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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 Community Action Council's Interrogatories and Request for Production of Documents 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**

RECEIVED
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 COMMUNITY ACTION COUNCIL'S
INTERROGATORIES AND
REQUEST FOR PRODUCTION OF DOCUMENTS
DATED AUGUST 15, 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

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

**Response to the CAC's Interrogatories and
Request for Production of Documents
Dated August 15, 2007**

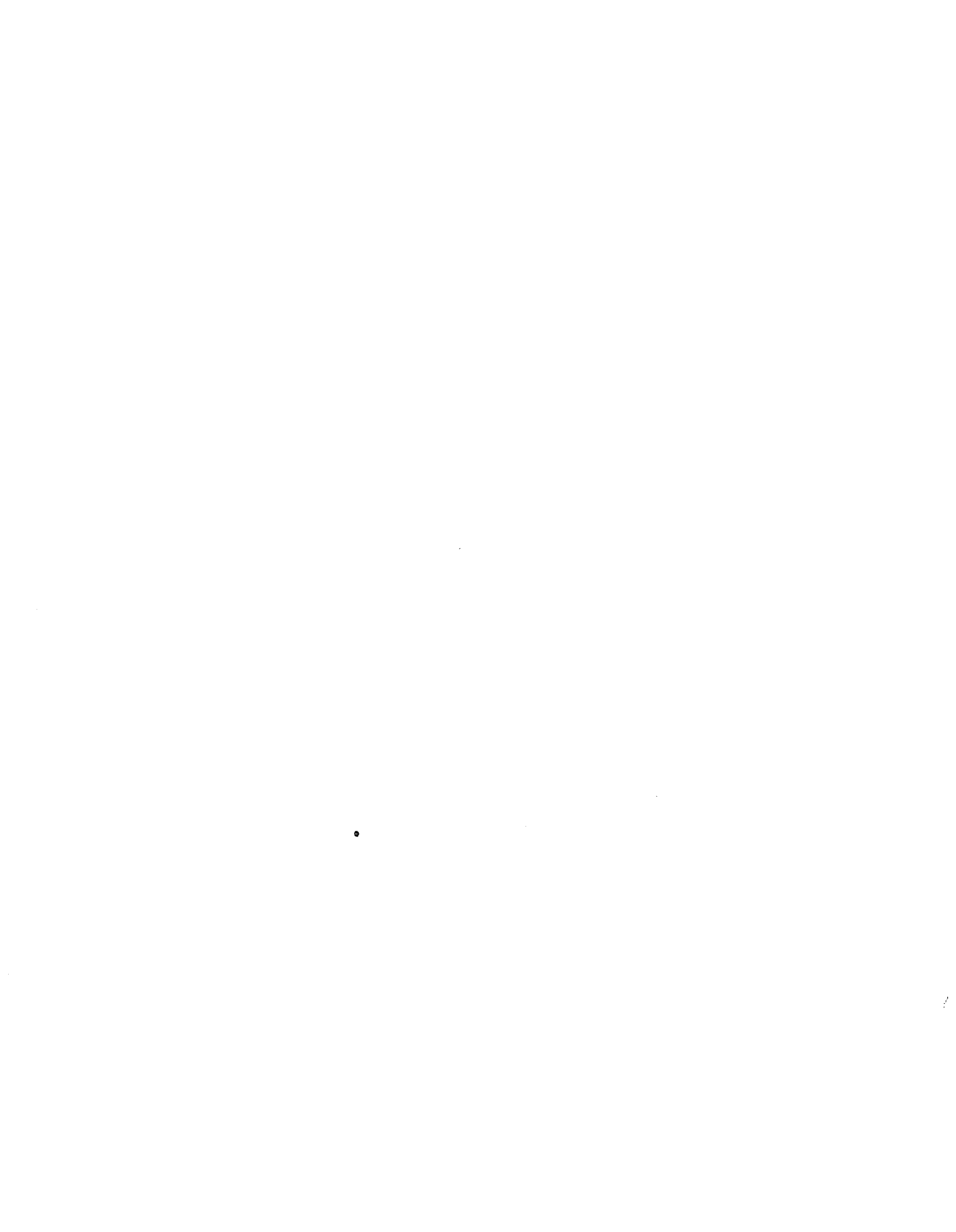
Case No. 2007-00319

Question No. 1

Witness: Irv Hurst

Q-1. What organizations have committed to do intakes for the Residential Low Income Weatherization Program?

A-1. The Companies are in the process of developing an RFP for contractors to administer the Residential Low Income Weatherization Program. No commitments have been solicited or made for intakes.



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Question No. 2

Witness: Irv Hust

Q-2. What knowledge and experience do those organizations have or will they be required to have in determining eligibility for low-income programming?

A-2. Respondents to the WeCare RFP will be required to describe their background, knowledge and experience with low-income programming along with references. The Companies will provide the selected contractor with specific guidelines to utilize regarding program eligibility.

Agencies currently administering LIHEAP may also be used to establish eligibility when practical.

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Question No. 3

Witness: Irv Hurst

- Q-3. What communications have been agreed to between organizations that provide LIHEAP and the Company regarding determination of LIHEAP eligibility?
- A-3. There are no written agreements between the Companies and organizations that provide LIHEAP regarding determination of LIHEAP eligibility. The Companies plan to conduct ongoing communications with organizations that assist low-income customers to identify those who may qualify for the program.

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Question No. 4

Witness: Irv Hurst

Q-4. Is the Company aware that payments received from Community Action Council and other organizations on behalf of low-income customers include funds from sources other than LIHEAP, including private and local government funds and that such other funds have different eligibility guidelines, often permitting an income threshold higher than that established for LIHEAP?

A-4. Yes

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Question No. 5

Witness: Irv Hurst

Q-5. Considering the above question, how does the company know in the current WeCare program whether an individual has received or is eligible for LIHEAP? How does the company propose to know this in the proposed Weatherization Program? Has the company reached an agreement with the 22 LIHEAP assistance agencies in its distribution area to certify eligibility for the low-income DSM program?

A-5. In the current WeCare program, the Companies' billing systems are designed to flag records of customers where the Companies have received LIHEAP payments on their behalf. Customers requesting weatherization services are compared to the billing system's records to determine if they have received LIHEAP. If they have, they are automatically eligible for weatherization services. If they have not, they must go through our intake process to become income qualified.

In the proposed program, the Companies plan to continue using LIHEAP payment information to identify eligible customers. Additionally, the Companies plan to work with the Kentucky Association for Community Action (KACA) and related agencies to share information in both directions, including LIHEAP lists and weatherization customer lists.

The Companies do not have any written agreements with LIHEAP assistance agencies to certify eligibility. This is an area in which the Companies anticipate and welcome on-going communications and collaboration with many entities to ensure the success of the program.

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Question No. 6

Witness: Irv Hurst

Q-6. Section 3.1 on page 27 of the Company's filing states 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. Does this mean that participants who meet the Federal guidelines but not the State guidelines are still eligible for the program?"

A-6. The filing submitted to the Commission indicated that eligibility will be based upon a customer's income level being at or below the then-effective LIHEAP Federal Poverty guidelines issued by the United States Department of Health and Human Services. Information provided by the Louisville Metro Department of Housing and Family Services (which operates the Weatherization Assistance Program for Metro Louisville) indicates that agencies within the state are servicing customers with maximum income of up to 150% of the then-effective LIHEAP Federal Poverty guidelines. This means that the program submitted by the Companies is more restrictive than the guidelines used by state agencies. It is possible that a customer may qualify for services under state agency guidelines but not under the Companies' proposed program. It would not be possible for participants to qualify under the Companies' program and not qualify under state agency guidelines.

The Companies' intent as stated in Section 3.4 on page 30 of the Application is to coordinate with the local Weatherization Assistance Programs to more effectively serve customers therefore; the Companies believe the program should be operated using the then-effective income level guidelines approved by the Commonwealth of Kentucky.

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Question No. 7

Witness: Irv Hurst

- Q-7. How did the program evaluation conducted by SBC through July 2006 ensure that energy savings created by the Federal Weatherization Assistance Program, or other weatherization programs, were not included in calculations of savings in homes that received benefits from multiple sources?
- A-7. Summit Blue (SBC) evaluated the program by calculating energy savings achieved only from weatherization measures actually installed under the Companies' program.

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Question No. 8

Witness: Irv Hurst

Q-8. Company spokespersons have stated that the SBC evaluation used engineered savings to determine estimated savings across the program. Since this program has been in effect in some form since 1994 and real data is available, what is the true savings per household? Why wasn't true savings used in the evaluation?

A-8. This program has not been in effect since 1994. The reference in the question may be to the "Energy Partners" program, which was discontinued in April 1998. The current program began operating in late 2001.

True savings were utilized in the evaluation. Engineering estimates utilized to determine program savings were verified by a detailed billing analysis of program participants performed by SBC. SBC determined that the program was achieving a realization rate of 92% of the engineering estimates for electric measures and 97% of the engineering estimates for gas measures. SBC adjusted the evaluation results to reflect the realization rates and therefore, true savings.

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Question No. 9

Witness: Irv Hurst

Q-9. Section 3.2 on page 29 states that "Through the education portion of the program, customers gain a better understanding of how to keep utility bills as low as possible through better energy usage habits." On what basis is that statement made? What evaluation data is available to show that customers have a better understanding? What measures ensured that understanding was not better due to other interventions such as the Federal Weatherization Assistance Program, REACH program, LIEHAP energy conservation counseling, or others?

A-9. Please see SBC's evaluation report in Volume III, Appendix H, pages 22 and 23. Customers were surveyed regarding the audit and energy education offered through the program and there were 742 respondents. SBC's findings from the surveys are as follows:

"When asked about the two or three most important lessons they learned from the WeCare education process, customers answered with a wide range of comments that indicated that they were paying attention to the process and learned something specific. The most common responses had to do with heating or air conditioning, with responses mentioning thermostats the most common with 42% of respondents who said something mentioning it (Table 3-3). One third of respondents who answered the question mentioned heating-related lessons and almost one third (27%) mentioned water-related lessons."

Table 3-3. Lessons Learned Topics

	N	Percent	Percent of Respondents
Thermostat	266	15.0%	42.4%
Heat	210	11.9%	33.4%
Water	170	9.6%	27.1%
Save energy or \$	166	9.4%	26.4%
Light	155	8.8%	24.7%
Filter	126	7.1%	20.1%
Temperature	89	5.0%	14.2%
Furnace	88	5.0%	14.0%
Insulation	75	4.2%	11.9%
Door (e.g., close door)	74	4.2%	11.8%
Window	68	3.8%	10.8%
Refrigerator	54	3.0%	8.6%
Bill	49	2.8%	7.8%
Vent	36	2.0%	5.7%
Close	31	1.8%	4.9%
Laundry	23	1.3%	3.7%
Freezer	22	1.2%	3.5%
Leak	21	1.2%	3.3%
Appliance	21	1.2%	3.3%
Air conditioning	20	1.1%	3.2%
Oven	5	.3%	.8%
Blower	2	.1%	.3%
Total	1771	100.0%	

As the evaluation report states, the surveys specifically asks participants what they learned from the WeCare education process. Simply put, other than surveying the participants, there is no practical way to measure the extent to which customers learned about weatherization from WeCare versus learning about it from other sources. However, the Companies are hopeful that participants learn about weatherization from numerous sources, including WeCare.. It seems intuitive that customers hearing a message more than once will have it reinforced and are more likely to understand and act upon a concept.

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Question No. 10

Witness: Irv Hurst

Q-10. Section 3.2 on page 29 states that the "Low Income Weatherization Program gives low-income customers who would otherwise not be likely to participate in Energy Efficiency programs an opportunity to do so." What percentage of WeCare participants also received benefits from the Federal Weatherization Assistance Program? From the REACH program? From other energy efficiency programs? How does the company know about customer participation in other programs?

A-10. The Companies do not track assistance customers receive from other external programs.

The statement referred to in this question is related to other energy efficiency programs to be offered by the Companies. Low income customers may not be able to afford fees for onsite energy audits, HVAC diagnostics/tune-ups or to purchase discounted compact fluorescent bulbs. Additionally, they may not be able to afford to implement recommended measures suggested by any of our programs. The statement was not referring to programs offered by other entities.

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Question No. 11

Witness: Irv Hurst

Q-11. How many homes received both WeCare and Federal Weatherization Assistance Program measures? How did the Company or its contractors track this?

A-11. The Companies do not track customers receiving Federal Weatherization Assistance Program measures. The WeCare auditor does observe what measures are already in place as part of the audit process which does factor in to the decision regarding what measures are provided under the WeCare program.

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Question No. 12

Witness: Irv Hurst

Q-12. Can you please detail the current and, if different, the proposed energy education portion of this program and identify the parties involved and their roles? How are education measures evaluated for effectiveness? What follow-up is conducted with participants to verify energy savings measures implemented and maintained as a result of education?

A-12. All Low Income Weatherization Program customers receive an educational booklet, cost savings worksheets and a written partnership agreement. Additionally, the WeCare auditor discusses the booklet and worksheets and explains to each customer how the energy savings concepts apply to their specific home and situation. The WeCare auditor and customer work together to complete the partnership agreement documenting what services will be provided by the program and specific steps the customer agrees to take to reduce energy consumption. The agreement is signed by both the customer and WeCare auditor with a copy being left for the customer's reference.

The printed educational materials are updated as needed however, the Companies are not planning any significant changes to the education process.

Follow-up with participants is conducted by survey. Please see the response to Question No. 9 for evaluation information related to customer education.

The Companies do not claim specific energy savings from education.

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Question No. 13

Witness: Irv Hurst

Q-13. What entities have agreed to conduct the energy audit, the energy education, and the home weatherization services for participants? If none, how will these entities be selected and how will the Company ensure quality and efficiency?

A-13. The Companies are in the process of developing an RFP for contractors to administer the Residential Low Income Weatherization Program. No commitments have been solicited or made at this time.

A national search will be made for qualified applicants and selection will be made through a competitive process of evaluated proposals. Quality and efficiency will be monitored through ongoing reporting mechanisms, frequent visits and inspections by energy efficiency personnel, customer surveys and independent evaluations. The evaluation contractor will assist with the development of measures for the RFP.

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Question No. 14

Witness: Irv Hurst

Q-14. What number of households and percentage of the total are being served in each tier of the current WeCare program?

A-14. January 2001 through July 2007:

	Participants	%
Tier A	770	13.1
Tier B	1,764	29.9
Tier C	3,364	57.0
Total	5,898	100.0

Expected Through December 2007:

	Participants	%
Tier A	770	12.5
Tier B	1,916	31.0
Tier C	3,490	56.5
Total	6,176	100.0

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Question No. 15

Witness: Irv Hurst

Q-15. Some families use very little electricity but large amounts of natural gas. How would a household's eligibility be affected if most usage was with a non-participating utility?

A-15. Participant eligibility is determined solely by income and whether or not the applicant is a customer of either LG&E or KU.

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Question No. 16

Witness: Irv Hurst

Q-16. In the WeCare program, how many participants have been served in the KU territory? How many in the LG&E territory?

A-16.

	Served January 2001 through July 2007	Expected Served through December 2007	Overall Program Goal
LG&E	4,213	4,329	3,652
KU	1,685	1,847	1,798
Total	5,898	6,176	5,450

**LOUISVILLE GAS AND ELECTRIC COMPANY
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Question No. 17

Witness: Irv Hurst

Q-17. What percentage of original goals were met for the number of participants in the WeCare program to be served in the KU territory and in the LG&E territory?

A-17.

	Served January 2001 through July 2007	Expected Served through December 2007	Overall Program Goal	% of Overall Goal through July 2007	% of Overall Goal through December 2007
LG&E	4,213	4,329	3,652	115.4%	118.5%
KU	1,685	1,847	1,798	93.7%	102.7%
Total	5,898	6,176	5,450	108.2%	113.3%

**LOUISVILLE GAS AND ELECTRIC COMPANY
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Question No. 18

Witness: Irv Hurst

Q-18. If goals were not met in either territory, what measures were taken to ensure rate payers in one territory were not subsidizing the program for the other territory?

A-18. Participation goals will be exceeded in each territory. Program costs and related recovery are tracked separately for LG&E and KU to ensure one entity is not subsidizing the other entity.

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Question No. 19

Witness: Irv Hurst

Q-19. If goals were not met in a territory, what additional marketing and recruitment measures are proposed to increase participation in that territory?

A-19. The Companies expect to exceed participation goals in each territory.

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Question No. 20

Witness: Irv Hurst

Q-20. Referencing Section 3.1 on page 27, how are potential participants "pro-actively contacted for participation in the program? Provide documents or reports on current efforts. Provide a copy of the outreach plan for the proposed program. Provide copies of any agreements reached with organizations that actively serve and interact with the target population.

A-20. As indicated in the response to Question No. 5, the Companies billing systems are designed to flag records of customers where the Companies have received LIHEAP payments in their behalf enabling generation of monthly lists which are provided to the WeCare contractor. The contractor utilizes them to contact these customers by phone to solicit program participants and schedule initial appointments. These lists are the only documents used to pro-actively identify potential participants. The lists contain customer contact, energy usage information, and due to confidentiality requirements, cannot be released.

As in the past, printed WeCare brochures will be updated and provided to churches and other civic organizations who may wish to make referrals to the program.

Since community need exceeds resources and the Companies historically exceed participation goals, a formal outreach plan is not needed.

There are no written agreements with other outreach organizations.

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Question No. 21

Witness: Irv Hurst

Q-21. For each of the years of the current KU WeCare program, provide the percentage and amounts of funds expended for 1) materials and labor for the direct installation of energy saving measures on participating households; and, 2) all other costs, including the company and its contractor(s) overhead.

A-21. The table below highlights program costs broken into two components, 1) costs of direct services provided to participants by the program contractor, and 2) other costs associated with operating the program. The measures cannot be installed without the energy audit as it determines which measures are needed and can be safely installed.

Data through July 31, 2007

Year	Contractor Services to Customers	% Contractor Services	All Other Program Costs	% Other Costs
2001	22,688	77%	6,883	23%
2002	97,273	63%	57,722	27%
2003	149,133	76%	46,710	24%
2004	399,897	91%	37,760	9%
2005	285,034	82%	62,687	18%
2006	838,561	94%	54,864	6%
2007	537,702	93%	42,098	7%
Totals	2,330,288	88%	308,724	12%

Contractor Services to Customers include:

Energy Saving Measures	\$ 1,725,839
Energy Audits (including combustion testing and education)	250,864
Management Fees	353,585
Total Contractor Services to Customers	\$ 2,330,288

All other costs include:

Program Evaluation	\$ 100,032
Direct Program Labor & Miscellaneous Expenses	208,692
Total Other Costs	\$ 308,724

Contractors' cost proposals were reviewed on a total cost basis. They were not asked to disclose their overheads.

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Question No. 22

Witness: Irv Hurst

Q-22. What percentage of the proposed total annual budget is directly installed weatherization measures in participant homes? Specifically, this refers to directly installed materials and labor to install materials.

A-22. 82% of the proposed budget is established for Contractor Services to Customers which includes the following:

- Energy Saving Measures
- Energy Audits (including combustion testing and education)
- Management Fees

18% of the proposed budget is established for all other costs, which includes the following:

- Program Evaluation
- Direct Program Labor and Miscellaneous Expenses

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Question No. 23

Witness: Irv Hurst

- Q-23. For each tier, what percentage of the total cost per home paid to the contractor or subcontractor falls within each of these categories: Direct labor? Materials? Energy Audits? Education? Intakes? Invoicing and billing? All other costs, including overhead?
- A-23. This data is not available. The Companies did not budget based upon the categories listed in the question. Additionally, some components are budgeted by tier while others are not.

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Question No. 24

Witness: Irv Hurst

Q-24. If any of the above referenced categories are not included in the cost per home provided Section 3.4 on page 30, then where in the budget are these charges found and what percentage of the total annual budget do they represent?

A-24. Please see response to Question No. 23.

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Question No. 25

Witness: Irv Hurst

Q-25. What measures are taken in WeCare to ensure that solicited customers have given permission for their records to be reviewed by and/or shared with a third-party contractor?

A-25. 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.

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Question No. 26

Witness: Irv Hurst

- Q-26. Section 3.4 on page 30 states that "Non-quantified benefits include arrearage reductions, reduced disconnections, and improved health and safety conditions." How will the program ensure that these benefits were not the result of participation in the Federal Weatherization Assistance Program, other weatherization programs, or the company's own Home Energy Assistance (HEA) program?
- A-26. The Companies do not track customers participation in other programs. These benefits are not quantified savings and not reflected as savings in the WeCare program analysis.

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Question No. 27

Witness: Irv Hurst

Q-27. Section 3.4 on page 30 states that "When possible, a consolidated service is provided by coordinating with the local Weatherization Assistance Program ("WAP") and/or other available funding sources..." Which local Weatherization Assistance Program operators have agreed to coordinate with this Low Income Weatherization Program?

A-27. There are currently no written agreements in place with any agencies.

Please see response to Question No. 28.

**LOUISVILLE GAS AND ELECTRIC COMPANY
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Question No. 28

Witness: Irv Hurst

Q-28. Can you describe coordination that has existed to date between the company's WeCare operators and contractors and local federal Weatherization Assistance Program providers?

A-28. The Companies have communicated and shared information and referrals with agencies; prospectively, however, there is a significant opportunity to improve quality and efficiency of services provided by this program and the various agencies by increasing communications and multidirectional sharing of information and services provided. The Companies plan to initiate communications and expects to increase the coordination in this area.

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Question No. 29

Witness: Irv Hurst

Q-29. Has the implementation contractor been determined? If yes, please identify the implementation contractor. If not, how will the contractor be selected? How will the Company ensure the contractor is a qualified, experienced operator of low income weatherization programming?

A-29. The implementation contractor has not been determined. The implementation contractor will be selected through a competitive bid process. The Companies will utilize multiple sources such as other companies with similar programs, evaluation contractors, trade associations, etc. to identify candidates. Respondents to the RFP will be required to provide a description of their background related to all aspects of their knowledge and experience with low-income programming along with references.

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Question No. 30

Witness: Irv Hurst

- Q-30. Section 3.5.1 on age 31 identifies records to be kept and reported by the contractor but does not require the contractor to track or report other measures provided to the home. Given that requirement, how will the program be able to distinguish which benefits were the result of which intervention?
- A-30. Section 3.5.1 is a general description of contractor responsibilities. It was not intended to be a full scope of contract specifications. Data to be collected for evaluation will be developed jointly by the Companies and evaluation contractor and will be included as an implementation contractor requirement.

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

**Response to the CAC's Interrogatories and
Request for Production of Documents
Dated August 15, 2007**

Case No. 2007-00319

Question No. 31

Witness: Irv Hurst

Q-31. Can you specifically describe energy education activities in the WeCare program to date? As proposed?

A-31. See response to Question No. 12.

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

**Response to the CAC's Interrogatories and
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Dated August 15, 2007**

Case No. 2007-00319

Question No. 32

Witness: Irv Hurst

Q-32. Using the chart in Section 3.3.1 on page 29 that projects participation and the chart in section 3.4 on page 30 that lays out Allowable Measure Cost per Tier, the Council constructed the following breakdown of direct costs for the program?

	LG&E	KU	Total	Cost per Home	Total
Tier A Customers	250	250	500	\$200	\$100,000
Tier B Customers	200	200	400	\$750	\$300,000
Tier C Customers	150	150	300	\$1,700	\$510,000
Total Customers/Cost	600	600	1,200		\$910,000

As the chart above shows, \$910,000 would be available for direct installation of Allowable Measures. The proposed 2008 budget for this program is \$1,728,665. If direct weatherization measures account for 52.6 percent of program expenditures, what other costs are included in the remaining 47.4 percent of the budget?

A-32. Contractor Services to Customers include: (80% of program budget)

Energy Saving Measures	\$ 910,000
Energy Audits (including combustion testing and education)	330,000
Management Fees	144,000
Total Contractor Services to Customers	\$ 1,384,000

All other costs include: (20% of program budget)

Program Evaluation	\$ 113,090
Direct Program Labor & Miscellaneous Expenses	231,575
Total Other Costs	\$ 344,665

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

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Case No. 2007-00319

Question No. 33

Witness: Irv Hurst

Q-33. The proposed Annual Budget in section 3.6, page 32 includes a line for \$1,384,000 for "Outside Services/Audits." If, as shown in the chart above, direct allowable measures account for up to \$910,000 of that line, what other costs are included with the remaining 32.5 percent of that budget line?

A-33. Contractor Services to Customers include: (80% of program budget)

Energy Saving Measures	\$ 910,000
Energy Audits (including combustion testing and education)	330,000
Management Fees	144,000
Total Contractor Services to Customers	\$ 1,384,000

The measures cannot be installed without the energy audit as it determines which measures are needed and can be safely installed. The combination of Energy Saving Measures and Energy Audits total \$1,240,000, leaving approximately 10% of the line item in Other Costs.

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

**Response to the CAC's Interrogatories and
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Case No. 2007-00319

Question No. 34

Witness: Irv Hurst

Q-34. Will the contractor be allowed to include administrative costs in the "Allowable Measure Cost" per home specified in the chart in section 3.4, page 30?

A-34. No.

**LOUISVILLE GAS AND ELECTRIC COMPANY
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**Response to the CAC's Interrogatories and
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Case No. 2007-00319

Question No. 35

Witness: Irv Hurst

Q-35. Community Action Council was a subcontractor in the WeCare program beginning in 2001 and through May 2004. From January 2004 through May 2004, contractor Honeywell accepted invoices from the Council for Weatherization measures provided to 22 homes in the KU service territory at a cost per home of \$844 and a total cost of \$20,756. During that same time, KU reported that 21 homes were served in that same area at a cost per home of \$5,830 and a total cost of \$122,427. Can you explain why one fewer home was reported as being served? Can you explain what services were provided to those homes other than those services provided by Community Action Council? Can you provide detailed charges about the additional \$4,986 spent per home? How much was paid to contractor Honeywell for the 22 homes served by the Council from January 2004 through May 2004? What services did contractor Honeywell provide for those participants? The chart attached as Appendix A is for reference in answering these questions.

A-35. The Companies examined the documents provided to Advisory Group members at the meeting on June 15, 2004 and found an error in the number of LG&E and KU WeCare participants. During this 5 month period the Companies processed payments for 115 WeCare participants from KU. This total includes 38 participants that were actually completed in late 2003 but not paid for or counted until early 2004. The reported expenditures of \$122,427 were correct. The 115 homes were actually served at an average cost of \$1,064 per participant. Community Action Council was a subcontractor for the Lexington/Fayette County area only with Honeywell performing the work on KU participants outside this area.

The Companies' contract is with Honeywell and reports do not include what weatherization work Honeywell actually performed versus what they subcontracted out.