



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

RECEIVED

OCT 17 2007

PUBLIC SERVICE  
COMMISSION

**E.ON U.S. LLC**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

Rick E. Lovekamp  
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October 17, 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 Community Action Council's Supplemental Interrogatories dated September 27, 2007, in the above-referenced proceeding.

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

Sincerely,

Rick E. Lovekamp

*Rick E. Lovekamp /RLH*

Enclosures

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 17 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 DSM )  
COST RECOVERY MECHANISMS )


RESPONSE OF  
LOUISVILLE GAS AND ELECTRIC COMPANY  
AND  
KENTUCKY UTILITIES COMPANY  
TO THE COMMUNITY ACTION COUNCIL'S  
SUPPLEMENTAL INTERROGATORIES  
DATED SEPTEMBER 27, 2007

FILED: OCTOBER 17, 2007

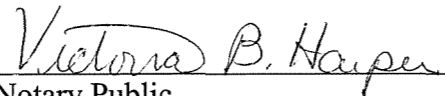
**VERIFICATION**

**COMMONWEALTH OF KENTUCKY** )  
  )  
**COUNTY OF JEFFERSON**  )

The undersigned, Irvin (“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.

  
\_\_\_\_\_  
IRVIN (“IRV”) HURST

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16<sup>th</sup> day of October, 2007.

 (SEAL)  
\_\_\_\_\_  
Notary Public

My Commission Expires:

9/20/2010



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

**Response to the CAC's  
Supplemental Interrogatories  
Dated September 27, 2007**

**Case No. 2007-00319**

**Question No. 1**

**Witness: Irv Hurst**

- Q-1. In response to Question No. 4, the Companies acknowledge being aware that payments received from agencies administering LIHEAP may contain funds from programs with different eligibility guidelines or may contain no LIHEAP funds at all. In response to Question No. 5, the Companies state that their billing systems are designed to flag customers receiving LIHEAP benefits as automatically eligible for the program. If no current communication exists between the Companies and all LIHEAP administering agencies in its service territory regarding specifically which customers have received LIHEAP and which received assistance from other public or private sources, then how does the current and proposed system ensure that customers with incomes above LIHEAP eligibility are not being flagged as eligible for WeCare?
- A-1. When the Companies receive assistance payments on behalf of customers from Community Action Agencies, documentation provided with the payments specifically identifies the customer and the source of the payment. The five example vouchers shown below were submitted by the Lexington Community Action Council. The vouchers clearly designate the program funding source in the column titled "Payment Type". The first three vouchers with Payment Types LIHEAP-SUMMER, CRISIS, and SUBSIDY represent LIHEAP assistance and these customers would automatically qualify for WeCare services. The last two vouchers with Payment Types CHIP and WINTERCARE represent assistance from non-LIHEAP sources. These customers would not be automatically eligible for WeCare services. Customer information has been redacted for privacy purposes.

COMMUNITY ACTION COUNCIL  
for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties  
P. O. Box 11610  
913 Georgetown Street  
Lexington, KY 40516

ENERGY ASSISTANCE

Vendor Number: 04077  
KENTUCKY UTILITIES OF LEXINGTON  
ONE QUALITY STREET, FIRST FLOOR  
LEXINGTON KY 40507

Purchase Requisition No.: 526651  
Date 10/4/2007 Count FAYETTE  
Fund LIHEAP - SUMMER COOLING  
Account ████████████████████  
Page Number: 1

Line Name	Address	Account #	Amount	Payment Type
██████████	██████████	██████████	██████████	LIHEAP - SUMMER
██████████	██████████	██████████	██████████	LIHEAP - SUMMER
██████████	██████████	██████████	██████████	LIHEAP - SUMMER
██████████	██████████	██████████	██████████	LIHEAP - SUMMER
██████████	██████████	██████████	██████████	LIHEAP - SUMMER
██████████	██████████	██████████	██████████	LIHEAP - SUMMER
██████████	██████████	██████████	██████████	LIHEAP - SUMMER
██████████	██████████	██████████	██████████	LIHEAP - SUMMER
██████████	██████████	██████████	██████████	LIHEAP - SUMMER
██████████	██████████	██████████	██████████	LIHEAP - SUMMER
██████████	██████████	██████████	██████████	LIHEAP - SUMMER
██████████	██████████	██████████	██████████	LIHEAP - SUMMER
██████████	██████████	██████████	██████████	LIHEAP - SUMMER

Report Total:

**BULK FUELS ONLY:** I understand that payment will not be made for this fuel unless both signatures are present. This fax transmittal must be presented for payment to the issuing agency within 60 DAYS from the date of issue above or MAY 15, whichever comes first. Fuel was provided at \$ \_\_\_\_\_ per gallon for \_\_\_\_\_ gallons. Wood was provided at \$ \_\_\_\_\_ per cord for one cord of wood.

mbailey  
Submitted By

10/4/2007  
Date

Vendor Signature  
Date

*[Handwritten Signature]*  
10/4/07

COMMUNITY ACTION COUNCIL  
for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties  
P. O. Box 11610  
913 Georgetown Street  
Lexington, KY 40575  
ENERGY ASSISTANCE

Vendor Number: 04077  
KENTUCKY UTILITIES OF LEXINGTON  
ONE QUALITY STREET, FIRST FLOOR  
LEXINGTON KY 40507

Purchase Requisition No. 522801  
Date 1/19/2007 Count FAYETTE  
Fund CRISIS  
Account [Redacted]  
Page Number: 1

Line Name	Address	Account #	Amount	Payment Type
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
[Redacted]	[Redacted]	[Redacted]	[Redacted]	CFISIS
Report Total:			[Redacted]	

**BULK FUELS ONLY:** I understand that payment will not be made for this fuel unless both signatures are present.  
This fax transmittal must be presented for payment to the issuing agency within 60 DAYS  
from the date of issue above or MAY 15, whichever comes first.

Submitted By: scunniff Date: 1/19/2007  
Vendor Signature: \_\_\_\_\_ Date: \_\_\_\_\_

*Handwritten signature: [Signature]*  
*Handwritten date: 1/22/07*

DEC-04-2006 13:48

CAC

6592442219 P.05-07

rwashington

**COMMUNITY ACTION COUNCIL**

for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties

P. O. Box 11810  
913 Georgetown Street  
Lexington, KY 40576

**ENERGY ASSISTANCE**

Vendor Number: 04077  
KENTUCKY UTILITIES OF LEXINGTON  
ONE QUALITY STREET, FIRST FLOOR  
LEXINGTON KY 40507

Purchase Requisition No.: 521975  
Date 12/4/2006 Count: FAYETTE  
Fund: SUBSIDY  
Account: [REDACTED]  
Page Number: 1

Line Name	Address	Account #	Amount	Payment Type
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	SUBSIDY
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	SUBSIDY
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	SUBSIDY
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	SUBSIDY
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	SUBSIDY
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	SUBSIDY
Report Total:			[REDACTED]	

**BULK FUELS ONLY:** I understand that payment will not be made for this fuel unless both signatures are present. This fax transmittal must be presented for payment to the issuing agency within 60 DAYS from the date of issue above or MAY 15, whichever comes first.

rwashington	12/4/2006		
Submitted By	Date	Vendor Signature	Date

*S 12/4/06*

Formatted: Centered, Indent: Hanging: 1.38", Tabs: 0.13", Left



**COMMUNITY ACTION COUNCIL**  
for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties  
P. O. Box 11610  
913 Georgetown Street  
Lexington, KY 40576  
**ENERGY ASSISTANCE**

Vendor Number: 04077  
KENTUCKY UTILITIES OF LEXINGTON  
ONE QUALITY STREET, FIRST FLOOR  
LEXINGTON KY 40507

Purchase Requisition No.: 526648  
Date 10/4/2007 Count FAYETTE  
Fund CHIP  
Account [REDACTED]  
Page Number: 1

Line	Name	Address	Account #	Amount	Payment Type
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	CHIP
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	CHIP
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	CHIP

Report Total: [REDACTED]

**BULK FUELS ONLY:** I understand that payment will not be made for this fuel unless both signatures are present. This fax transmittal must be presented for payment to the issuing agency within 60 DAYS from the date of issue above or MAY 15, whichever comes first. Fuel was provided at \$ \_\_\_\_\_ per gallon for \_\_\_\_\_ gallons. Wood was provided at \$ \_\_\_\_\_ per cord for one cord of wood.

Submitted By: [REDACTED] Date: 10/4/2007 Vendor Signature: [REDACTED] Date: [REDACTED]

*[Handwritten Signature]*  
10/4/07

DEC-04-2006 13:48

CRC

8592442219 P. 06/07

rwashington

**COMMUNITY ACTION COUNCIL**  
for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties

P. O. Box 11810  
913 Georgetown Street  
Lexington, KY 40578

**ENERGY ASSISTANCE**

Vendor Number: 04077  
KENTUCKY UTILITIES OF LEXINGTON  
ONE QUALITY STREET, FIRST FLOOR  
LEXINGTON KY 40507

Purchase Requisition No.: 521967  
Date 12/4/2006 Count FAYETTE  
Fund WINTERCARE/Electric  
Account [REDACTED]  
Page Number: 1

Line	Name	Address	Account #	Amount	Payment Type
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	WINTERCARE
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	WINTERCARE
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	WINTERCARE
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	WINTERCARE
Report Total:				[REDACTED]	

**BULK FUELS ONLY:** I understand that payment will not be made for this fuel unless both signatures are present.  
This fax transmittal must be presented for payment to the issuing agency within 60 DAYS  
from the date of issue above or MAY 15, whichever comes first.

rwashington	12/4/2006		
Submitted By	Date	Vendor Signature	Date

*[Handwritten Signature]*  
*12/4/06*



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

**Response to the CAC's  
Supplemental Interrogatories  
Dated September 27, 2007**

**Case No. 2007-00319**

**Question No. 2**

**Witness: Irv Hurst**

- Q-2. In response to Question No. 5, the witness states that the Companies plan to work with the Kentucky Association for Community Action (KACA) and "related agencies" to share information regarding LIHEAP lists. Please elaborate regarding which "related agencies" are being considered. What communication currently exists between KACA and related agencies and the Companies regarding this proposal? If such LIHEAP list sharing does not already take place, how has the company verified that customers receiving benefits did not receive those benefits from programs other than LIHEAP? What communications have taken place between the Companies and KACA and between the Companies and "related agencies" in advance of this proposal? Provide an itemized list of such communications, the subject and the participants.
- A-2. Current communications between the Companies and Community Action Agencies is on an informal, as needed basis. The Companies have not tracked specific communications with agencies. In order to facilitate better communications and information sharing between the Companies and organizations representing low-income customers, among other things, the Companies have initiated a Customer Commitment Advisory Forum which conducted its first meeting on September 5, 2007. Once the Low Income Weatherization program is approved, the Companies plan to utilize this forum to initiate discussions with the Kentucky Association for Community Action (KACA) and other community action agencies as appropriate to jointly develop and implement a more formalized communications and information sharing plan enabling better coordination with multiple agencies representing customers throughout the service territory. Additionally, the Companies will continue to host the Energy Efficiency Advisory Group for ongoing discussion and communication regarding all programs (including WeCare).

Please see the response to Question No. 1 regarding confirmation of customers receiving LIHEAP assistance.



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

**Response to the CAC's  
Supplemental Interrogatories  
Dated September 27, 2007**

**Case No. 2007-00319**

**Question No. 3**

**Witness: Irv Hurst**

- Q-3. In response to Question No. 6, the Companies acknowledge that federal and state LIHEAP eligibility guidelines differ and that the Companies' proposal is to utilize federal eligibility guidelines for WeCare. In response to Question No. 10, the Companies state that they do not track the amount of assistance customers receive from other programs. If the Companies do not track the amount of assistance received from other programs, how will the Companies determine whether a customer who received LIHEAP benefits from a local agency had income above the federal guideline but below the state guideline, therefore making them ineligible for WeCare? Specifically, what coordination activities do the Companies propose in working with local organizations operating the Federal Weatherization Assistance Program? Have these activities been discussed with such agencies?
- A-3. In its response to Question No. 6, the Companies stated that the filing submitted to the Commission indicates that eligible households will be those at or below the then effective LIHEAP Federal Poverty Guidelines issued by the United States Department of Health and Human Services. The Companies further stated in the response to Question No. 6 that since our intent is to coordinate with the local Weatherization Assistance Programs that we believe the program should be operated using the same criteria as these agencies which is the then-effective income level guidelines approved by the Commonwealth of Kentucky. Customers receiving LIHEAP assistance under this scenario should automatically be eligible for WeCare services.

Please see the response to Question No. 2 regarding the Companies' proposed coordination activities.



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

**Response to the CAC's  
Supplemental Interrogatories  
Dated September 27, 2007**

**Case No. 2007-00319**

**Question No. 4**

**Witness: Irv Hurst**

- Q-4. In response to Question No. 6, it appears the Companies' plan for WeCare eligibility allows a maximum income of 150% of the Federal Poverty guidelines. The Council's request to the Companies in 2004 to increase the income guidelines from 125% to 150% received a response from the Company that WeCare's income guideline had already been increased to 150% for over a year. At that time, LIHEAP income guidelines were 110% and have since increased to 130%. What marketing or outreach was used in the past and is proposed for use in the new plan to reach the eligible participants that are not eligible for LIHEAP but eligible for the program? Since the Company has utilized, and the new plan outlines continuing to utilize, only the LIHEAP list to solicit customers how does any participant above 130% but below 150% receive services? How will the Companies certify eligibility for those participants? Were any customers with incomes above the Kentucky LIHEAP prevailing guidelines served with WeCare services in the present program? If so, please state the number of such customers for each program year, and break this down by county.
- A-4. The Companies have always qualified customers who are not receiving LIHEAP assistance at 125% of the federal poverty level under the existing program. The Companies have always accepted proof of LIHEAP assistance payments as automatic qualification for WeCare services which means since March 2006, when LIHEAP income eligibility was raised from 110 % to 130%, it is probable that some customers receiving LIHEAP assistance based upon income between 125% and 130% also received WeCare services. The Companies believe that this deviation is reasonable and appropriate as the difference in income is insignificant and processing all LIHEAP recipients through a second qualification procedure to eliminate those with an income between 125% and 130% would be inefficient use of resources.



The Companies do plan to continue using LIHEAP recipients to target program participants as it is a very cost effective method of outreach. The Companies will also continue to encourage and accept referrals (for customers with income of up to 150% of the poverty level under the new program) from agencies, organizations, and individuals representing low-income customers. Additionally, the Companies are planning to produce new printed materials which will be made available through Customer Service Centers and shared with low-income advocates and to significantly increase exposure and information on the Companies' website.

The entity selected as Program Administrator will take customers requesting WeCare services who have not received LIHEAP assistance through a qualification process similar to LIHEAP where documented proof of identity, address and household income will be required.



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

**Response to the CAC's  
Supplemental Interrogatories  
Dated September 27, 2007**

**Case No. 2007-00319**

**Question No. 5**

**Witness: Irv Hurst**

Q-5. In response to Question No. 7, the Companies respond that Summit Blue (SBC) evaluated the program by calculating energy savings achieved only from weatherization measures actually installed under the Companies' program. Please explain how the evaluator was able to know which program installed weatherization measures in a home? What coordination took place with organizations administering the Federal Weatherization Assistance Program and other programs so that the Companies and the evaluator would know which measures were provided by which program in those homes receiving benefits from more than one program? How many homes served by WeCare received benefits from other Weatherization programs? Please break down your answer by year and county.

A-5. All weatherization measures installed through the Companies' WeCare Program are recorded in a program database which is maintained by the implementation contractor. The program evaluator, Summit Blue Consulting (SBC) was provided access to the database for the evaluation. SBC's evaluation addresses only energy savings from measures installed through the Companies' program.

The Companies as part of the audit process observe any measures provided by other programs and take those into consideration in identifying appropriate measures to be provided under the WeCare Program. The Companies do not document and track measures installed under other programs.

Coordination under the existing WeCare Program with organizations administering the Federal Weatherization Assistance Program has been limited to informal communications and referrals. The Companies have frequent contacts with some of the Community Action Agencies and Councils and very limited contact with others.

As indicated in the response to Question No. 2, the Companies believe that improved communications would result in more effective services being provided by both the Companies' program and the Federal Weatherization Assistance Program and have begun taking steps to provide improved avenues of communication.



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

**Response to the CAC's  
Supplemental Interrogatories  
Dated September 27, 2007**

**Case No. 2007-00319**

**Question No. 6**

**Witness: Irv Hurst**

Q-6. Please refer to the Companies' response to Question No. 7. In conducting a detailed billing analysis to determine true savings under the WeCare program, how did the evaluator determine whether customer savings were a result of WeCare measures versus measures installed by other programs? For example, if a customer's bill declined by 20% and that customer received benefits from WeCare and the Federal Weatherization Assistance Program, how did the evaluator determine which percentage of the savings was a result of which program?

A-6. The detailed billing analysis is an exercise performed to estimate realization rates of engineering estimates applied to installed measures to calculate program savings. Program evaluation is not a perfect science and it would be impossible to eliminate all externalities. However, in order to minimize external influences such as intervention from other weatherization programs, customer initiated enhancements, equipment breakdowns and changes, and people moving in and out, the evaluator performs the billing analysis as quickly as reasonably possible following provision of services.

Collecting and evaluating data regarding measures installed by other entities would somewhat improve accuracy of evaluation results however, it would also result in higher program operation and evaluation costs. As indicated in the responses to Question No. 2 and No. 5, the Companies will be seeking improved communications and assuming the Federal Weatherization Assistance Program agencies are willing to share data, will work with the agencies and evaluator to improve the accuracy of program evaluations.



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

**Response to the CAC's  
Supplemental Interrogatories  
Dated September 27, 2007**

**Case No. 2007-00319**

**Question No. 7**

**Witness: Irv Hurst**

Q-7. In Response to Question No. 10, the Companies state that they do not track assistance that customers receive from other programs. If that is true, then how do the companies know which customers have already received benefits offered by the WeCare program from another external program such as the Federal Weatherization Assistance Program? How does the evaluator know which measures were provided by WeCare and which measures were provided by another program, thus influencing any savings?

A-7. Please see response to Question No. 6.





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

**Response to the CAC's  
Supplemental Interrogatories  
Dated September 27, 2007**

**Case No. 2007-00319**

**Question No. 8**

**Witness: Irv Hurst**

- Q-8. In Response to Question No. 21, the Companies state that contractors were not asked to disclose overhead costs. Is the current WeCare contractor paid a flat rate per home regardless of which measures are provided to that home? Would the contractor receive the full amount for a home if the auditor determined only minor, inexpensive measures remained to be done in that home?
- A-8. The contractors were not paid a flat rate per home. Under the current contract, services are broken into the separate components which are paid individually as utilized. The actual energy audit and customer education components were delivered and paid for all homes. Combustion testing for gas furnaces and water heaters was provided and paid for on homes having these natural gas appliances. Individual weatherization measures were paid based upon what was provided.



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

**Response to the CAC's  
Supplemental Interrogatories  
Dated September 27, 2007**

**Case No. 2007-00319**

**Question No. 9**

**Witness: Irv Hurst**

Q-9. In response to Question No. 10 the Companies state that they do not track assistance that customers receive from other, external programs. How do the Companies prevent duplication of services in such areas as energy education, and in direct installation of measures?

A-9. The Companies may not be in a position to completely prevent duplication of energy education related activities. However, the Companies believe that people learn through repetition and reinforcement of previously delivered energy efficiency messages increases the likelihood of the customer acting upon them.

As stated in the response to CAC's Interrogatories and Request for Production of Documents Question No. 11 dated August 15, 2007 and the response to Question No. 5 of these Supplemental Interrogatories, the energy auditor does observe energy efficiency measures previously installed as part of the audit process in order to avoid duplication of measures from other programs. Only measures that are needed are installed.



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

**Response to the CAC's  
Supplemental Interrogatories  
Dated September 27, 2007**

**Case No. 2007-00319**

**Question No. 10**

**Witness: Irv Hurst**

- Q-10. In response to Question No. 12, the Companies state they are developing a Request for Proposals to operate the WeCare program. How do the Companies plan to advertise the Request for Proposals to administer components of the WeCare program? As the Companies have stated several times their intent to coordinate with the organizations that administer the Weatherization Assistance Program, did the Companies consider contracting with those organizations in order to ensure coordination, reduce duplication of services, and, significantly reduce overhead by continuing services such as the audit and blower door tests?
- A-10. The Companies have compiled and preliminarily evaluated a list of potential implementation contractors identified through past experience, contacts with other utilities, trade associations and consultants, and plan to solicit proposals from this group. The Companies will not consider contracting with organizations outside the RFP process. The Kentucky Association for Community Action (KACA), the coordinating organization for Community Action Agencies and Councils throughout the state and CAC are included on that list and will be offered the opportunity to respond to that RFP.



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

**Response to the CAC's  
Supplemental Interrogatories  
Dated September 27, 2007**

**Case No. 2007-00319**

**Question No. 11**

**Witness: Irv Hurst**

Q-11. In response to Question No. 14, the companies provide a chart which illustrates that tier A participants comprise approximately 12% of the total participants served compared to the new plan which proposes to increase this percentage to nearly 42% of the total participants. Tier C is similar with the percent served at 56.5% of the total and the proposed Tier C participants comprising 25%. Tier B percentage remains relatively unchanged with percent served at 31% in the current program and the proposed number at 33%. What were the numbers of the original goals for each tier group separated for KU and LG&E? Also, in a 2004 request for modifications and revisions (see attachment) the Council requested increasing the quantity of Tier A customers and increasing the allowable cost spending limit of \$80 for Tier A customers. The Companies' response (see attachment) stated "Tier A participants yield the least opportunity for savings as they have the lowest initial usage however, they still generate the same fixed cost (for the audit and energy education) as the Tier B & C customers. Increasing the number of Tier A customers and/or the allowable cost per customer would result in the program failing the cost tests. We wish we could increase the numbers and amounts however; it would be jeopardizing the entire program which could result in no one receiving assistance." What results or findings support the Companies' reversal of this statement and conclude that spending \$200 on Tier A participants' houses will result in a greater savings than spending \$1,700 on Tier C participants' houses? Please provide copies of all supporting data and calculations.

A-11. Original Participation Goals: 2001-2007 (existing program):	<b>LG&amp;E</b>	<b>KU</b>
Tier A	327	164
Tier B	981	489
Tier C	2,344	1,145



The Companies are not claiming that spending \$200 on a Tier A participant's home will result in greater savings than spending \$1,700 on a Tier C participant's home. In 2004, CAC asked to increase the number of KU Tier A customers because they were having difficulty recruiting Tier C customers while some Tier A customers were not being served. The same situation exists at LG&E. The Companies did decline to change the mix in 2004 due to concerns regarding the overall program passing required cost tests. Based upon a recent program evaluation indicating that Tier A customers achieved significantly more energy savings than planned, this situation has changed. Program evaluation results indicate that Tier A participants achieved 13.5% kWh savings versus a goal of 2% kWh savings for LG&E and 10.1% kWh savings versus a goal of 2% kWh savings for KU. Please see evaluation data (Volume I, Section 3.0, pages 28 and 29). The Companies now agree that the number of Tier A customers can be increased with the program passing required cost tests.

Please note, the referred attachment was not included with CAC's request.



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**Question No. 12**

**Witness: Irv Hurst**

- Q-12. In Response to Question No. 17, the Companies provide a chart which indicates that the program is over achieving the planned completion goals by 8% to 13%. Has the budget been over expended? If budget is over expended, by what percentage and dollar amount? If the budget is not over expended, where were savings achieved in the program?
- A-12. Through July 2007 the program has operated under budget. The primary source of savings came from outside services which includes audits/education, customer intakes, combustion testing, installed measures and management fees. Additionally, significant savings were achieved in direct program labor, data processing, advertising and program evaluation.



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**Question No. 13**

**Witness: Irv Hurst**

Q-13. In response to Question No. 20, the Companies state that customers are “pro-actively” recruited for the program by flagging customers who receive LIHEAP benefits and providing lists to the contractor. How does the company know which customer’s accounts have received payment from LIHEAP, which customers accounts have received payment from a mix of programs, and which customers accounts have received benefits from programs other than LIHEAP? Since other programs have different eligibility requirements and the state and federal LIHEAP eligibility requirements differ, how do the Companies and contractor ensure these customers are actually income-eligible for WeCare?

A-13. Please see response to Question No. 1.



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**Question No. 14**

**Witness: Irv Hurst**

- Q-14. In response to Question No. 20, the Companies state that no "written agreements" exist with other outreach organizations. Do verbal or other forms of agreement exist? Please provide a list of all organizations in the KU territories with which a verbal or other outreach agreement exists. What communications have already taken place between the Companies and organizations such as those that administer the LIHEAP program about future outreach? Please provide an itemized list with the organization name, contact person, and date of contact.
- A-14. There are currently no agreements with other outreach organizations. Please see response to Question No. 2 for information regarding communications.





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**Question No. 15**

**Witness: Irv Hurst**

Q-15. In response to Question No. 21, the Companies state that contractors were not asked to disclose their overhead costs. How, then, can the Companies know that programs are operated at the lowest possible cost for ratepayers? Is it the position of the Companies that contractor overhead is not relevant to efficient program operations? Are the Companies unaware of the overhead costs for the Contractor operating in the WeCare program? For example, how do the Companies know what percentage of each line item is overhead and what percentage of funds are used for direct services?

A-15. The Companies answered Question No. 21 by breaking contractor costs into direct installed energy saving measures, energy audit costs (including combustion testing, energy education, and customer intake), and management fees. Management fees would be considered the contractor's overheads in that they cover program management and office expenses. CAC appeared to be asking the Companies to break out the contractor's labor into components such as direct labor rates, benefits, and to reveal the contractor's cost for purchase of materials, subcontracts, etc. The answer to Question No. 21 should have read that the Companies did not require the contractors to disclose these overheads. The RFP did in fact contain a worksheet requesting bidders to disclose their labor burdens. Some contractors including the successful bidder chose not to as they consider the information confidential and will not disclose it to their customers.

The Companies managed costs for ratepayers by competitively bidding this contract. Candidates submitted firm pricing for management fees and complete unit costs for energy audits, energy education, combustion tests, and for each weatherization measure to be installed through this program. The Companies fully understand appropriate costs incurred for energy savings measures, energy audits and the contractor's program management overheads.



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**Question No. 16**

**Witness: Irv Hurst**

Q-16. Question No. 22 asked the Companies what percentage of the total proposed annual budget for the low-income program was allocated for directly installed measures in participant homes. In response, the Company provided that 82% of costs are for Contractor Services to Customers. What percentage of the funds for Contractor Services to Customers will be spent on services provided to participants and their homes?

A-16. Direct services to participants consisting of energy audits, combustion testing, energy education and direct installation of energy efficiency measures constitute 90% of the Contractor Services to Customers budget. The remaining 10% is budgeted for scheduling and coordination of customer activities, maintenance of the program database and operation of the contractor's office.



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**Question No. 17**

**Witness: Irv Hurst**

Q-17. In response to Question No. 23, the Companies state that they did not budget per home costs in categories such as direct labor, materials, energy audits and intakes. How, then would the company know if only a small fraction of the per-home cost were spent on these primary functions of the WeCare program?

A-17. Each major component of the contractor's planned costs (energy audits, combustion testing, and energy education) has been budgeted on a unit cost basis as opposed to being broken into direct labor, materials, etc. Installation of each energy efficiency measure available under the program will also be bid on a unit cost basis with the budget being derived from measure limit amounts established by program guidelines.



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**Question No. 18**

**Witness: Irv Hurst**

Q-18. Please refer to the Companies' response to Question No. 25. At what point do customers give permission for their information to be disclosed to a third-party contractor? Please provide copies of the form used.

A-18. Because the program implementation contractor provides these services as an agent of the Companies, customer permission is not required. Of course, contractors are prohibited by contract language from inappropriately disclosing confidential information and from using the information for any purpose other than administration of the WeCare Program.

Customers electing to participate in the program are required to sign a permission slip authorizing the Companies (and their agents) to release information to WeCare Program referral agencies.





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**Question No. 19**

**Witness: Irv Hurst**

Q-19. In response to Question No. 26, the Companies state that non-quantified savings are not reflected in the WeCare program analysis. However, these non-quantified savings are referred to in Section 3.4, page 30 of the proposal as one of many justifications for the program. How, then, does the WeCare program determine that these non-quantified savings are not the result of other interventions?

A-19. In response to Question No. 26, and in Section 3.4, page 30 of the proposal, the Companies discuss non-quantified benefits. The term non-quantified savings is not used.

The Companies feel there is value in socializing all benefits a customer may derive by participating in a program even if the benefits are incidental. As the Companies stated in the response to Question No. 26, these non-quantified benefits are not reflected in the WeCare program analysis. The proposed program is cost effective from an energy efficiency perspective and would have been submitted even if there were no non-quantified benefits.



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**Question No. 20**

**Witness: Irv Hurst**

Q-20. Please see the Companies' response to Question No. 27. If no written agreements exist with agencies operating the federal Weatherization Assistance Program, how do the companies plan to ensure that a consolidated service is provided, when possible, as stated in the proposal?

A-20. The use of the term coordinated service in the proposal would have been more appropriate than the term consolidated service. It would be inappropriate to fully consolidate the service of this program and that of the Federal Weatherization Assistance Programs as many of these agencies assisting LG&E and KU customers also assist customers served by other utilities. Services by regulation under this program are limited to ratepayers who are paying for the program and consolidating programs presents a high risk of cross subsidization.

The Companies do believe that a high level of coordination with the Federal Weatherization Assistance Programs offers a significant opportunity to minimize redundancies and improve efficiency and services of both programs.

Please see response to Question No. 2 regarding improving communications and coordination of services.



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**Question No. 21**

**Witness: Irv Hurst**

- Q-21. How, as suggested in response to Question No. 28, will the Companies increase communications and information sharing with agencies that operate the Weatherization Assistance Program and other, similar programs? What specific activities are proposed? What assurance do the Companies have that these organizations are able to provide the necessary information?
- A-21. Please see response to Question No. 2 regarding improving communications and coordination of services. As part of the improved communication process, the Companies and agencies should work together to identify information that needs to be shared and to ensure that each entity captures and shares the appropriate data.



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**Question No. 22**

**Witness: Irv Hurst**

- Q-22. In response to Question No. 32, the Companies state that \$330,000 is budgeted for energy audits (including combustion testing and education) per year. With 1,200 completions per year budgeted this amount allows \$275 per unit. When the Council was a subcontractor from 2001 through December 2004, the allowable charge was \$153 per unit. What additions to the new plan for energy audits warrant this 80% increase in allowable charges? What data support the increase?
- A-22. The Companies' budgeted \$275 per unit for energy audits (including combustion testing, energy education and intake) by estimating future pricing based upon the latest contract (which was bid in 2004) and adding a component for increasing educational activity. The program will be competitively bid and will only be charged the actual contracted amount.





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**Question No. 23**

**Witness: Irv Hurst**

- Q-23. In response to Question No. 34, the Companies assert that the contractor will not be allowed to include administrative costs in the "Allowable Measure Cost" per home. In response to Question No. 21 the Companies stated that contractors were not asked to disclose overhead costs. Considering the response to Question No. 21, how will the Companies know whether administrative or overhead costs are built into the contractor's Allowable Measure Cost per home?
- A-23. The RFP for the WeCare contract will request the contractor's pricing to be broken into three categories, direct installed energy saving measures, energy audit costs (including combustion testing and energy education), and management fees (including overhead related items such as program management and office expenses.)



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**Question No. 24**

**Witness: Irv Hurst**

Q-24. Please see the Companies' response to Question No. 35. If contractor Honeywell's reports to the Company do not indicate which weatherization measures were performed by the company and which were performed by the subcontractor, how, then, can the Company know whether the contractor paid a subcontractor less than the Allowable Measure Cost per home and kept the difference for administrative or overhead expense?

A-24. The contracts between Honeywell and its subcontractors are private business matters and the Companies have no knowledge of their agreements. The Companies pay Honeywell an agreed upon amount (based upon a competitive bid) per allowable installed measure.



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**Question No. 25**

**Witness: Irv Hurst**

- Q-25. Please refer to the interrogatories and request for production of documents propounded by the Attorney General No. 18. In its response, the Companies state that homes are audited and evaluated for measures performed by other programs. In response to Interrogatory No. 10 propounded by Community Action Council, the Companies state that they do not track assistance provided to customers by other programs. If that assistance is not tracked, then how can the response to the Attorney General's question be correct?
- A-25. Both statements are correct. As indicated in response to Question No. 10 in CAC's Interrogatories and Request for Production of Documents dated August 15, 2007, the Companies do not formally record and document assistance provided by other programs. The Energy Auditor does however; observe any measures provided by other programs as part of the audit process in order to avoid duplicating those measures in developing a weatherization plan for the home as indicated in the response to Question No. 18 which was submitted by the Attorney General.