PPL companies

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

RECEIVED

JUN 15 2011

PUBLIC SERVICE
COMMISSION

LG&E and KU Energy LLC
State Regulation and Rates
220 West Main Street
P.O. Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

Rick E. Lovekamp
Manager Regulatory Affairs
T 502-627-3780
F 502-627-3213
rick.lovekamp@lge-ku.com

June 15, 2011

RE: ***Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Existing, and Addition of New, Demand-Side Management and Energy-Efficiency Programs* - Case No. 2011-00134**

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and ten (10) copies of the response of Louisville Gas and Electric Company and Kentucky Utilities Company to the Attorney General's Initial Data Request dated June 1, 2011, in the above-referenced matter.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Rick E. Lovekamp

Rick E. Lovekamp

cc: Parties of Record

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY FOR REVIEW, MODIFICATION, AND CONTINUATION OF EXISTING, AND ADDITION OF NEW DEMAND-SIDE MANAGEMENT AND ENERGY-EFFICIENCY PROGRAMS	))))))	 **CASE NO.** **2011-00134**

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY
TO THE ATTORNEY GENERAL'S INITIAL DATA REQUESTS
DATED JUNE 1, 2011

FILED: June 15, 2011

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Michael E. Hornung**, being duly sworn, deposes and says that he is Manager of Energy Efficiency Planning & Development for LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Michael E. Hornung
Michael E. Hornung

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 15th day of June 2011.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2014

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates for Louisville Gas and Electric Company and Kentucky Utilities Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Lonnie E. Bellar

Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 15th day of June 2011.

Tammy J. Elzy (SEAL)
Notary Public

My Commission Expires:

November 9, 2014

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Attorney General's Initial Data Requests
Dated June 1, 2011

Case No. 2011-00134

Question No. 1

Witness: Michael E. Hornung

Q-1. Reference the petition, paragraph no. 7, wherein the Joint Applicants state that to date, the existing DSM programs have produced cumulative energy savings of 207,900 MWh, 4 million CCF, and a cumulative demand reduction of 182 MW. For each measure of savings, provide the source in the petition in which these savings are discussed in detail, and provide worksheets quantifying and supporting these conclusions.

A-1. The savings are not discussed elsewhere in the petition. Details of the reductions are provided below. Energy savings has been updated to be approximately 206,000 MWh at the end of 2010.

Energy Reductions - Actuals (MWh)	2007 & Prior	2008	2009	2010	Program thru 2010
Commercial HVAC	-	-	35	4	40
Residential HVAC	-	-	476	357	833
Residential WeCare	11,354	2,332	2,417	1,617	17,720
Residential Audit	8,909	1,060	734	1,153	11,856
Residential Construction	-	-	360	4,013	4,373
Residential Lighting	-	731	34,590	78,304	113,625
Commerical DLC	-	7	131	(0)	137
Commercial Audit	17,510	1,875	2,154	31,819	53,357
Residential DLC	-	1,303	2,948	(208)	4,043
Total	37,773	7,307	43,845	117,058	205,983

The 2010 demand reductions reported in the table below include the elimination of the controllable thermostats, which accounted for 14 MW, so the netting value is 27.9 MW for the year.

Demand Reductions - Actuals (MW)	2007 & Prior	2008	2009	2010	Program thru 2010
Commercial HVAC	-	-	0.0	0.0	0.0
Residential HVAC	-	-	0.2	0.2	0.4
Residential WeCare	-	0.3	0.3	0.2	0.7
Residential Audit	-	0.5	0.3	0.3	1.0
Residential Construction	-	-	0.4	1.6	2.0
Residential Lighting	-	0.1	2.6	5.8	8.4
Commerical DLC	3.8	0.1	0.7	0.4	5.0
Commercial Audit	4.0	0.5	0.5	11.9	16.8
Residential DLC	118.0	7.4	14.1	7.6	147.0
Total	125.8	8.8	19.0	27.9	181.5

Natural Gas Reductions - Actuals (CCF)	2007 & Prior	2008	2009	2010	Program thru 2010
Commercial HVAC	-	-	-	-	-
Residential HVAC	-	-	-	-	-
Residential WeCare	1,100,644	223,224	225,358	171,464	1,720,690
Residential Audit	-	-	12,494	92,696	105,190
Residential Construction	232,576	36,444	22,859	18,916	310,795
Residential Lighting	-	-	-	-	-
Commerical DLC	-	-	-	-	-
Commercial Audit	(1,073,775)	(120,305)	(170,553)	(195,990)	(1,560,623)
Residential DLC	1,130,850	1,130,850	1,130,850	-	3,392,550
Total	1,390,296	1,270,214	1,221,008	87,086	3,968,603

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Attorney General's Initial Data Requests
Dated June 1, 2011

Case No. 2011-00134

Question No. 2

Witness: Lonnie E. Bellar

Q-2. Regarding par. 17 of the petition, state how the companies to date have accounted for capital expenditures used to advance energy efficiency, which costs the companies now for the first time seek to recover through a "DSM Capital Cost Recovery ["CCR"] ." Provide quantifications as needed.

A-2. To date, the Companies have expensed all of the DSM/EE program costs for regulatory recovery purposes, but the Companies believe it is more appropriate to record the costs of the load-control switches and programmable thermostats as capital costs for regulatory recovery purposes under the DSM mechanism because these devices have useful lives of more than one year.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Attorney General's Initial Data Requests
Dated June 1, 2011

Case No. 2011-00134

Question No. 3

Witness: Michael E. Hornung

Q-3. Reference the Bellar testimony, p. 8, in which Mr. Bellar states the load control switches and programmable thermostat devices have lives of over one year. Provide the average expected lives for both devices.

A-3. The average expected lifetime for load-control switches and programmable thermostats is estimated to be ten to fifteen years. The book depreciation life of load control switches and programmable thermostats for LG&E is eight years and fourteen years for KU.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Attorney General's Initial Data Requests
Dated June 1, 2011

Case No. 2011-00134

Question No. 4

Witness: Lonnie E. Bellar

Q-4. The companies previously were forced to withdraw a DSM offering of programmable thermostats due to a potential product defect which may have led to one or more home fires. State how the companies accounted for any losses incurred as a result of having to remove and replace the potentially defective products, and indicate how the companies accounted for any such losses. Is the request for approval of a CCR an attempt to collect the companies' losses associated with the potentially defective products?

A-4. In December 2009, the Companies were made aware of a small house fire in the LG&E service territory that resulted in limited property damage and no personal injury. Based on this incident and other examinations, the Companies decided to err on the side of caution and issued a letter to affected customers in January 2010 that provided information on how to schedule an appointment for a replacement thermostat.

In 2010, the Companies identified 13,986 thermostats that had been deployed for demand and energy reduction under the 2008 DSM approved Demand Conservation Program. As of December 31, 2010, 13,052 thermostats had been removed due to customer safety concerns. The Companies intend to remove the remaining thermostats in 2011. The 2010 thermostat cost of removal in the amount of $1,940,300 (total for the Companies) was included in the DSM Cost Recovery ("DCR") component of the balancing adjustment. For the calculation of the DSM Incentive ("DSMI") and the DSM Revenues from Lost Sales ("DRLS"), the 2010 thermostat expense applicable to each company was not included in the total DCR amount. This assures no incentive or lost sales were associated with the thermostat removal expense.

The request for the DSM Capital Cost Recovery ("DCCR") component is not an attempt to collect any expenses associated with the safety issue noted above. The request for the DCCR is to allow the Companies to the recovery of capital investments and for a fair, just, and reasonable return on those investments.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Attorney General's Initial Data Requests
Dated June 1, 2011

Case No. 2011-00134

Question No. 5

Witness: Lonnie E. Bellar

Q-5. Regarding the companies' proposed CCR, is it not accurate to say that if the proposal is approved as filed, the companies under the funding mechanism would recover 10.5% ROE for capital expenditures under the Residential and Commercial Load Management / Demand Conservation Program, and then would receive an additional 10.5% ROE under the overall DSM cost recovery mechanism? If the companies would not recover a double award of ROE, explain in complete detail how this would not be so, and provide quantifications.

A-5. It is not accurate to say the Companies would recovery a double award of ROE because the Companies do not presently, and would not under the proposed revision to the DSM Cost Recovery Mechanism, earn a 10.5% ROE for all DSM/EE expenditures; rather, the Companies propose to revise the DSM Mechanism to include a new component, DSM Capital Cost Recovery ("DCCR"), to allow the Companies to recover, and to earn a return on, capital investments made for DSM/EE programs. Currently, the Companies' Residential and Commercial Load Management/Demand Conversation Program ("Load Control Program") is the only program that would include a capital component. The DSM Cost Recovery Mechanism is a means to recover all applicable costs related to DSM/EE programs the Commission approves, and the Companies propose to add the DCCR as an element to account for any capital expenditures. Each program's costs are recovered through the DSM Cost Recovery Mechanism and are not double-counted.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Attorney General's Initial Data Requests
Dated June 1, 2011

Case No. 2011-00134

Question No. 6

Witness: Michael E. Hornung

Q-6. Reference the Hornung testimony, p. 20, discussing the proposed Tier 2 and Tier 3 Incentives under the Home Energy Performance Program. Provide the basis for how the companies decided on allowing $500 for a Tier 2 incentive, and $1,000 for a Tier 3 incentive.

A-6. The incentive values were developed with consideration of the balance between (1) typical investment costs for energy efficiency improvements necessary to achieve program savings goals and (2) ensuring that the program remained cost-effective. Energy and demand savings associated with Tiers 2 and 3 will require investment by the customer above the incentive levels. The Company evaluated various levels of incentives to encourage customer participation while ensuring the program passed the California Standard Practice Manual cost-benefit analysis.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Attorney General's Initial Data Requests
Dated June 1, 2011

Case No. 2011-00134

Question No. 7

Witness: Michael E. Hornung

Q-7. Regarding the residential refrigerator removal program, clarify whether the incentives offered therein are for removal only, or whether the incentive is applied upon the purchase of a new replacement unit.

A-7. Incentives are provided for removal of working refrigerator or freezers only. Please see response to KPSC Question No. 1-18 for more information.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Attorney General's Initial Data Requests
Dated June 1, 2011

Case No. 2011-00134

Question No. 8

Witness: Michael E. Hornung

Q-8. Regarding the companies' residential high-efficiency lighting program, provide the results of any and all customer satisfaction surveys regarding the brightness of the CFL bulbs which the companies provide. How does the company know the bulbs are actually being used?

A-8. The Companies currently do not have any customer satisfaction surveys regarding the brightness of the CFL bulbs or installation.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Attorney General's Initial Data Requests
Dated June 1, 2011

Case No. 2011-00134

Question No. 9

Witness: Michael E. Hornung

Q-9. Regarding the commercial program, the ICF report at p. 30 recommends recruiting small commercial customers through unique marketing efforts, and utilization of real-time pricing. Describe any plans the companies may have to implement this recommendation.

A-9. The Companies are exploring options to increase participation in the Commercial Demand Response Program. Existing devices utilized for the Program do not allow for two-way communication, yet such communication is the key to success in incorporating real-time-pricing demand response. One option currently under review is automated demand response, which allows for real-time control via a communications gateway installed at a commercial customer's facility and utilizing equipment controllers. Additionally, the Companies are concluding a three year study on smart metering and real-time pricing (Case 2007-00117) and the results are expected to be provided to the Commission by June 30, 2011. The Companies look to continue the study of various technologies and opportunities related to automated demand response.