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June 30, 2009

**VIA HAND DELIVERY**

Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

RECEIVED

JUN 30 2009

PUBLIC SERVICE  
COMMISSION

**RE: 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 Mr. DeRouen:

Enclosed please find and accept for filing the original and ten copies of Louisville Gas and Electric Company's and Kentucky Utilities Company's Response to Motion for Informal Conference of Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me via our office courier.

Should you have any questions please contact me at your convenience.

Sincerely,

W. Duncan Crosby III

WDC:ec  
Enclosures  
cc: Parties of Record

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**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

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JUN 30 2009

PUBLIC SERVICE  
COMMISSION

**In the Matter of:**

**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 DSM )  
COST RECOVERY MECHANISMS )**

**RESPONSE OF LOUISVILLE GAS AND ELECTRIC COMPANY  
AND KENTUCKY UTILITIES COMPANY TO  
MOTION FOR INFORMAL CONFERENCE OF  
COMMUNITY ACTION COUNCIL FOR LEXINGTON-FAYETTE,  
BOURBON, HARRISON AND NICHOLAS COUNTIES, INC.**

Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (collectively, “the Companies”) hereby respond to the June 23, 2009 Motion for Informal Conference of the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc. (“CAC”). Though the Companies do not object to CAC’s Motion and will certainly participate in an informal conference if the Commission deems one necessary, the Companies deny CAC’s contention that the Companies have failed to comply with the Settlement Agreement that the Commission approved in its March 31, 2008 Order in this proceeding (the “Settlement Agreement”).

As the Settlement Agreement states, the Companies’ agreeing to contract with the Kentucky Association for Community Action, Inc. (“KACA,” now known as Community Action Kentucky, Inc., “CAK”; referred to hereinafter as “KACA/CAK”) to perform client intake and home energy efficiency audits (“Phase I”) for the Companies’ WeCare program—without performing any kind of competitive bidding process—was reasonable because KACA/CAK was already performing similar kinds of work for the U.S. Department of Energy Weatherization

Assistance Program (“WAP”) and the federal Low-Income Home Energy Assistance Program (“LIHEAP”). Therefore, using KACA/CAK to perform Phase I work would have eliminated redundancies that could have resulted from using another vendor to perform the work.

Ultimately, though, in May 2009 KACA/CAK declined to perform the Phase I work after learning that the Companies had chosen another vendor (Honeywell, Inc.) to perform weatherization installation work under the WeCare program, leaving the Companies in the position of having to seek a vendor to perform Phase I work across their entire service territory. After meeting with CAC representatives to hear their interest in performing the Phase I work, the Companies determined that the WeCare Phase I work should be performed by Honeywell as well.<sup>1</sup>


Contrary to CAC’s assertion, the Companies’ decision is fully consistent with the Settlement Agreement. The Agreement does not require the Companies to contract with CAC for any WeCare work, nor does it require the Companies to prefer CAC over other vendors; indeed, because no vendors other than KACA/CAK were contemplated for the Phase I work, the Settlement Agreement contains no provisions concerning how the Companies should evaluate potential vendors for such work. Simply put, when KACA/CAK stated it would not perform the Phase I work it had agreed to perform under the Settlement Agreement, the Companies exercised their best business judgment in choosing a vendor to take KACA/CAK’s place. CAC may be disappointed by the Companies’ choice, but that disappointment in no way constitutes a violation of the Settlement Agreement, to which the Companies have adhered and will continue to adhere.

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<sup>1</sup> Honeywell is currently performing Phase I work under a temporary contract while amendments to the Companies’ Phase II contract with Honeywell are being drafted to include Phase I work.

Dated: June 30, 2009

Respectfully submitted,



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Counsel for Louisville Gas and Electric Company  
and Kentucky Utilities Company

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing Response was served on the following persons on the 30th day of June, 2009, by United States mail, postage prepaid:

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