone questionnaires, on-site inspections, bill analysis, end use metering, engineering estimation, or a combination of these various methods. The necessary sample size will be determined by the evaluation vendor(s) in accordance with industry norms and valid statistical analysis methodology.

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KENTUCKY UTILITIES COMPANY**

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Case No. 2007-00319

Question No. 18

Witness: John Wolfram

Q-18. Please refer to the interrogatories and request for production of documents propounded by the Community Action Council (CAC) No. 9, 10, and 11. In their requests, the CAC refers to other weatherization programs offered to low income customers (e.g. Federal Weatherization Assistance Program, etc.), does the company believe that, given the availability of other programs offering the same or similar services, it needs to offer these services? If so, why?

A-18. The Companies believe that the need for low income services exceeds combined resources available and that if our program was not offered, the other programs referred to by CAC would not be able to serve as many customers. The Companies audit and evaluate each home prior to providing weatherization services and factor measures provided by other weatherization assistance programs into decisions regarding what measures we provide.

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Case No. 2007-00319

Question No. 19

Witness: Irv Hurst

- Q-19. Please refer to the interrogatories and request for production of documents propounded by the Community Action Council (CAC) No. 9, 10, and 11. Does the company believe that this program duplicates services offered under the Residential Conservation Program? If not, why? How do the programs differ? Please state the companies rationale for continuing this program separate from its Residential Conservation Program.
- A-19. The Companies do not consider the Residential Low Income Program to be a duplication of the Residential Conservation Program. The audit and energy education parts of the program are similar in both programs however; customers in the low income program struggle to pay their utility bills and likely could not afford the \$25 customer fee. Additionally, the Residential Low Income program goes a step beyond the Residential Conservation Program by providing low income customers some of the measures recommended in the audit. Again, energy saving measures that these customers could not afford to do on their own. For a variety of reasons, low income customers are less likely than other customers to participate in utility energy efficiency programs, and it is quite common for utilities to offer stand alone programs that target the low income customers.

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Case No. 2007-00319

Question No. 20

Witness: Irv Hurst

Q-20. Please refer to the interrogatories and request for production of documents propounded by the Community Action Council (CAC) No.9, 10, and 11. The Low Income Weatherization program has an average program cost of approximately \$1.8 million per year or \$1500.00 per participant per year, compared with the average cost under the Residential Conservation Program of approximately \$748,000 per year or \$900.00 per participant per year. As it appears the programs offer substantially similar services to customers, please explain the discrepancy in the per participant costs between the programs and why such services are not combined into a single program?

A-20. The Residential Low Income Program has a total cost of \$12,966,874 over the 7 year life of the program (please see Vol.1, section 3.6, page 32) and will serve a total of 8,400 customers (please see Vol.1, section 3.3.1, page 29) for an average cost of \$1,543 per customer.

The Residential Conservation Program has a total cost of \$5,242,288 over the 7 year life of the program (please see Vol.1, section 1.6, page17) and will serve at total of 43,600 customers (please see Vol.1, section 1.3.1, page 14) for an average cost of \$120 per customer.

There are several reasons for difference in per participant cost between these programs:

- The Residential Low Income Program provides extensive weatherization services to qualified low income customers while the Residential Conservation Program participants must arrange and pay for these measures on their own.
- All of the Residential Low Income Program participants receive onsite energy audits and energy education. Eighty seven percent (87%) of the

- Residential Conservation Program participants will participate in the online audit and receive education materials online or by phone.

The programs will have a separate set of customers with income qualification requirements having to be met for the Residential Low Income Program customers to receive the additional services not available to customers in the Residential Conservation Program. These programs need to be separated so that each can be properly accounted for and evaluated.

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Question No. 21

Witness: Irv Hurst

Q-21. Please reference the Application, Volume I, Part 3.0, at page 32. Does the company collect information on addresses provided with weatherization services under the program? If so, is there any policy to ensure that addresses are not provided services under the program multiple times as clients move in or out? If so, state the policy. If not, why not?

A-21. Yes. The Companies maintain a database of addresses provided with weatherization services under the program. Our policy makes premises receiving services under this program ineligible for additional services under the program for 5 years.

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Case No. 2007-00319

Question No. 22

Witness: Irv Hurst

Q-22. Please reference the Application, Volume I, Part 3.0, at page 32. Describe the type of educational materials and/or information which will be furnished to customers participating in the program. Are any of these materials or information duplicated under the proposed Customer Education and Public Information Program proposed by the company? If not, describe how the materials or information differ.

A-22. The type of educational materials which will be furnished to the customers are: booklets that contain information such as thermostat settings, HVAC operation and maintenance, the importance of ventilation, the role of humidity in heating and cooling, the benefits of using fans, the benefits of insulation and weatherization and many other topics related to energy efficiency

There may be some duplication in the proposed Customer Education and Public Information Program; however, less than 1% of residential customers will receive information through this audit program. The proposed Customer Education and Public Information Program targets the entire customer base.

**LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY**

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Case No. 2007-00319

Question No. 23

Witness: Irv Hurst

Q-23. Please reference the Application, Volume I, Part 3.0. Describe what specific types of customer information are collected under the program. Additionally, describe how any personal information collected under the program is protected from disclosure by the company and any contractors. State the terms of the policy of the company and any contractors regarding retention of this information.

A-23. Customers participating in the Residential Low Income Program must meet income eligibility requirements. If the Companies can verify the billing systems that a LIHEAP payment has been received on behalf of the customer, no personal data is collected other than what is described below for a routine energy audit. If a LIHEAP payment has not been received by the Companies, the customer must provide documentation verifying income as part of the intake process.

For routine energy audits, information collected is limited to name, address, phone, number of people living in the house and historical energy usage in kWh and ccf. No sensitive billing information such as dollars billed/paid or payment history will be collected. Other information is strictly technical in nature such as type and age of heating and water heating equipment, type and number of lights, type and amount of insulation, number of doors and windows, etc.

Contractors will be prohibited by contract language and company employees by policy stating that customers' rights to privacy must be maintained and that no information shall be released to anyone other than the customer without written permission from the customer. The only exception would be law enforcement, court, or government personnel with a legal subpoena or similar document from a proper authority. Paper and electronic records related to Energy Efficiency programs will be maintained for at least 7 years.

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Case No. 2007-00319

Question No. 24

Witness: Greg Ferguson

- Q-24. Please reference the Application, Volume I, Part 3.0. State the methods by which the company will measure and verify energy savings? If estimated from customer data, state the size of the sample to be used to calculate energy savings.
- A-24. All energy efficiency programs will be evaluated by a professional, experienced vendor(s) that will be selected through a Request for Proposal solicitation yet to be done. Energy efficiency program evaluation is normally performed through customer response to mail or phone questionnaires, on-site inspections, bill analysis, end use metering, engineering estimation, or a combination of these various methods. The necessary sample size will be determined by the evaluation vendor(s) in accordance with industry norms and valid statistical analysis methodology.

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Case No. 2007-00319

Question No. 25

Witness: John Wolfram

Q-25. Please reference the Application, Volume I, Part 3.0. Indicate what percentage, if known, of program participants are homeowners. If program participants are tenants, does the company believe that it is appropriate to subsidize what could be argued are maintenance activities of the landlord at the expense of ratepayers? If so, why?

A-25. The percentage of participants that are homeowners in our program to date is approximately 79%.

All participants who are tenants are required to have a landlord's permission agreement signed. On initial visit, if we see any health and safety issues or any scenario that would stop our work, the landlord is contacted and asked to repair/replace the issue or scenario. In many cases, the landlord will comply especially with the health and safety issues, and then we precede with the weatherization services.

The tenant is the one who actually uses the energy and has to pay for it as well as pays for the DSM line item on their bill. As a customer of the Companies, if they income qualify then they deserve to participate in the WeCare Program. While it would be beneficial if landlords provided weatherization improvements to their properties, the reality is that many do not. The landlord agreement does stipulate that rent shall not be raised for a period of 2 years following completion of weatherization services.

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Case No. 2007-00319

Question No. 26

Witness: Irv Hurst

Q-26. Please reference the Application, Volume I, Part 4.0. Please describe the type of educational materials and/or information which will be furnished to customers participating in the program. Are any of these materials or information duplicated under the proposed Customer Education and Public Information Program proposed by the company? If not, please describe how the materials or information differ.

A-26. The type of educational materials which will be furnished to the customers are: information on lighting and the different types of lighting that would work best in a commercial environment, explanation of building controls (temperatures settings that are the most efficient for heating and cooling), explanation of HVAC maintenance and operating efficiently, building envelope, water heating and other energy using equipment, vending machine energy controls, kitchen equipment energy saving tips and suggestions and how to achieve a better bottom line.

The auditor spends time with the customer while either walking through the business or sitting down and explaining energy information about lighting and the most efficient ones to use where. Any questions that the customer may have are either answered at this time or addresses shortly afterwards.

There is little if any duplication of educational information in the Commercial Conservation Program and the proposed Customer Education and Public Information Program.

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Case No. 2007-00319

Question No. 27

Witness: Irv Hurst

Q-27. Please reference the Application, Volume I, Part 4.0. Describe what specific types of customer information are collected under the program. Additionally, describe how any personal information collected under the program is protected from disclosure by the company and any contractors. State the terms of the policy of the company and any contractors regarding retention of this information.

A-27. The audit programs do not have a need for sensitive customer information so collection for both types of audits is limited to name of business, contact person, address, phone, and historical energy usage in kWh and CCF. No sensitive billing information such as dollars billed/paid or payment history will be collected. Other information is strictly technical in nature such as type and age of heating and water heating equipment, type and number of lights, type and amount of insulation, number of doors and windows, etc.

Contractors will be prohibited by contract language and company employees by policy stating that customers' rights to privacy must be maintained and that no information shall be released to anyone other than the customer without written permission from the customer. The only exception would be law enforcement, court, or government personnel with a legal subpoena or similar document from a proper authority. Paper and electronic records related to Energy Efficiency programs will be maintained for at least 7 years.

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Case No. 2007-00319

Question No. 28

Witness: Greg Ferguson

- Q-28. Please reference the Application, Volume I, Part 4.0. State the methods by which the company will measure and verify energy savings? If estimated from customer data, state the size of the sample to be used to calculate energy savings.
- A-28. All energy efficiency programs will be evaluated by a professional, experienced vendor(s) that will be selected through a Request for Proposal solicitation yet to be done. Energy efficiency program evaluation is normally performed through customer response to mail or phone questionnaires, on-site inspections, bill analysis, end use metering, engineering estimation, or a combination of these various methods. The necessary sample size will be determined by the evaluation vendor(s) in accordance with industry norms and valid statistical analysis methodology.

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Question No. 29

Witness: Greg Ferguson

- Q-29. Please reference the Application, Volume I, Part 4.0, at page 34. State the company's reasoning for providing audit services to commercial customers free of charge while it proposes to charge residential customers for similar services.
- A-29. The Companies believe that if the commercial customers had to pay for the cost of energy audit, fewer would participate therefore; they have never sought to recover the cost of providing energy audits. The Companies do believe however that customers need to demonstrate some commitment to energy efficiency other than just curiosity. Payment of the \$25 fee demonstrates that commitment for residential customers. Commercial audits take place during business hours, which means some degree of interruption to the customers' business. The Companies believe that their willingness to accept and tolerate the business interruption demonstrates sufficient commitment.

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Case No. 2007-00319

Question No. 30

Witness: Greg Ferguson

Q-30. Please reference the Application, Volume I, Part 4.0, at page 34. Describe in detail the different audit services offered under the proposed levels.

A-30. There are five levels included in this Commercial Conservation Program.

	Annual Participant Goals	Audit Example
Walkthrough Audit	50	Very small business such as a one or two room office with no specialized equipment or a simple lighting only audit.
Light Commercial	175	Small offices such as, travel agencies, bookkeepers, insurance agencies, parking garages.
Level 1 Commercial	380	Convenience stores, strip mall stores, small restaurants
Level 2 Commercial	255	Schools, large restaurants, department and grocery stores, medium size office buildings
Level 3 Commercial	20	Large Commercial application such as a high rise office building with large usage. Hospitals.

All commercial audits provide the same service in that they perform a thorough examination of the customers' energy use. They are broken into 5 audit cost brackets based upon amount of energy usage, size of facility and complexity of energy using systems. The current audit program is being expanded from 3 to 5 brackets to ensure cost effectiveness. For example, a large parking garage may have high energy usage but is a very simple audit because it has 100 of the exact same lighting fixtures. It would be imprudent use of funds to pay a large amount to have this facility audited.

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Case No. 2007-00319

Question No. 31

Witness: Irv Hurst

- Q-31. Please reference the Application, Volume I, Part 4.0, at page 39. The “Assumptions” section lists Program Manager Professional Development as an educational expense to the program, explain this expense in detail.
- A-31. Program manager professional development involves the program manager’s participation in industry conferences and technical training seminars related to commercial energy efficiency to broaden knowledge and keep abreast of what is taking place in the industry. It makes up approximately \$2,000 per year of the educational expenses line item.

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Question No. 32

Witness: Greg Fergason

- Q-32. Please reference the Application, Volume I, Part 4.0, at page 36. Provide a description of the types of retrofits covered under the Program along with the associated amount of customer rebate applicable to each type of retrofit.
- A-32. The specific list of retrofit items where the Companies plan to offer an incentive has not yet been completed. It is anticipated that most of the incentives will be directed at high efficiency lighting however; other items may include pumps, motors, refrigeration, etc. The Companies plan to obtain energy savings at the lowest possible cost to the program and will need to maintain flexibility to adjust the items and amounts of the incentive program based upon customer response. In order to ensure that the program maintains cost effectiveness, incentives will be developed based on a standardized incentive per watt of energy saved. Financial analysis of the program assumed that rebates would be based upon \$0.10 per watt of energy reduced, not to exceed 50% of the incremental cost of the measure.

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Question No. 33

Witness: Irv Hurst

Q-33. Please reference the Application, Volume I, Part 6.0. Describe what specific types of customer information are collected under the program. Additionally, describe how any personal information collected under the program is protected from disclosure by the company and any contractors. State the terms of the policy of the company and any contractors regarding retention of this information.

A-33. No customer sensitive information will be collected under this program. This program involves sending coupons to customers, which can be taken to specific retailers (contractors) for discounts on CFLs. The coupons will be bar coded with the customer's account number to ensure counterfeit coupons are not produced. The retailer will scan the coupon to ensure it has not already been used and provide the discount to the customer. The only information collected and returned to the Companies will be the account number, number and type of bulbs purchased and amount of discount enabling the Companies to pay the retailer.

Contractors will be prohibited by contract language and company employees by policy stating that customers' rights to privacy must be maintained and that no information shall be released to anyone other than the customer without written permission from the customer. The only exception would be law enforcement, court, or government personnel with a legal subpoena or similar document from a proper authority. Paper and electronic records related to Energy Efficiency programs will be maintained for at least 7 years.

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Question No. 34

Witness: Greg Fergason

- Q-34. Please reference the Application, Volume I, Part 6.0. State the methods by which the company will measure and verify energy savings? If estimated from customer data, state the size of the sample to be used to calculate energy savings.
- A-34. All energy efficiency programs will be evaluated by a professional, experienced vendor(s) that will be selected through a Request for Proposal solicitation yet to be done. Energy efficiency program evaluation is normally performed through customer response to mail or phone questionnaires, on-site inspections, bill analysis, end use metering, engineering estimation, or a combination of these various methods. The necessary sample size will be determined by the evaluation vendor(s) in accordance with industry norms and valid statistical analysis methodology.

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Case No. 2007-00319

Question No. 35

Witness: Irv Hurst

Q-35. Please reference the Application, Volume I, Part 6.0, at page 47. It appears that the costs for program promotion begins at 50% of the program budget and increases over the life of the program to include 70% of program budget in the final year while the cost of rebates decreases from 38% of the program budget initially to only 23% of the program budget in the final year. Provide the company's rationale for increasing the promotion budget while decreasing the rebate budget.

A-35. The budget for program promotion is fixed (except for inflation adjustment) and is based upon a four coupon mailings per year to all residential customers. Discussions with other companies having similar programs and consultants working for D.O.E. and Energy Star indicate that as the market becomes more saturated, response to the coupon mailings will decrease. Based on these discussions, the program was planned with a 10% annual reduction in the number of bulbs sold each year from over 1,000,000 bulbs in the first year down to 650,000 in the last year. Additionally, the percentage swing described above is impacted by the fact that promotional expenses are adjusted for inflation while rebate dollars are not.

The Companies do plan to seek more creative and less costly ways of promoting the program and hope to reduce promotion expenses. Because the program is intended to create a market transformation, the value is greater than the energy savings from the CFLs rebated. As the market is transformed, customers will become better educated about CFLs and the market will have significantly better availability and selection. Future use of CFLs without a rebate is the end goal.

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Question No. 36

Witness: Irv Hurst

- Q-36. Please reference the Application, Volume I, Part 6.0, at page 47. Given the relatively minor cost of the typical 13 watt CFL bulb (approximately \$2.00 per bulb from Lowe's), does the company believe it would be cheaper and more cost effective to direct mail a bulb to each of its 830,000 customers for evaluation rather than provide rebates through retailers? If not, why?
- A-36. The Companies agree that mailing a CFL bulb to each of its 830,000 residential customers would be less expensive; however, they believe it would be much less effective in achieving market transformation. Providing one bulb to customers who have little or no interest would not be a prudent use of ratepayers' funds as many may end up in the garbage or closet shelves. Customers who make the effort to go to the store and use the rebate coupons to purchase multiple bulbs demonstrate an interest in using them and will be much more likely to use them and change their purchasing habits in the future. It should also be noted that the rebates do not apply to only the standard bulb described; they may also be applied to more expensive bulbs such as CFL indoor and outdoor floods. One of the roadblocks to market transformation is customer perception is that the basic CFL is all that is available while reality is that many new types of CFL lighting products have been and continue to be introduced to the market.

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Question No. 37

Witness: Greg Ferguson

Q-37. Please reference the Application, Volume I, Part 6.0. Describe what actions, if any, the company has considered regarding the collection of old CFL bulbs given the environmental concerns over mercury contained in CFLs?

A-37. The Companies do not have definitive plans regarding mercury in CFLs however; discussions have taken place regarding potential CFL recycling boxes at company customer centers throughout the state and at retail partners will be solicited for participation.

It should be noted that according to the U.S. EPA, that although CFLs do contain small amounts of mercury, the net effect of CFL usage is a reduction in mercury when the reduced amount of electricity used is considered.

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Case No. 2007-00319

Question No. 38

Witness: Greg Fergason

- Q-38. Please reference the Application, Volume I, Part 7.0. Describe the type of educational materials and/or information which will be furnished to contractors participating in the program. Are any of these materials or information duplicated under the proposed Customer Education and Public Information Program proposed by the company? If not, describe how the materials or information differ.
- A-38. Material topic-matter will vary based upon exposure to program and type of contractor contact (i.e., telephone inquiries, web-mail, seminars, onsite, etc.). "Contractors" may include raters, general contractors/builders, framers, heating and cooling contractors, and/or insulation contractors. General interest inquiries will be serviced by a builder/contractor recruitment brochure that will highlight the environmental benefits and builder/contractor business participation benefits (e.g., distinguishing program builders' building features from non-program builders' building features). Other materials will include: a program standards training manual, builder/contractor best practices handbook, green builders guide, builder and site registration instructions, inspection guidelines, inspection checklists, and general education fact sheets by topic (e.g., HVAC equipment right-sizing; air infiltration control best practices, sealing thermal bridges). Materials will be single sourced with production and purchasing centralized to avoid incremental costs and/or excess inventory. The majority of materials will be printed on demand or ordered (if third-party sourced) to meet registrations. Most forms will be provided through the provider-partner. These materials are distinct and separate from consumer materials proposed under the Customer Education and Public Information Program.

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Question No. 39

Witness: Irv Hurst

Q-39. Please reference the Application, Volume I, Part 7.0. Describe what specific types of customer and/or participating contractor information is collected under the program. Additionally, describe how any personal information collected under the program is protected from disclosure by the company and any contractors. State the terms of the policy of the company and any contractors regarding retention of this information.

A-39. Information collected on participating builders will be similar to that in the audit programs and will be subject to the same confidentiality rights. Information collected on new homes being built under the program will be extensive including building plans, specifications and evaluations, home specifications, and inspection and test results. At a minimum, the public will be informed of homes passing all evaluation and testing and certified as Energy Star. Disclosures beyond Energy Star certification have not yet been defined however; participating builders will be required to sign written agreements granting permission to disclose agreed upon information prior to being allowed to participate in the program.

As with the other energy efficiency programs, contractors will be prohibited by contract language and company employees by policy stating that customers' rights to privacy must be maintained and that no information shall be released to anyone other than the customer without written permission from the customer. The only exception would be law enforcement, court, or government personnel with a legal subpoena or similar document from a proper authority. Paper and electronic records related to Energy Efficiency programs will be maintained for at least 7 years.

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Question No. 40

Witness: Greg Ferguson

- Q-40. Please reference the Application, Volume I, Part 7.0. State the methods by which the company will measure and verify energy savings? If estimated from customer data, state the size of the sample to be used to calculate energy savings.
- A-40. All energy efficiency programs will be evaluated by a professional, experienced vendor(s) that will be selected through a Request for Proposal solicitation yet to be done. Energy efficiency program evaluation is normally performed through customer response to mail or phone questionnaires, on-site inspections, bill analysis, end use metering, engineering estimation, or a combination of these various methods. The necessary sample size will be determined by the evaluation vendor(s) in accordance with industry norms and valid statistical analysis methodology.

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Case No. 2007-00319

Question No. 41

Witness: Greg Ferguson

Q-41. Please reference the Application, Volume I, Part 7.0, at page 50. Provide the details of the rating process envisioned by the company. Is this process standardized throughout the industry? Are raters certified nationally? State by state?

A-41. The rating process entails no less than two site visits and three inspections. Inspections in order of progression include: 1) plan review to determine compliance; 2) site pre-drywall inspection; 3) final site inspection, which includes completion of a blower door test and a duct blaster test. These latter tests measure the air tightness of the home and duct system. Inspection criteria (for pre-drywall and final inspection) is uniform and set by the EPA's Energy Star *New Home Prescriptive & Thermal By-Pass Inspection Checklist*, which the HERS rater completes. Other inspection criteria encompasses the inspection and verification of minimum performance features of the home thermal envelope (sealing, insulation and home air exchange rate), ductwork tightness, high performance windows, efficient heating/cooling equipment, and efficient lighting/appliances. Details of inspection criteria may be sourced by reviewing Energy Star qualified homes national performance path requirements

(http://www.energystar.gov/index.cfm?c=bldrs_lenders_raters.nh_performance).

Raters must undergo 40-hours of classroom training from an accredited Home Energy Rating System (HERS) trainer or provider, and successfully pass the RESNET National Rater Test. The Residential Energy Services Network (RESNET) is contracted with the EPA/DOE to provide verification of building energy performance for programs like the federal tax incentives, the EPA ENERGY STAR program and the U.S. DOE Building America Program. RESNET ratings are provided through the use of proprietary/licensed REM-Rate software to generate a relative energy use index called the HERS Index. Additional information on RESNET's HERS rating program may be found at <http://www.natresnet.org/>.

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Question No. 42

Witness: Greg Fergason

Q-42. Please reference the Application, Volume I, Part 7.0, at page 50. Since “many energy saving opportunities are lost once a home is complete”, are there provisions to inspect the home at various stages of completion to ensure compliance with the standards adopted under the program?

A-42. Yes, multiple inspections will occur on each home registered in the program. These inspections are partially described in reply to question 41 above. That answer is reprinted, in part, here: “The rating process entails no less than two site visits and three inspections. Inspections in order of progression include: 1) plan review to determine compliance; 2) site pre-drywall inspection; 3) final site inspection, which includes completion of a blower door test and a duct blaster test.” In addition to the inspections, builder pre-education is planned under the program to further detail specific building features required to pass inspection and to be in compliance with the New Home Prescriptive & Thermal Bypass Inspection Checklist used by the site assigned HERS rater. During each inspection the HERS rater will provide the site supervisor/builder with specific call-outs (building/design features requiring modification). Failure to attend to specific call-outs will directly impact the final rating analysis and HERS Index score. The HERS rater will be able to clearly communicate the seriousness of any needed design modifications prior to final inspection, greatly reducing (even eliminating) the likelihood of non-compliance.

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Question No. 43

Witness: John Wolfram

Q-43. Please reference the Application, Volume I, Part 7.0. Does the company intend to pursue any activities to encourage incorporation of the proposed construction standards into the Kentucky Building Code? If so, what type of activities?

A-43. The state's building code is set in large part by the 2006 International Energy Conservation Code. Those amendments, entitled: "2007 Kentucky Residential Code, 2ed, May 15, 2007" represent minimum construction and design features. The Energy Star program and other energy efficiency building programs typically represent what is termed "building best practices." In the last ten years, a closing of the gap between building code and best practice has narrowed, but market resistance would prohibit adoption of a "whole-house best practice" standard in the state building code. With greater public education of advanced energy efficiency building practices, specific improvements to the state's building code may be encouraged by public or market forces pursuant to normal communications/channels with the Kentucky Board of Housing Buildings and Construction.

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Question No. 44

Witness: Greg Ferguson

- Q-44. Please reference the Application, Volume I, Part 7.0, at page 52. What steps will the company take to ensure that program standards are followed and that claims are valid? (is. What is to stop a contractor from moving the energy star sign from house to house without any inspection or certification?). What enforcement options does the company intend to pursue for fraudulent use of the program materials?
- A-44. Since the program is centrally controlled, registrations, inspections, documentation, and performance certification will be on record. Homes listed in LG&E and KU service areas, whether under construction or for sale will be on record. Public inquiries will be serviced through the provider-partner or the E.ON U.S. energy efficiency department. Information regarding program participating builders will be accessible on the program website as well. The E.ON U.S. energy efficiency program manager will also explore opportunities to work with regional and state multi-listing services to recognize listed properties accredited under Energy Star. Builders who intentionally move signs for marketing gain may lose their right to participate in the program. Likewise, fraudulent advertising practices will be monitored by provider-contractor and E.ON U.S. staff and appropriate action taken when necessary. Fraudulent use of program materials by non-participating builders and builders outside LG&E/KU territories would be reported to the regional EPA/Energy Star representative. Please see responses to Question Nos. 41 and 42.

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Question No. 45

Witness: Greg Ferguson

- Q-45. Please reference the Application, Volume I, Part 7.0, at page 53. The company states that “[p]ositive ratings maintain good standing, while negative ratings may impact program eligibility and assignments,” please explain what impact the company is describing. Are raters the only parties subject to this “impact” of negative ratings?
- A-45. Program oversight will include opportunity for customer (i.e., consumer, builder, rater and contractor) feedback in areas like provider/partner-to-customer customer service, HERS rater-to-builder and HERS rater-to-provider/partner (and vice versa) customer service. Monitoring will result from call-ins, web-based responses, telephone surveys and/or post card replies. Final evaluation methods will be determined during the RFP-provider/partner and evaluation firm selection process. Ultimately, consumer, contractors, raters, provider-partner and the evaluation firm will have opportunity to provide satisfaction feedback. Accountability practices will be established and disclosure reporting will occur. Raters are held accountable for the accuracy of their inspection and performance measurement reports. The program evaluation firm will maintain rater and provider-partner evaluation-audit oversight and reporting. Raters may be subject to loss of program participation as a result of the audit evaluations, which will measure stated home energy efficiency performance versus audited and/or actual home performance. In extreme cases, raters (or builders) may forfeit program participation if customer complaints warrant action (no action will be taken against raters or builders without reasonable and extensive investigation, and grounds are established and documented). The complaint resolution process will be cited in the body of the provider-partner agreement; it will comply with the EPA’s Energy Star for Homes Complaint Resolution Process. Also, compliance to RESNET’s Rating Code of Ethics and Standards of Practice will be required of all HERS contracted raters.

Field raters, vendors and service providers within the program will each participate in a satisfaction survey and be subject to the “impact” of negative ratings.

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Question No. 46

Witness: Greg Ferguson

Q-46. Please reference the Application, Volume I, Part 7.0, at page 52. As part of its goal to develop critical infrastructure, the company proposes to provide oversight of rating administration. Explain in detail the types of activities the company envisions as part of this obligation.

A-46. Oversight of rating administration is multi-tiered, involving multiple entities. A simplified overview follows:

1. The Residential Energy Services Network (RESNET) specifies the minimum performance requirements of the HERS rater.
2. Program policies will mirror RESNET requirements for raters. The approved provider-partner will provide quality assurance (QA) assessment using a HERS accredited, independent "provider" fully certified in RESNET protocols. QA requirements are outlined in sections 207.1 and 208.1.2 of MINH.
3. Ongoing RESNET approved education and training will be provided through the provider-partner, the companies and/or a cooperative effort between the companies, state builder associations, governor's energy office and other program stakeholders. Ongoing education requirements will be tracked and verified at periodic rater reviews.

Rating administration oversight also will occur at the program evaluation level, being facilitated through the contracted program evaluation firm. The evaluator will provide quality assurance and quality control program feedback, which will include performance verification.

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Question No. 47

Witness: Greg Ferguson

- Q-47. Please reference the Application, Volume I, Part 8.0, at page 58. Describe the steps the company will take to ensure that customers are not misinformed about the condition of their system, which could lead to unnecessary repairs being performed by program contractors.
- A-47. The diagnostic portion of the program will be provided by a vendor that will perform the diagnostic check only, no corrective action will be performed by the vendor. This arrangement will remove any incentive for the vendor to recommend any unnecessary repairs.

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Question No. 48

Witness: Greg Ferguson

Q-48. Please reference the Application, Volume I, Part 8.0, at page 58. Describe the oversight procedures envisioned by the company to ensure that problematic contractors are removed from the program.

A-48. Customers will receive a questionnaire at the time of the diagnostic check to be returned after corrective action has been performed. Among the data to be collected will be whether corrective action was taken as a result of the diagnostic check, as well as what if any additional action was taken by the contractor performing repairs.

A minimum of 10% of the jobs where corrective action is performed will have a follow up quality assurance check to determine that the corrective action was performed properly, and to review if any other repairs were undertaken by the contractor performing corrective action, and if that action was appropriate.

Based on the findings of these customer surveys and follow up inspections, any contractor suspected of performing unnecessary repairs may be subject to increased inspections and removal from future program participation.

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Question No. 49

Witness: Greg Fergason

- Q-49. Please reference the Application, Volume I, Part 8.0, at page 58. Has the company considered prohibiting contractors performing the diagnostic and tune-up services under the program from performing repairs outside the scope of the program to reduce any possible conflict of interest? If not, why?
- A-49. As noted in response to questions No. 47 and 48, the vendor providing the diagnostic check will not perform the tune up or provide other corrective actions. The customer response and quality assurance inspection should prevent abuse; however, the Companies do not believe that the vendor performing corrective action should be prohibited from providing other needed services, for example providing the customer with an annual tune up/maintenance contract.

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Question No. 50

Witness: Greg Ferguson

Q-50. Please reference the Application, Volume I, Part 8.0, at page 58. Is any customer contacting the company eligible to participate in the program or is participation limited to only those customers referred from other programs?

A-50. While referral from other programs will be a significant source of customer participation, any eligible customer will be able to participate regardless of activity in other programs.

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Case No. 2007-00319

Question No. 51

Witness: Irv Hurst

Q-51. Please reference the Application, Volume I, Part 8.0. Describe what specific types of customer and/or participating contractor information is collected under the program. Additionally, describe how any personal information collected under the program is protected from disclosure by the company and any contractors. State the terms of the policy of the company and any contractors regarding retention of this information.

A-51. Very little customer information will be gathered under the HVAC Diagnostic & Tune-Up Program. It will be limited to the customer's name, address, phone, a description of, services performed on and test results of their HVAC system.

As with the other energy efficiency programs, contractors will be prohibited by contract language and company employees by policy stating that customers' rights to privacy must be maintained and that no information shall be released to anyone other than the customer without written permission from the customer. The only exception would be law enforcement, court, or government personnel with a legal subpoena or similar document from a proper authority. Paper and electronic records related to Energy Efficiency programs will be maintained for at least 7 years.

All processing of credits takes place within the Companies' billing systems and are managed and controlled along with utility bills. Data is maintained for 3 years.

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Question No. 52

Witness: Greg Ferguson

- Q-52. Please reference the Application, Volume I, Part 8.0. State the methods by which the company will measure and verify energy savings? If estimated from customer data, state the size of the sample to be used to calculate energy savings.
- A-52. All energy efficiency programs will be evaluated by a professional, experienced vendor(s) that will be selected through a Request for Proposal solicitation yet to be done. Energy efficiency program evaluation is normally performed through customer response to mail or phone questionnaires, on-site inspections, bill analysis, end use metering, engineering estimation, or a combination of these various methods. The necessary sample size will be determined by the evaluation vendor(s) in accordance with industry norms and valid statistical analysis methodology.

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Question No. 53

Witness: Greg Ferguson

Q-53. Please reference the Application, Volume I, Part 8.0, at page 58. Provide details as to the contractors the company intends to employ to perform the services outlined. Are the contractors to be local HVAC company's? A national contracting firm? Will there be more than one contracting firm?

A-53. The Companies intend to issue an RFP and employ the services of a contracting firm capable of servicing the Companies service territory to perform the diagnostics portion of the program, as well as the quality assurance checks.

Corrective action will be done by members of the local HVAC community that are participants in the Dealer Referral Network. This dealer network will give customers a selection of dealers that are qualified to perform the corrective action and have agreed to the program terms and conditions. See response to question No. 60 for further detail on dealer qualification.

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Question No. 54

Witness: Greg Ferguson

Q-54. Please reference the Application, Volume I, Part 8.0, at page 58. Describe the methods by which the company will ensure the contractors participating in this program are qualified to perform such services.

A-54. See response to question No. 60.

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Question No. 55

Witness: Irv Hurst

Q-55. Please reference the Application, Volume I, Part 9.0, at page 61. Provide any data, research results, etc. which supports the company's statement that school children "may significantly influence the consumption behavior of their parents and families".

A-55. The Companies' statement regarding school children influencing consumption behavior of their parents was not made based upon hard data. It is an intuitive statement based upon discussions with peers in the energy efficiency arena, energy education professionals and published articles regarding children's general influence on parents' as consumers.

A quote from the *National Energy Education Foundation Development Program* (NEED) 2007 Annual Report:

"NEED believes in the power of a kids teaching kids approach to an expanded knowledge of energy. Students learn about energy by teaching their peers and parents."

Quotes from *The Economist*, November 30, 2006:

"The parents have ceded control. Children are making decisions about most household products," says James McNeal, a consultant who has been writing about marketing to children for two decades. He estimates that children under 14 influenced as much as 47% of American household spending in 2005, amounting to more than \$700 billion. That is made up of \$40 billion of children's own spending power, \$340 billion in direct influence and \$340 billion in indirect influence.

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Question No. 56

Witness: Irv Hurst

Q-56. Please reference the Application, Volume I, Part 9.0, at page 62. Explain how outreach efforts to school children is related to the company's DSM efforts. Does the company believe that such efforts will have any impact on energy consumption? Does the company believe that these efforts are more reasonably related to general corporate "goodwill" efforts? Describe any programs involving school outreach programs which the company has been involved with for the past five years and the costs associated with those programs.

A-56. The Companies believe that outreach efforts to school children are an integral part of energy efficiency. As stated in the answer to question 55, we believe that children significantly influence the consumer behavior of their parents. More important is the fact that these children will be future energy consumers and having an understanding and appreciation of energy efficiency and its importance will result in them making wiser consumer decisions as adults. We believe these efforts will have an impact on energy consumption both in the short and long term. These outreach efforts will be technical in nature and while they may generate some "goodwill" are certainly not designed for that purpose.

The Companies do have a school outreach program related to public safety. Average annual cost for this program over the past 3 years is approximately \$125,000.

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Question No. 57

Witness: John Wolfram

Q-57. Please reference the Application, Volume I, Part 9.0, at page 62. Describe the benefits to the company of its mass media advertising efforts. Does the company believe that such efforts offer any benefit to shareholders? If not, why? Does the company believe that such efforts increase the corporate “goodwill” of the company? If not, why?

A-57. Historically, the Companies energy efficiency programs have been promoted individually, and few opportunities to “co-promote” have been available. The individual programs have not been promoted through mass media due to the lack of economy of scale. With the broad array of programs proposed in this filing, the Companies have a set of programs that better meet the broader energy needs of customers, and provide the “critical mass” of programs necessary for mass marketing. The programs will be presented to our customers as an “Energy Package”. One of the main themes will be that if customers need energy use information, the Companies can provide information and has a set of tools (programs) that can address the majority of customer energy use needs.

While it can be argued that these programs and the energy education effort may create positive “goodwill” for the Companies, it certainly will not result in increased usage, or profits. In reality, these energy efficiency programs will result in lower overall sales to customers, and lower capital investment which results in lower returns to the shareholders. While the cost recovery mechanism permitted by Kentucky statute does allow for some recovery of lost net revenue, and some level of incentive, the net return to the shareholder is less than would have been seen absent these programs.

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Question No. 58

Witness: John Wolfram

- Q-58. Please reference the Application, Volume I, Part 9.0, at page 63. Provide a summary of expenditures for mass media advertising incurred by the company for each of the last five years. For each year, please indicate what percentage of the total is associated with the company's DSM programs.
- A-58. In the last five years ending 2006, the only mass media advertising expenses accounted for above the line by the Companies relate to safety messages (e.g. information about downed power lines). In that same period, no mass media advertising expenses accounted for above or below the line were associated with the promotion of particular LG&E or KU DSM programs. Promotional expenses for DSM programs are included in the DSM budget, not within the Companies' budget for mass media advertisements.

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Question No. 59

Witness: Irv Hurst

Q-59. Please reference the Application, Volume I, Part 9.0, at page 63. Describe how the proposed expenses for mass media advertising differ from the expenses proposed under the individual programs? Are there any overlaps of expenses and efforts with other proposed DSM programs?

A-59. Individual program promotional expenses have historically been due to the cost of direct mail advertising and to a lesser extent, program brochures, and will continue in the future. Going forward there will be some increased ability to co-promote programs and offerings, but the majority of individual program advertising expenses will continue to be non-mass media. As discussed in response to Question 57, the mass media advertising proposed here will be primarily non-program specific and will be designed to educate customers concerning energy use and to promote the "Energy Package" the Companies provides as a source for customers to receive education and tools to better understand and manage their energy use.

The Companies believe that this mass media advertising should be considered as supporting the direct advertising of the individual programs and not overlapping.

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Question No. 60

Witness: Greg Ferguson

- Q-60. Please reference the Application, Volume I, Part 10.0, at page 66. Provide details concerning the criteria to be established by the company to evaluate participating contractors.
- A-60. Participating contractors will have to provide evidence of all required licenses, permits and registrations, insurance, a permanent business location, and satisfactory resolution of any Better Business Bureau complaints. Participating contractors will agree to adhere to all program rules and regulations and to perform all work according to manufacturer and industry requirements and recommendations. Participating contractors further agree to make any repairs necessary as determined by quality assurance inspections in a timely manner at no additional cost to the consumer. Contractors not adhering to these criteria will be removed from the dealer list.

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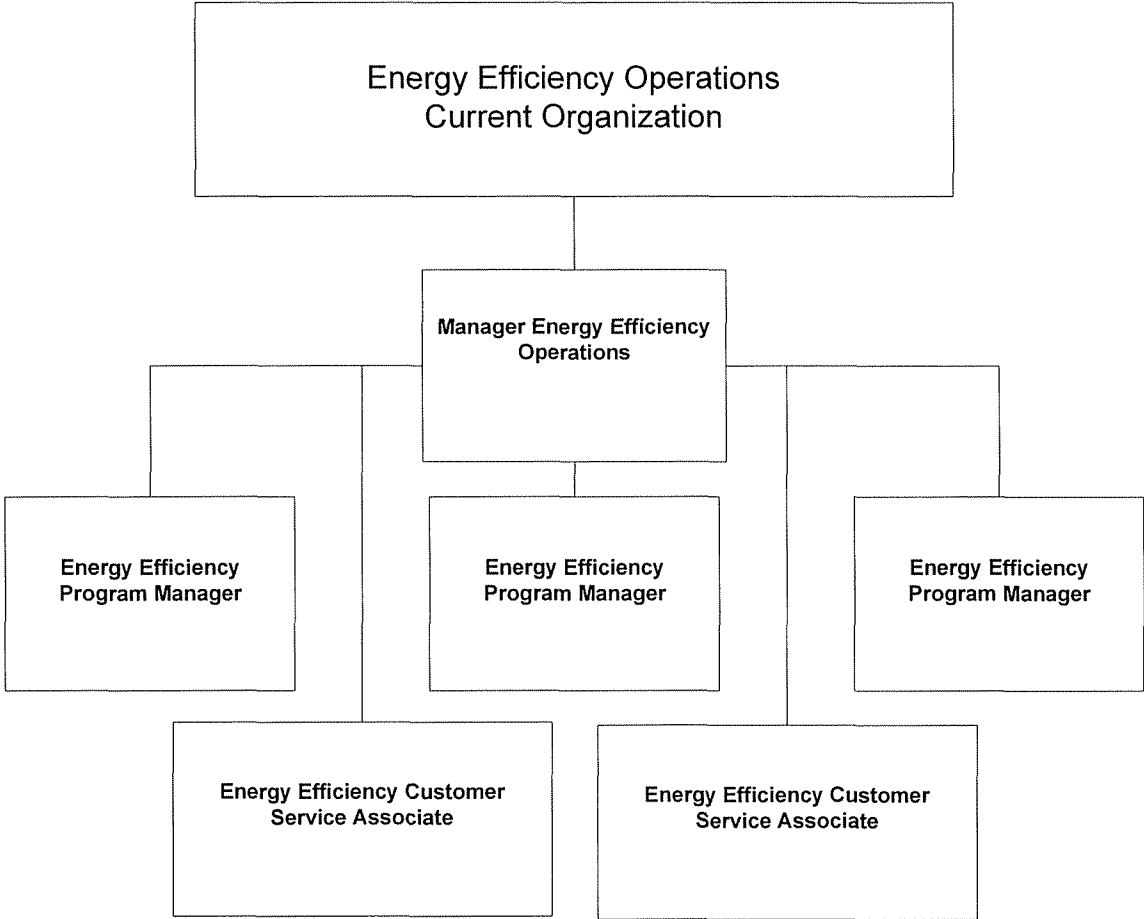
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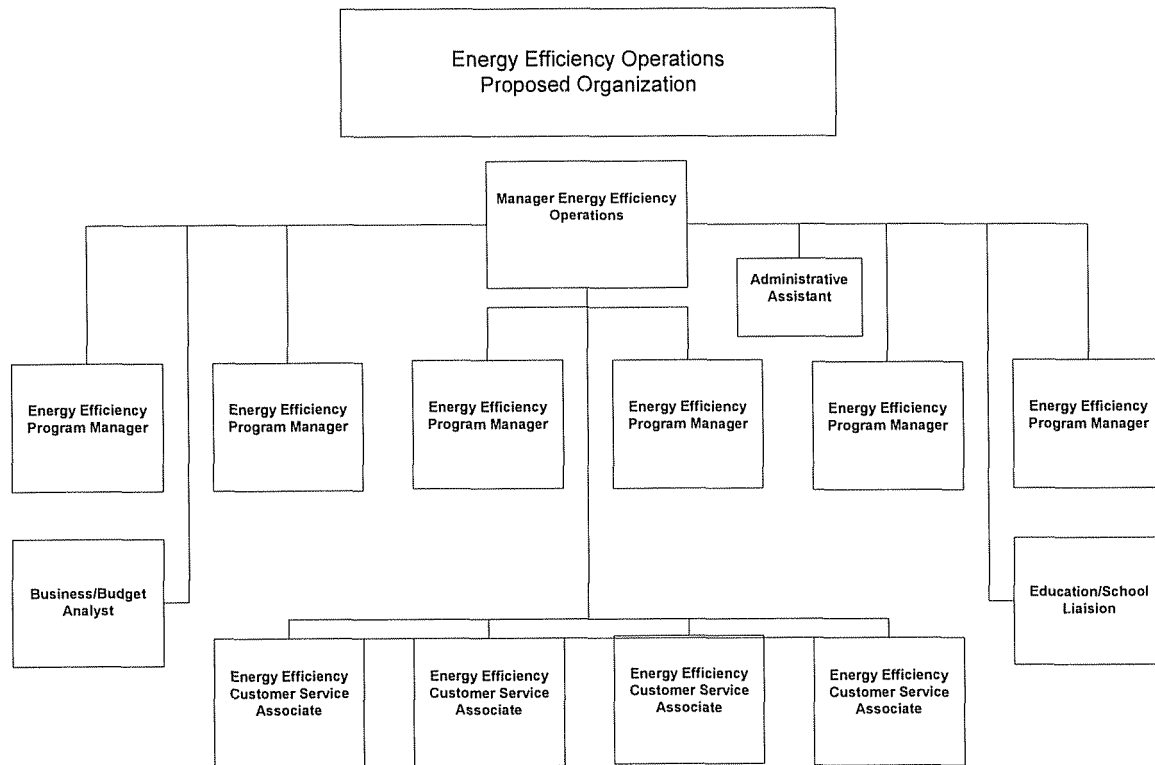
Witness: Irv Hurst

Q-61. Please reference the Application, Volume I, Part 1 1.0, at page 72. Provide an organizational chart illustrating the existing organizational structure of the company DSM personnel. Additionally, provide an organizational chart illustrating the new personnel and position titles the company intends to incorporate under the proposed DSM programs along with a description of duties for each of the identified positions.

A-61. Please see attachments.

A-61.





Below are position descriptions for Manager Energy Efficiency Operations, Energy Efficiency Program Managers, Energy Efficiency Customer Service Associates, and Administrative Assistant. Position descriptions for the Business/Budget Analyst and Education/School Liaison have not been completed.

Manager, Energy Efficiency Operations: Manages and directs the company’s portfolio of Energy Efficiency Operations and energy conservation programs. Trains and supervises Energy Efficiency Operations application managers to assure that each program meets the design and content requirements established by the strategic objectives of the company’s energy efficiency efforts. Represents LG&E in regulatory proceedings and other external activities related to energy efficiency and energy conservation. Represents LG&E on Energy Efficiency Advisory Group and provides periodic reporting, review and coordination of programs with the Energy Efficiency Advisory Group. Plans and implements the strategic planning effort necessary to identify, prioritize and promote new energy efficiency programs that are beneficial to LG&E and its customers. Directs and leads the identification of market needs and opportunities for product, service and program development in the areas of energy usage, energy efficient applications, demand-side management and energy conservation.

Coordinates market research and determines appropriate channels to communicate with LG&E's residential, commercial and industrial customers to develop and implement energy efficiency programs. Leads and directs the preparation of all Request-for-Proposals when outside contractors are hired to implement energy efficiency programs. Represents LG&E in the selection of contractors and coordinates activities of contractors in program implementation and provides ongoing management oversight. Leads the analysis of energy efficiency programs for revenue impacts to ensure that each program is reconciled with overall strategic objectives, administers the budget, establishes schedules and verifies adherence to procedures. Approves and directs all energy efficiency communication efforts to internal and external customers. Performs other duties as assigned.

Energy Efficiency Program Managers: Implement Energy Efficiency programs including coordinating activities of contractors. Responsible for general oversight of contractors. Communicate new Energy Efficiency program concepts to Marketing, Corporate Communications and Customer Service departments as appropriate to ensure efforts are coordinated. Design and develop program content, policy, procedures and promotional materials for Energy Efficiency programs with limited assistance. Present proposed program addition and changes and progress reports to senior management and external parties including but not limited to the Kentucky Public Service Commission. Administer the budget, establishes the schedule and verifies adherence to procedures. Provide back up to other Energy Efficiency positions as required. Assist in strategic efforts to focus departmental resources on cost effective programs. Develop and maintain contact with key industry groups. Perform other duties as directed by manager.

Energy Efficiency Customer Service Associates: Handle basic customer transactions and inquiries about energy efficiency programs. Calls should be handled in a courteous and timely manner to insure a high level of customer satisfaction. Obtain customer usage history and provide to contractor in proper format. Develop, organize and manage department-filing system (hard-copy and electronic). Process invoices from contractors for payment. Support departmental continuous improvement initiatives. Performs other duties as directed by manager.

Administrative Assistant: Develops and maintains reports, schedules, and other documents to assist management in measuring the performance of the department's core work processes. Assists Manager and staff with compiling, tracking, and maintaining employees' records, including Daily Activity Reports (DARs), daily worksheets, employee performance reviews (EPRs), and the Absentee Control Program. Also, compiles and maintains employees' training records, incident reports, and safety records.

Assists with drafting and mailing written correspondence to customers, employees, governmental officials, emergency response agencies, vendors, and service providers. Develops and continuously improves systems that streamline administrative processes. Procures, manages, and maintains office supplies for the department. Prepares and distributes call-in schedules. Reconciles and prepares monthly vendor statements and invoices for payment. Serves as the principal contact for management and staff of the department. Assists with scheduling, coordinating, and documenting (where appropriate) management/staff meetings and other departmental activities.

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Question No. 62

Witness: Irv Hurst

Q-62. Please reference the Application, Volume I, Part 11.0, at page 70. Describe how the costs for membership in associated trade organizations, personnel development, and subscriptions to educational and trade publications relate to the company's DSM efforts.

A-62. All of these activities increase the knowledge and skills of our program personnel. Establishing relationships with and gaining information from others in the energy efficiency field, whether vendors, manufacturers, or other utility personnel is invaluable. The technologies and methods we employ are often changing and improving on a constant basis. The ability to discover what methods and technologies work best, as well as lessons learned, is probably one of the most cost effective methods we have in making our programs successful.

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Question No. 63

Witness: Greg Ferguson

Q-63. Please reference the Application, Volume I, Parts 1.0-11.0. For each individual program incurring expenses for "market research", identify in detail, by program, what type of activities the company envisions associated with this description.

A-63. The specific details of what market research will be done at the individual program level has not been completed at this time. When the program evaluation vendor(s) has been selected, the Companies will incorporate their input into the final design of market research. Market research activities will include focus groups and customer surveys to determine the most appropriate program design elements and for program implementation, design and delivery of marketing materials and educational materials, and incentive levels necessary for optimal program participation. In some cases budget will be used for the purchase of existing relative market research from organizations such as E-Source.

It should be noted that market research composes approximately 6 tenths of one percent of the total proposed budget.

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Question No. 64

Witness: Irv Hurst

Q-64. Please reference the Application, Volume I, Parts 1.0-11.0. Approximately 22% of the total DSM expenditures under the proposed programs are for advertising. If known, please state how the company's advertising expenditures compare with the advertising expenses of other utility DSM programs.

A-64. Of the \$40,661,601 shown as advertising expenses in the Executive Summary, \$19,621,226 is mass media budget for the Customer Education and Public Information Program. This leaves a total of \$21,040,375 for direct program advertising which represents only 11.6% of the overall budget. Discussions with other utilities generally focus around technical and operational aspects of energy efficiency programs and we have not asked them to disclose advertising budgets.