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Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
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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 First Data Request of Commission Staff dated August 15, 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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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 FIRST DATA REQUEST
OF COMMISSION STAFF
DATED AUGUST 15, 2007**

FILED: SEPTEMBER 7, 2007

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

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

**Response to the First Data Request of Commission Staff
Dated August 15, 2007**

Case No. 2007-00319

Question No. 1

Witness: Irv Hurst

- Q-1. Refer to page 8 of the application.
- a. Provide the number of additional employees that LG&E and KU each anticipate needing for the DSM programs going forward.
 - b. Provide the expected salary, benefits, etc. for these employees.
 - c. Will the additional cost of employees be recovered through the DSM surcharge?
 - d. Has a Request for Proposals (“RFP”) been advertised for selecting contractors for the program?
 - e. If yes, provide a copy of the RFP to the Commission along with a list of contractors who have responded.
- A-1.
- a. LG&E and KU (the “Companies”) anticipate needing eight additional employees to fully implement and maintain new programs and enhancements to existing programs. Additional resources will include three program managers, three clerical staff, one financial/planning analyst and one educational resource to interface with school systems throughout the state.
 - b. The salary and benefits for these additional employees are expected to be approximately \$900,000 annually. The costs of these new hires will be shared by LG&E and KU.
 - c. Yes, these costs will be recovered through the DSM surcharge.
 - d. No. Request for Proposals have not been completed and the Companies have not yet advertised for selection of contractors.
 - e. n/a

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

**Response to the First Data Request of Commission Staff
Dated August 15, 2007**

Case No. 2007-00319

Question No. 2

Witness: Irv Hurst

Q-2. Refer to page 14 of the application.

- a. The applicants have estimated the participation for the residential conservation program and the energy impacts. Explain the basis for the estimates.
- b. The applicants have stated that customers participating in onsite audits may also receive programmable thermostats, air sealing services, energy savings showerheads, water heater wraps and faucet aerators. Explain what determines which items customers receive and why.

A-2. a. The Companies have increased the customer charge from \$15 to \$25 and will manage promotional activity to reduce the number of planned onsite audits from 1,500 per year under the existing program to 400 per year. 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. The Companies do feel that an onsite audit option should remain available for customers more serious about energy efficiency and who are likely to implement recommended measures; however evaluation results from Summit Blue Consulting indicate that less than 5% of recommended measures requiring extra effort or cost are actually implemented by customers.

Discussions with peer companies and consultants indicate the industry has moved in the direction of online audits as they provide valuable information at a very low cost. Online audits will be made available to customers at no charge and depending upon the amount of promotional activity participation levels can be significantly influenced. Until some history is developed, it's difficult to assess demand for online audits. Conservative estimates were utilized in the filing to ensure expected energy impacts were not overstated.

Projected energy impacts for onsite audits were developed by starting with independently evaluated impacts per customer from the existing program and adding engineering estimates of incremental savings for installation of additional compact fluorescent bulbs, additional water heater blankets, and the addition of blower door testing/air sealing service to the audit.

Projected energy impacts for online audits were conservatively estimated to be 15% of the savings of onsite audits.

- b. Energy saving devices provided to onsite audit customers will be based upon the need for and the customer's willingness to accept the device. For example, we would not provide energy savings showerheads to customers that already have them in place or to customers that don't want them. These criteria will apply to each home and device that the Companies are offering. If the device is appropriate for the home, not already in place and the customer wants the device, it will be provided.

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

**Response to the First Data Request of Commission Staff
Dated August 15, 2007**

Case No. 2007-00319

Question No. 3

Witness: Irv Hurst

- Q-3. Refer to page 17 of Volume I of the application. Provide applicable calculations and work papers associated with the cost of \$25 for onsite energy audits.
- A-3. The \$25 charge is not based upon any specific calculation or formal methodology. Onsite residential energy audits have historically been made available to customers at a \$15 charge based upon the National Energy Conservation Policy Act of 1978, which is no longer in effect. Through this filing, the Companies are seeking to raise the customer charge to \$25 in an effort to motivate customers only casually interested in energy savings to choose the online audit option at no charge rather the more-expensive onsite audit. The \$25 charge would cover only a portion of the actual audit cost, which is estimated to be \$200.

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

**Response to the First Data Request of Commission Staff
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Case No. 2007-00319

Question No. 4

Witness: Greg Ferguson

Q-4. Refer to the Residential and Commercial Load Management description starting on page 19 of Volume I of the application. Is there a maximum amount of time in a day, week, or season that an appliance may be cycled off?

A-4. There has been no maximum amount of time established when load control can be invoked. The expectation we have given customers is that we will control approximately 20 days per year, on average, depending on weather and power system operations. We have further stated that we will not control on weekends or holidays, or for more than 4 continuous hours, except in an emergency situation.

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

**Response to the First Data Request of Commission Staff
Dated August 15, 2007**

Case No. 2007-00319

Question No. 5

Witness: Greg Ferguson

- Q-5. Refer to page 22 of the application.
- a. The charts showing the estimates for the energy impacts from the Residential and Commercial Load Management Program show energy impacts on natural gas usage. Explain how this option produces an impact on a customer's natural gas usage.
 - b. Provide the larger dollar amount that will be received by commercial customers with units larger than 5 tons.
 - c. Explain why the incentive is smaller for multi-family units.
- A-5.
- a. Even though this is a summer program, the programmable thermostats provided may be also used by customers to reduce heating costs in the winter. For customers having gas heat, gas savings are achieved.
 - b. All units up to and including 5 tons of capacity receive \$5 monthly. Each full ton of capacity above 5 tons is an additional \$1 per month.
 - c. Air conditioning units in apartments are typically smaller than that in single family homes and thus there is less energy savings.

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

**Response to the First Data Request of Commission Staff
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Case No. 2007-00319

Question No. 6

Witness: Irv Hurst

Q-6. Provide the inflation rate used to escalate costs within the programs.

A-6. Generally, direct labor is inflated at 3% per year and most other costs are inflated at 2% per year. Some items such as customer incentives and purchases of items such as compact fluorescent bulbs (which have been decreasing in price) were not inflated.

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

**Response to the First Data Request of Commission Staff
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Case No. 2007-00319

Question No. 7

Witness: Irv Hurst

- Q-7. Refer to page 67 of the application. The section on rebate and incentive fulfillment talks about how the contractor will match certain items before making a payment to a customer. Is the contractor who will maintain the dealer database the same contractor who will administer the payment of incentives and rebates for the other DSM programs?
- A-7. Depending on responses to bids provided from vendors, these functions may or may not be provided by the same vendor. In either event, the Companies will ensure adequate controls are in place to monitor verification and payment of incentives.

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

**Response to the First Data Request of Commission Staff
Dated August 15, 2007**

Case No. 2007-00319

Question No. 8

Witness: Irv Hurst

Q-8. LG&E and KU have filed a joint application. Are there any differences within the programs between the two companies?

A-8. The programs are identical within the two utilities from the customers' perspective. Different assumptions have been made in the planning process, ie. there is a higher market saturation of gas heat in the LG&E service territory than that in the KU service territory. Differences in the level of participation, or costs, are allocated to the appropriate utility through our accounting system.

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

**Response to the First Data Request of Commission Staff
Dated August 15, 2007**

Case No. 2007-00319

Question No. 9

Witness: Irv Hurst

- Q-9. Refer to the application, Volume III, Appendix D, page 2.
- a. What methods did the company use in validating the data transferred to the Backbone Client Server database?
 - b. It is noted on this page that the Encompass data was limited in both quantity of participation factors and the quality of the data. The noted problems included the measurement descriptions were not uniform, the quantity for a recommendation was noted, but the units were not, and that the database included one field for savings, but the units are not explicit. Given these limitations, provide an explanation of how the company was able to calculate the energy and dollar savings reported.
- A-9.
- a. A point of clarification: No data from Encompass was ‘transferred to the Backbone Client Server (BBCS) database’. The Encompass database became a static archive of early program activity and was not updated, appended or transferred after the previous evaluation called attention to the tracking database’s limitations. Summit Blue worked with Honeywell after early data problems were identified to correct the shortcomings of the Encompass database. Working together, Summit Blue and Honeywell designed the BBCS to facilitate complete data entry, follow-up data extracts for call-back surveys and tabulations for evaluations. Data in the BBCS have applicable controls to ensure accurate entry of new participant data.
 - b. Summit Blue manually edited hundreds of measure descriptions and variants to the key 20-30 measures recommended through the program. For example, ‘run full washer loads’ and ‘wash full loads of laundry’ were given a uniform description so that they could be tabulated with the database. The quantity field appeared accurate in most cases, but Summit Blue also compared available fields such as cost per quantity to BBCS data to verify quantity made sense.

In very few situations, when they could not determine quantity or what measure was recommended or installed, those records were excluded from the evaluation with no savings credited to the program. With accurate descriptions and quantities for each record Summit Blue was able to tabulate the quantity of each measure. The savings for measures in the Encompass database were estimated proportionally from savings from recommendations in the later BBCS database. For example, if a recommendation resulted in x kWh, y kW and z therms per unit quantity on average in the BBCS database, those savings were multiplied by the quantity tallied in the Encompass database. This method assumes that the customer samples in each database are similar. Summit Blue did not find any reason to dispute this assumption.