

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE	)	
ENERGY AND REGULATORY	)	ADMINISTRATIVE
ISSUES IN SECTION 50 OF	)	CASE NO. 2007-00477
KENTUCKY'S 2007 ENERGY ACT	)	

FIRST DATA REQUEST OF COMMISSION STAFF TO  
BIG RIVERS ELECTRIC CORPORATION  
DUKE ENERGY KENTUCKY, INC.  
EAST KENTUCKY POWER COOPERATIVE, INC.  
KENTUCKY POWER COMPANY  
LOUISVILLE GAS AND ELECTRIC COMPANY  
AND KENTUCKY UTILITIES COMPANY

Big Rivers Electric Corporation, Duke Energy Kentucky, Inc., East Kentucky Power Cooperative, Inc., Kentucky Power Company, Louisville Gas and Electric Company, and Kentucky Utilities Company ("Generating Utilities"), pursuant to 807 KAR 5:001, are to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before March 20, 2008. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

The Generating Utilities shall make timely amendment to any prior responses if they obtain information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which the Generating Utilities fail or refuse to furnish all or part of the requested information, they shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the Joint Testimony of Lonnie E. Bellar ("Bellar Testimony"), page 5, which discusses the potential for renewable resource power purchases to result in a net reduction in the amount of new generation utilities propose to build. There are a number of bills pending in the U. S. Congress that may impact the construction of new generation facilities in the future, primarily those bills that would result in federal regulation of the amount of Carbon Dioxide ("CO<sub>2</sub>") produced by utilities in the generation of electricity.

a. Explain whether each of the Generating Utilities anticipates some form of federal CO<sub>2</sub> regulation to be enacted in the near future. Identify which of the pending bills each of the Generating Utilities favor and which of the pending bills, if any, each believes will become law.

b. Explain whether each of the Generating Utilities is currently incorporating the uncertainty and/or potential for CO<sub>2</sub> regulation into its respective Integrated Resource Plan demand-side and supply-side planning processes and how this may be affecting the timeline for future construction of new generation.

c. Using the Generating Utilities' own estimates of the cost of CO<sub>2</sub> removal, describe the potential changes in the type of new or expanded demand-side management ("DSM") programs that each believes may become cost effective in Kentucky and the potential energy and demand savings each program is estimated to produce.

d. Using each of the Generating Utilities' own estimates of the cost of CO<sub>2</sub> removal, identify the potential changes in the relative cost effectiveness of renewable generation, distributed generation and cogeneration in Kentucky.

e. Explain whether each of the Generating Utilities is aware of anything that presently would prevent each of them from developing additional generation capacity from renewable sources, distributed generation sources or cogeneration sources in Kentucky either as sole owner or with an equity stake in these types of projects.

2. Refer to pages 5-6 of the Bellar Testimony. Expand on the scope of work the Generating Utilities anticipate that the proposed task force would consider. For example, explain whether metering and interconnection standards, standard offer contracts, avoided cost analysis, and cost recovery of new meters, renewables, and distributed generation would be considered as part of the scope of work for the task force. What groups do the Generating Utilities expect would be members of the task force?

3. Refer to the Bellar Testimony, page 2, lines 8-14.

a. Mr. Bellar states that, with the exception of Duke Energy Kentucky ("Duke"), the Generating Utilities do not believe that additional legislation is necessary or desirable to eliminate the impediments to cost-effective DSM strategies. Is it the position of the Generating Utilities, other than Duke, that additional incentives for DSM

would not result in the adoption of additional DSM programs or the expansion of any current DSM programs?

b. The Generating Utilities also believe that the current planning and certificating processes are adequate to ensure the utilities consider such programs. The Integrated Resource Plan (“IRP”) regulation 807 KAR 5:584, Section 8(4)(a)(6), requires each generating utility to provide the reductions or increases in peak demand from new conservation and load management or other demand-side management programs. Cite any requirement included in the certificate process that requires such documentation.

4. Refer to the Bellar Testimony, page 2, line 17 to page 4, line 7.

a. Mr. Bellar states that the Generating Utilities have an impressive array of successful energy efficiency and DSM strategies. Are there any programs that have not been implemented by every Generating Utility? If yes, describe each such program, identify the generating utility that has not adopted the program, and explain the reason why that utility has not adopted that program.

b. If not addressed in 4(a) above, identify the Generating Utilities with residential or commercial load control programs (for example, air-conditioners, water heaters, pool pumps). Explain why the Generating Utilities without such load control programs do not offer such direct load control.

c. Explain where consideration of renewables is specifically required in the IRP or certificate process.

d. Explain the relevance to this proceeding of the fact that the report “Kentucky’s Energy Opportunities for Our Future: A Comprehensive Energy Strategy,” a document released in February 2005, does not mention revision of any utility planning process.

5. Refer to the discussion of “full-cost accounting” included on pages 6 and 7 of the Bellar Testimony. Identify the specific externalities that the Generating Utilities incorporate in their planning processes.

6. Although the Generating Utilities see no need to modify rate structures for achieving energy efficiency, what is the Generating Utilities’ position regarding “revenue decoupling?”

7. Refer to the Bellar Testimony at page 7, lines 15-17. Explain whether additional opportunities exist to encourage the further development of energy efficiency and DSM programs through rate structures and cost recovery. Include in the explanation a discussion of the position of the Generating Utilities on the use of inclining block rates as well as other rate design techniques to discourage usage.

8. Refer to the discussion on page 2, line 9, through page 3, line 16, of the Bellar Testimony filed on behalf of Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”). Mr. Bellar essentially supports annual reviews of utilities financial results to ensure that utility revenues remain consistent. What is the position of the Generating Utilities regarding such reviews?

9. Refer to the incentives set forth for energy efficiency on page 4, lines 4-19, of the Bellar Testimony filed on behalf of KU and LG&E. What is the position of the Generating Utilities regarding these incentives?

10. Refer to the discussion of the proposed treatment of purchased power on page 5, lines 1-10, of the Bellar Testimony filed on behalf of KU and LG&E. What is the position of each of the Generating Utilities regarding the treatment proposed by Mr. Bellar?

11. Refer to the Bellar Testimony on behalf of KU and LG&E. Mr. Bellar discusses the demand-side management statute, KRS 278.285 and notes the “plethora

of cost-effective” programs; however, the majority of these programs have been developed for residential and small commercial customers. KRS 278.285(3) states, “The commission shall allow individual industrial customers with energy intensive processes to implement cost-effective energy efficiency measures in lieu of measures approved as part of the utility’s demand-side management programs if the alternative measures are not subsidized by other customer classes.”

a. Describe in detail the actions taken by each of the Generating Utilities to ensure that its industrial customers are in compliance with this condition.

b. Have the Generating Utilities utilized any benchmark in terms of dollars spent or in terms of savings, dollars saved or energy saved, in order for industrial customers to qualify for the “opt-out” provision? Explain your response.



Beth O'Donnell  
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DATED: March 11, 2008

cc: Parties of Record