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

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July 11, 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 Commission Staff's Second Information Request dated June 28, 2011, in the above-referenced matter.

Also, enclosed are an original and ten (10) copies of a Petition for Confidential Protection for certain information requested in Commission Staff's Question No. 2-17(a).

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

Sincerely,

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)	CASE NO.
COMPANY FOR REVIEW, MODIFICATION, AND)	2011-00134
CONTINUATION OF EXISTING, AND ADDITION OF NEW)	
DEMAND-SIDE MANAGEMENT AND ENERGY-)	
EFFICIENCY PROGRAMS)	

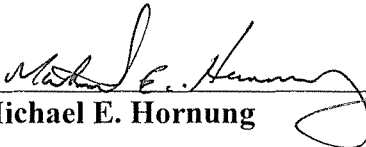
RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
AND
KENTUCKY UTILITIES COMPANY
TO THE COMMISSION STAFF'S
SECOND INFORMATION REQUEST
DATED JUNE 28, 2011

FILED: July 11, 2011

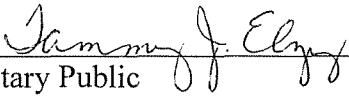
VERIFICATION

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

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 8th day of July 2011.

 (SEAL)
Notary Public

My Commission Expires:

November 9, 2014

VERIFICATION

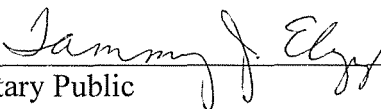
COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

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

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 8th day of July 2011.

 (SEAL)

Notary Public

My Commission Expires:

November 9, 2014

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Commission Staff's Second Information Request
Dated June 28, 2011

Case No. 2011-00134

Question No. 1

Witness: Michael E. Hornung

- Q-1. Refer to Exhibit MEH-1, Volume 1, pages 19 through 24, of the Companies' April 14, 2011 application ("Application") as to the proposed enhancement of the Residential and Commercial Load Management/Demand Conservation Program. On page 22, customer incentives are monetary and non-monetary. A monetary mechanism is the incentive value range beginning at \$20 per year and increasing to a maximum benefit of \$40 per year. Non-monetary incentives include I-tune cards, Wal-Mart gift certificates, or prepaid VISA cards.
- a. What determines whether a customer receives \$20 per year or the maximum \$40 per year? Explain.
 - b. Will existing customers who are receiving a \$20 per-year incentive be able to receive the maximum \$40 per-year incentive? Explain.
 - c. Can a customer receive more than one non-monetary incentive and what is the value of the non-monetary incentives? Explain.
 - d. On page 23 in the discussion of the multi-family option, how will any monetary incentive be split between the property owner and the tenant? Explain.
 - e. Will the proposed additional program manager be utilized for residential, commercial, or split between the two? Explain.
 - f. What will the annual compensation and benefits be for the proposed additional program manager? Explain.
 - g. The program name is Residential and Commercial Load Management/Demand Conservation. Is there any enhancement applicable to commercial customers? Explain.
- A-1.
- a. The Companies have requested flexibility in determining the actual customer incentives throughout the proposed seven-year period. Initial incentive budget levels outlined

within this filing were modeled based on one approach. As this program continues to achieve high market saturation, the Companies are requesting that the incentives not be explicitly defined to allow for flexibility in achieving the program participation goals. The Companies will create an annual incentive plan prior to each calendar year that will outline the actual budget and incentives to be deployed. Existing and new customers will receive the same per device monthly incentive for that year.

- b. The Companies plan to ensure equitable treatment of existing and new customers. The Companies plan to evaluate the incentive structure to further increase market penetration. As customer satisfaction will continue to play a large role in the success of this program, incentives for existing programs will be addressed in the annual incentive plan referenced in response a above.
- c. The Companies plan to ensure that the monetary and non-monetary incentives are equitable. The actual incentive plan will be created on an annual basis for that year's incentive based on market saturation and program goals and budget. All customers will be permitted one incentive per controlled device.
- d. The incentives are split 50/50 between the landlord and renter. Renters receive a monthly bill credit and landlords receive a check after the control season has ended.
- e. The additional program manager will be split between the residential and commercial programs. The budgeted split is 85% residential and 15% commercial.
- f. The budgeted burdened labor for the program manager is \$164,540 in 2011 dollars.
- g. The incentive changes will be applicable to commercial customers as well. As customer satisfaction will continue to play a large role in the success of this program, incentives for programs will be addressed in the annual incentive plan referenced in the response a.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 2

Witness: Michael E. Hornung

Q-2. Refer to Exhibit MEH-1, Volume I, page 29, of the Companies' Application as to the proposed enhancement of the Commercial Conservation (Energy Audits)/Commercial Incentives Program. Under 2.7 Customer Incentives, "the maximum annual incentive permitted will be \$50,000 per facility. However, the Companies will permit commercial customers to receive multi-year incentives in a single year where such multi-year incentives do not exceed the aggregate amount of \$100,000 per facility and no incentive was provided in the immediately preceding year."

- a. Explain what a commercial customer might do to receive the maximum annual incentive of \$50,000.
- b. Explain what a commercial customer might do to receive the multiyear incentive of \$100,000 per facility.
- c. In footnote 17 at the bottom of page 29, there is a comment that, where appropriate, one customer might be entitled to more than one rebate. Explain.
- d. Will the proposed multi-year incentive enhancement affect the DSM commercial rate as compared to the current DSM commercial rate? Explain.

A-2.

- a. The customer may choose to install a multitude of rebated equipment including lighting, motors, pumps, and air conditioning equipment. In the University of Louisville, University of Kentucky, and Eastern Kentucky University among others most recent rebate included a number of facilities that reached the Companies' annual \$50,000 cap through installation of retrofits to lighting, motors, variable-frequency drives and chillers.
- b. The customer may choose to install a multitude of rebated equipment including lighting, motors, pumps, and air conditioning equipment. Generally, the customer may do the same types of energy efficiency equipment retrofits as identified in part a above, on a more aggressive energy efficiency strategy and/or a larger facility. The

- combined \$100,000 is included in the application because commercial customers with large facilities who make sizeable investments do not plan annual projects for the same facility. Consequently, the limit of \$50,000 for one year proved not to be a large enough incentive for those companies with these larger projects. The multi-year incentive is designed to incent larger commercial customers such as state universities and multi-state commercial customers/national accounts.
- c. The \$50,000 and \$100,000 limits pertain to a facility. A facility is not defined by the number of meters a customer may have, but rather any building or property that is owned, operated, leased, licensed, or used by the same customer. As such a customer may have multiple facilities serviced under one meter. Each of these individual facilities would be eligible for incentives on its own.
 - d. The annual incentive budget is unchanged. The overall program budget has increased slightly to incorporate the evaluations and administration associated with the custom incentives.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Commission Staff's Second Information Request
Dated June 28, 2011

Case No. 2011-00134

Question No. 3

Witness: Michael E. Hornung

- Q-3. Refer to Exhibit MEH-1, Volume I, pages 32 through 36, of the Application concerning the proposed enhancement of the Residential Conservation/Home Energy Performance Program. This program is designed to help customers reduce costs within the home using online or on-site energy audits. The enhanced program is structured to encourage residential customers to reduce energy usage by a targeted 10 percent and the customer will receive performance-driven incentives for an additional 10 and 20 percent in energy savings. Additional savings will be verified by a test out. A test out is the follow-up evaluation, measurement, and verification process completed with a customer to ensure that the recommended energy efficiency measures have been installed correctly and to ensure that the customer will receive the targeted energy reduction. This program would be open to all residential customers with new homes that are at least three years old.
- a. What type of installations will be put in place to achieve a targeted 10 percent energy saving in the Tier One On-Site Audit? Explain.
 - b. How will the Companies know that the 10 percent, Tier One On-Site Audit, targeted energy savings have been achieved, if a test out is performed after the installations have occurred? Explain.
 - c. How will the Companies know that the additional 10 percent, Tier Two On-Site Audit Incentive, and 20 percent, Tier Three On-Site Audit Incentive, targeted energy savings have been achieved, if a test out is performed after the installations have occurred? Explain.
 - d. Explain whether the Companies considered a test before the installations, such as a blower door test, be performed before any installations are done in the On-Site Audit? Include in the explanation whether the 10 percent, additional 10 percent, and additional 20 percent targeted energy savings are reasonably attainable goals.
 - e. Section 3.3 states that the program is open to all residential customers with a new home at least three years old. Explain what is meant by a new home at least three years old.

- f. Are there additional IT costs due to the proposed program enhancements? If the answer is yes, explain how these proposed costs will be used.

A-3.

- a. Tier 1 is similar to the current residential audit and will incorporate a blower door test, installation of measures, and an educational component. The installed measures may include air sealing, weather stripping, low flow shower heads, faucet aerators, water heater blankets, and compact fluorescent light bulbs.
- b. The audit commences with a blower door test followed by the installation of measures. Once the installation of measures is complete, the installer performs another blower door test to determine the energy savings by taking the difference between the pre- and post-installation readings.
- c. The Company will retain the post-audit initial score for each residence. This will provide the base score to be compared for Tier 2 and Tier 3.
- d. Please refer to the response to part b above. The additional Tier-2 10% and an additional Tier-3 10% savings are reasonably attainable goals in homes targeted for this program. The total savings for homes who implement measures in all three tiers is 30%. Newer homes will likely have less opportunity for savings compared to older homes.
- e. The word “new” should have been omitted. The sentence should state: “The program will be open to all residential customers with homes that are at least three years old.”
- f. If the proposed program redesign is approved, some of the IT expense will be related to providing Tier 2 and Tier 3 the ability to enroll in the next level of Tier services, request appointments, and review original audit results and test-out information.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 4

Witness: Michael E. Hornung

Q-4. Refer to Exhibit MEH-1, Volume I, pages 38 through 41, of the Application as to the proposed enhancements to the Residential Low Income Weatherization Program (WeCare). This program is an education and weatherization program designed to reduce energy consumption of the LG&E and KU low-income customers.

The table below is the customer incentive per tier from page 40.

<u>Tier</u>	<u>Annual Energy Consumption</u>	<u>Current Allowable Measure Cost</u>	<u>Proposed Allowable Measure Cost</u>
A	Up to 1,299 Ccf or up to 11,499 kWh	\$200	\$350
B	1,300 to 1,800 Ccf or 11,500 to 16,000 kWh	\$750	\$1,000
C	Greater than Tier B	\$1,700	\$2,100

- a. With regards to the increase to the proposed allowable measure cost from current allowable measure cost, are these different increases by tier due to an increase in material cost, contractor cost, or to increased participation in this program? Explain.
- b. Explain the projected annual program budget increase of \$500,000 in Year 1 on page 41.
- c. Are there additional IT costs due to the proposed program enhancements? If the answer is yes, explain how these proposed costs will be used.

A-4.

- a. The increase to the proposed allowable measure cost from the current allowable measure cost is to allow improvements not currently possible under the present tier structure such as housing envelope repair or new high efficiency HVAC units in addition to allowing for the higher material and / or contractor costs associated with these types of repairs.
- b. The Year 1 increase in funds is the result of the increase in allowable measure costs for the recipients. (See Response to 4a above.)
- c. There are no additional IT costs proposed in the program enhancement. The IT costs in the budget are to operate and maintain IT systems to manage the program. All of the additional funds are allocated for measures for WeCare participants.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Commission Staff's Second Information Request
Dated June 28, 2011

Case No. 2011-00134

Question No. 5

Witness: Michael E. Hornung

Q-5. Refer to Exhibit MEH-1, Volume I, pages 43 and 44, of the Application concerning the proposed enhancements to Program Development and Administration.

The proposed 2011 annual program budget is shown in the following table:

Program Allocation 2011
Development & Administration

LGE: RS et al	24.4%	\$307,524
LGE: RGS et al	20.6%	\$259,931
LGE: GS et al	3.0%	\$38,160
LGE: PS	0.2%	\$2,460
LGE: CTOD et al	0.0%	\$93
LGE: CGS et al	1.8%	\$22,060
KU: RS et al	41.2%	\$519,445
KU: GS	8.1%	\$102,067
KU: AES	0.1%	\$669
KU: PS et al	0.6%	\$8,047
Total	100.0%	\$1,260,456

- Based on the allocation of the 2011 program costs by tariff, is there significant consideration as to commercial program development? Explain.
- Will the three newly proposed full-time employees be used only in developing and administering residential programs? Explain.
- Are there additional IT costs due to the proposed program enhancements? If the answer is yes, explain how these proposed costs will be used.

A-5.

- a. There is consideration for both residential and commercial program development. Though three new residential programs are offered, a key enhancement, described in Exhibit MEH-1, Volume I, pages 26 through 30, is the addition of customized commercial rebates to the Commercial Conservation (Energy Audits) / Commercial Incentives Program. Based on discussions with our commercial customers and research on other utility offerings, the customized commercial incentives offer the opportunity to assist these customers with their often very unique efficiency projects. In addition, the Companies continue to evaluate opportunities for their commercial customers.
- b. The three proposed full-time employees, as well as the existing employees, will focus on residential and commercial programs. Marketing, procurement, and evaluation efforts will be required to support all the existing and proposed programs associated with residential and commercial customers.
- c. There are no additional IT costs included in the Program Development and Administration budget. Additional IT costs have been directly assigned to the specific programs that they support.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 6

Witness: Michael E. Hornung

- Q-6. Refer to Exhibit MEH-1, Volume I, pages 47 through 50, of the Application. The objective of the proposed new Smart Energy Profile Program will be to educate customers about: their energy consumption, encourage the customer to reduce consumption, and empower the customer to use energy more wisely. The program is aimed at approximately 50 percent of the residential LG&E and KU customers. The greatest potential savings are derived from the highest 50 percent of energy users, and that energy users below average energy consumption produce minimal savings.
- a. What will be the approximate minimum kWh and Ccf usage that will be considered necessary to possibly participate in this program? Explain. Include in the explanation whether there will be a minimum average monthly usage to participate.
 - b. Referring to the response to question 6a, will the determination be based on average monthly usage or a high-low analysis over a twelve-month period? Explain.
 - c. The projected participation goals are listed on page 49 for years one through seven and summarized in the table below. At the end of seven years, there are projected to be 2.015 million participants. From the LG&E and KU website, LG&E serves 321,000 gas customers and 397,000 electric customers in Louisville and sixteen surrounding counties. KU serves 546,000 customers in seventy-seven Kentucky counties and five Virginia counties. Explain how the projected 2.015 million participants were determined in the following table:

<u>Participants</u>	<u>LG&E Dual Fuel</u>	<u>LG&E Electric Only</u>	<u>KU Electric Only</u>	<u>Total</u>
Year 1	40,000	10,000	55,000	105,000
Year 2	80,000	15,000	110,000	205,000
Year 3	80,000	15,000	110,000	205,000
Year 4	145,000	25,000	205,000	375,000
Year 5	145,000	25,000	205,000	375,000
Year 6	145,000	25,000	205,000	375,000
Year 7	145,000	25,000	205,000	375,000
Total	780,000	140,000	1,095,000	2,015,000

- d. Do LG&E and KU foresee any personal income limitations to participation in this program? Explain.

A-6.

- a. The approximate minimum usage levels are not known at this time. If the Program is approved by the Commission, the selected vendor for this program will evaluate all LG&E and KU residential customers for inclusion in this program by customer segment. The vendor will analyze customer usage to determine the high 50% of users by peer group for program participation. This will span the full spectrum of residences, from apartments to houses, across the service territory, so that the appropriate usage comparisons can be made. These average usage levels based on prior usage history would likely vary based on residence type and other third party demographic data, such as residential dwelling square footage.
- b. The analysis described in 6a will be based on customers' historical monthly usage patterns.
- c. The table referenced depicts the number of customers that will receive the Smart Energy Profile reports within each year. This program will target the highest-energy customers determined by customer segment, and as such there will be an overlap associated with customers receiving the Smart Energy Profile from one year to the next. The participant total of 2,015,000 represents the sum total of customers within each year's efforts.

- d. This program does not have any participation limitations due to income.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Commission Staff's Second Information Request
Dated June 28, 2011

Case No. 2011-00134

Question No. 7

Witness: Michael E. Hornung

- Q-7. Refer to Exhibit MEH-1, Volume 1, pages 52 through 55, of the Application. The objective of the new proposed Residential Incentives Program is to encourage customers to purchase various Energy Star appliances, HVAC equipment, or window films that meet certain requirements, qualifying them for an incentive. The types of items that can be purchased are listed in the following table:

Description

Heat Pump Water Heaters ("HPWH")

Washing Machine

Refrigerator

Freezer

Dishwasher

Window Film

Central Air Conditioner

Electric Air-Source Heat Pump

The proposed annual budget for Year 1 through Year 7 is summarized in the following table:

	<u>Adm Costs</u> (\$000)	<u>Implementation</u> (\$000)	<u>Incentives</u> (\$000)	<u>Misc Costs</u> (\$000)	<u>Total</u> (\$000)
Year 1	\$428	\$117	\$943	\$80	\$1,568
Year 2	\$480	\$140	\$1,175	\$51	\$1,846
Year 3	\$616	\$205	\$1,773	\$52	\$2,646
Year 4	\$623	\$205	\$1,773	\$83	\$2,684
Year 5	\$630	\$205	\$1,773	\$54	\$2,662
Year 6	\$637	\$205	\$1,773	\$55	\$2,670
Year 7	\$644	\$205	\$1,773	\$86	\$2,708
Total	\$4,058	\$1,282	\$10,983	\$461	\$16,784

By each type of item, provide the projected participation and how the costs are to be allocated from Year 1 to Year 7.

- A-7. Projected participation counts by item and year as well as incentive costs by item and year are depicted within the tables below. All other costs (administration, implementation, and miscellaneous) are not allocated individually by item for this program, because these costs apply to the program in its entirety.

Projected Participation by Item and Year

Program year	Heat Pump Water Heaters ("HPWH")	Washing Machine	Refrigerator	Freezer	Dishwasher	Window Film	Central Air Conditioner	Electric Air- Source Heat Pump	Projected Participation
Year 1	-	3,300	3,800	800	2,500	200	600	500	11,700
Year 2	100	3,800	4,400	900	2,900	400	800	700	14,000
Year 3	100	5,300	6,200	1,300	4,000	1,000	1,400	1,200	20,500
Year 4	100	5,300	6,200	1,300	4,000	1,000	1,400	1,200	20,500
Year 5	100	5,300	6,200	1,300	4,000	1,000	1,400	1,200	20,500
Year 6	100	5,300	6,200	1,300	4,000	1,000	1,400	1,200	20,500
Year 7	100	5,300	6,200	1,300	4,000	1,000	1,400	1,200	20,500
Total	600	33,600	39,200	8,200	25,400	5,600	8,400	7,200	128,200

Projected Incentive Costs by Item and Year

Program year	Heat Pump Water Heaters ("HPWH")	Washing Machine	Refrigerator	Freezer	Dishwasher	Window Film	Central Air Conditioner	Electric Air- Source Heat Pump	Total Incentive Costs
Year 1	\$0	\$247,500	\$380,000	\$40,000	\$125,000	\$40,000	\$60,000	\$50,000	\$942,500
Year 2	\$30,000	\$385,000	\$440,000	\$45,000	\$145,000	\$80,000	\$80,000	\$70,000	\$1,175,000
Year 3	\$30,000	\$397,500	\$620,000	\$65,000	\$200,000	\$200,000	\$140,000	\$120,000	\$1,772,500
Year 4	\$30,000	\$397,500	\$620,000	\$65,000	\$200,000	\$200,000	\$140,000	\$120,000	\$1,772,500
Year 5	\$30,000	\$397,500	\$620,000	\$65,000	\$200,000	\$200,000	\$140,000	\$120,000	\$1,772,500
Year 6	\$30,000	\$397,500	\$620,000	\$65,000	\$200,000	\$200,000	\$140,000	\$120,000	\$1,772,500
Year 7	\$30,000	\$397,500	\$620,000	\$65,000	\$200,000	\$200,000	\$140,000	\$120,000	\$1,772,500
Total	\$180,000	\$2,520,000	\$3,920,000	\$410,000	\$1,270,000	\$1,120,000	\$840,000	\$720,000	\$10,980,000

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 8

Witness: Michael E. Hornung

- Q-8. Refer to Exhibit MEH-1, Volume I, page 52, of the Application, wherein it is stated, "In addition, according to the International Window Film Association, the installation of window films can significantly reduce solar heat gain which result in reduced air conditioning costs and reduced HVAC equipment wear and tear/maintenance. While window films are not Energy Star rated they can be evaluated based on their shading coefficient (SC), solar heat gain coefficient (SHGC), or various other equivalent criteria (i.e. emissivity)."
- a. What led the Companies to consider window film as an option to reducing air conditioning costs and reduced heating, ventilation, and air conditioning equipment wear and tear/maintenance? Explain.
 - b. What is the estimated life of window film? Explain.
 - c. Do the Companies have a list of qualified vendors that do window film installation that can be provided to potential LG&E/KU customers? Explain.
 - d. Upon what types of windows can window film be installed? For example, single or double pane windows, or wood or vinyl frame windows. Explain.
 - e. Are there maintenance requirements for window film once installed? Explain.
- A-8.
- a. The Companies included window film as part of the incentive program because of the relatively inexpensive costs associated with window film and the benefits it can provide. The cost associated with window film is currently less than \$1 per square foot. Here, a relatively small investment cost of \$20 or less in a window film product that meets the program criteria can provide coverage to a needed room (window) that will provide long-term benefits to the customer. Unlike the large upfront costs of the purchase of an appliance or AC system, window film is quite inexpensive, and a customer can choose to install the film themselves. Window film manufacturers claim reflection of approximately 70% of the heat from the sun.

- b. The expected measure life of window film is 15 years.
- c. The Companies do not have a list of qualified vendors, but will seek to include vendors as part of the Dealer Referral Network. Large retailers such as Lowes and Home Depot provide multiple choices of window film.
- d. Window films can be applied to a wide range of window types, including single- and double-pane windows in a variety of frames. The packaging of these films describes the appropriate application for each film.
- e. The only maintenance required for the window film is periodic cleaning of the window and film according to the manufacturer's recommendations.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 9

Witness: Michael E. Hornung

- Q-9. Refer to Exhibit MEH-1, Volume I, pages 57 to 60, of the Application concerning the new proposed Refrigerator Program, wherein it is stated at page 57, "The Refrigerator Removal Program is designed to provide removal and recycling of inefficient secondary refrigerators and freezers from LG&E and KU customers' households. The removal of these inefficient units will reduce consumption and demand." It is further stated at page 58, "The program will target customers who are likely to own a secondary refrigerator which is typically stored in a garage or a basement and is not used to full capacity."
- a. Even though these secondary units are removed, was there any consideration as to these units being replaced with more energy efficient units, thereby reducing the net energy savings and demand? Explain.
 - b. Do the lost sales that are calculated on this program consider only the removal of inefficient secondary refrigerators and freezers? Explain.
- A-9.
- a. Yes, the Companies accounted for this possibility by reducing the projected energy savings for this program.
 - b. Yes, the expected lost sales calculation was based on the conservative expected energy savings value, which took into account the possibility that some customers would replace the removed refrigerators and freezers.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 10

Witness: Lonnie E. Bellar

- Q-10. Refer to the Companies' response to Staff's initial request, Item 1, page 2. LG&E's Weighted Average Cost of Capital ("WACC") Grossed Up for Income Taxes is 10.70 percent. The formula given to determine this percentage is $\{ROR + (ROR - DR) \times [TR/(1-TR)]\}$. Provide the calculation in electronic format with all formulas intact and unprotected.
- A-10. An electronic version of this calculation is provided on CD in the folder titled Question No. 10.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 11

Witness: Lonnie E. Bellar

- Q-11. Refer to the Companies' response to Staff's initial information request, Item 1, page 3, Commission Staff Question No. 1. KU's WACC Grossed Up for Income Taxes is 10.32 percent. The formula given to determine this percentage is $\{ROR \pm (ROR - DR) \times [TR/(1-TR)]\}$. Provide the calculation in electronic format with all formulas intact and unprotected.
- A-11. An electronic version of this calculation is provided on CD in the folder titled Question No. 11.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Commission Staff's Second Information Request
Dated June 28, 2011

Case No. 2011-00134

Question No. 12

Witness: Lonnie E. Bellar

- Q-12. Refer to the Companies' response to Staff's initial information request, Item 2, pages 1 and 2. In response to Question No. 2.c., the Companies respond, "The Companies believe it is more appropriate to start recording the costs of load control switches and programmable thermostats as capital costs to appropriately match the costs with benefits over time and, coincidentally, reduce the bill impact of the proposed Load Control Program." In the response to Question 2.a., the Companies state that the depreciable life of the load control switches and programmable thermostats for LG&E is eight years and, for KU, it is fourteen years.
- a. If the load control switches and programmable thermostats were not part of the Companies' DSM program, even though they have a useful life of greater than one year, would the Companies still consider capitalizing these items as retirement units using owned asset accounting principles if these items were purchased for a non-DSM program or project? Explain.
 - b. In the matching of capital costs to benefits over time, how will the Companies fully recover the capital cost of the load control switches and programmable thermostats? Explain.
 - c. If it were determined that there would be a short-fall of recovery as to the capital costs of the load control switches and programmable thermostats, would the Companies attempt to recover the short-fall through the Companies DSM Balance Adjustment ("DBA")? Explain.
 - d. Have the Companies considered an annual DSM recovery filing to more fully recover the cost of the capital costs for the load control switches and programmable thermostats? Explain.
- A-12.
- a. The switches and thermostats requested for capital treatment are only useful within the context of the DSM program and would not be utilized absent Commission approval of this program.

To date, the Companies have expensed the Load Control program costs, seeking and receiving recovery through the DSM mechanism consistent with this approach. As previously stated the Companies now believe it is more appropriate to record the costs of load control switches and programmable thermostats as a capital cost and are seeking recovery consistent with that approach. Should the Commission approve the continuation of the Load Control program but determine that the capital treatment of these devices in the DSM mechanism is not appropriate; the Companies would continue to expense these items, thus in this instance maintaining consistency between accounting and cost recovery.

- b. If capitalized through the DSM mechanism, these costs would be recovered through depreciation expense, which would be included for recovery through the DSM mechanism or until implementation of new rates pursuant to a general rate case. This approach would simplify the changes to the current process, keeping with the annual Balancing Adjustment filings and re-setting of the DSM mechanism at the time of a base rate case. However, as the process of including capital in the DSM mechanism develops over time it may be useful to consider other approaches.
- c. The Companies have used the DSM Balancing Adjustment (“DBA”) to reconcile the amounts of revenue actually billed through the DCR, DRLS, and DSMI and the revenues that should have been billed. The DBA will continue to be calculated annually using calendar-year data, and will include a similar reconciliation of the DCCR.
- d. No, the Companies did not see there was a need for a change to the annual DSM Balancing Adjustment filing as noted in response to Question No. 12c.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 13

Witness: Michael E. Hornung

Q-13. Refer to the Companies' response to Staff's initial information request, Item 4. The Companies provided proposed Lost Sales component, \$10,266,991 for LG&E and \$8,047,162 for KU, in an electronic format with billing determinants by tariff.

Also, a request was made to provide in an electronic format with all formulas intact for each DBA from Exhibit LEB-1.

- a. Provide, in electronic format with all formulas intact, the proposed lost sales of \$10,266,991 by program and billing determinant for LG&E.
- b. Provide, in electronic format with all formulas intact, the proposed lost sales of \$8,047,162 by program and billing determinant for KU.
- c. What are the annual LG&E kWh and Ccf and KU kWh energy savings impacts per participant by program? Explain.
- d. Were the Companies not able to provide, in electronic format with formulas intact, the various DBAs on the proposed DSM tariffs? Explain.

A-13.

- a. An electronic version of the proposed lost sales of \$10,266,991 by program and billing determinant for LG&E is provided on the enclosed CD in the folder titled Question No. 13a.
- b. An electronic version of the proposed lost sales of \$8,047,162 by program and billing determinant for KU is provided on the enclosed CD in the folder Question No. 13b.
- c. An electronic version of the annual LG&E kWh and Ccf and KU kWh energy savings impacts per participant by program is provided on the enclosed CD in the folder titled Question No. 13c.
- d. The requested information is being provided in electronic format as requested.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 14

Witness: Michael E. Hornung

Q-14. Refer to the Companies' response to Staff's initial information request, Item 4. The Companies state that the Net Lost Revenues Total Amount increase is due to energy savings accumulating as the programs mature over the years, as well as the three new residential programs and their respective savings in 2011. Explain the time period for "over the years."

A-14. Per the tariff, "The DSM Revenue from Lost Sales (DRLS) component of the DSM Mechanism is computed by multiplying the lost sales (in kWh) for thirty-six (36) months or until implementation of new rates pursuant to a general rate case, whichever comes first, by the non-variable revenue requirement for each customer class."

Each year the Companies file a revised DSM rate that includes a revised DRLS component. This is filed each November for rates to go into effect with the first billing cycle in January and contains the budget for the subsequent year's activity.

The DRLS calculation contains one year of lost sales related to the coming year's energy efficiency measures and up to two years of lost sales related to previously deployed measures, for a potential of 36 months of lost sales.

The DRLS calculations in this filing contain one year of lost sales (2011) for all programs (new, existing, and enhanced) and 14 months of lost sales (November 2009 through December 2010) associated with existing program activity, a total of 26 months of lost sales.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 15

Witness: Michael E. Hornung

Q-15. Refer to the Companies' response to Staff's initial information request, Item 5. The Companies discovered that incorrect tax depreciation rates were utilized in calculating rate base. In the Application, Exhibit MEH-1, Volume 1, page 24, there are two tables. In table 1.9.1 Residential Annual Program Budget, there are Capital Expenditures shown in the amount of \$296,000. In table 1.9.2 Commercial Annual Program Budget, there are Capital Expenditures in the amount of \$15,000.

- a. What are those capital expenditure amounts using the correct tax depreciation rates? Explain.
- b. Provide revised "red-line" and "clean" gas tariff sheets reflecting your response to 15.a. above.

A-15.

- a. The capital expenditure amounts using the correct tax depreciation rates are \$284,300 for Residential and approximately \$14,900 for Commercial. For the supporting calculations for these figures, please refer to the revised Exhibit LEB-3 provided as part of the response to the initial Commission Staff Question No. 5a (2).
- b. The requested gas tariff sheets are attached hereto.

Adjustment Clause	DSM
Demand-Side Management Cost Recovery Mechanism	
<u>Monthly Adjustment Factors:</u>	
<u>Residential Rate RGS and Volunteer Fire Department Rate VFD</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR): Ccf	\$ 0.012384198 per
DSM Revenues from Lost Sales (DRLS): Ccf	\$ 0.001720439 per
DSM Incentive (DSMI): Ccf	\$ 0.000570043 per
<u>DSM Capital Cost Recovery Component (DCCR)</u>	<u>\$ 0.00551 per Ccf</u>
DSM Balance Adjustment (DBA):	<u>\$ 0.00379 per Ccf</u>
Total DSMRC for Rates RGS and VFD:	\$ 0.023974759 per Ccf
<u>Commercial Customers Served Under Firm Commercial Gas Service Rate CGS, As Available Gas Service Rate AAGS, Firm Transportation Rate FT, and Gas Transportation Service/Standby Rider TS</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR):	\$ 0.000800109 per Ccf
DSM Revenues from Lost Sales (DRLS):	\$ 0.00000 per Ccf
DSM Incentive (DSMI):	\$ 0.00000 per Ccf
<u>DSM Capital Cost Recovery Component (DCCR)</u>	<u>\$ 0.00052 per Ccf</u>
DSM Balance Adjustment (DBA):	<u>\$ (0.00020) per Ccf</u>
Total DSMRC for Rates CGS, AAGS, FT, and TS:	\$ 0.001120089 per Ccf

Date of Issue: April 14, 2011

Date Effective: May 14, 2011

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky

Adjustment Clause	DSM	
Demand-Side Management Cost Recovery Mechanism		
<u>Monthly Adjustment Factors:</u>		
<u>Residential Rate RGS and Volunteer Fire Department Rate VFD</u>		<u>Energy Charge</u>
DSM Cost Recovery Component (DCR)		\$ 0.01238 per Ccf
DSM Revenues from Lost Sales (DRLS)		\$ 0.00172 per Ccf
DSM Incentive (DSMI)		\$ 0.00057 per Ccf
DSM Capital Cost Recovery Component (DCCR)		\$ 0.00551 per Ccf
DSM Balance Adjustment (DBA)		<u>\$ 0.00379 per Ccf</u>
Total DSMRC for Rates RGS and VFD		\$ 0.02397 per Ccf
 <u>Commercial Customers Served Under Firm Commercial Gas Service Rate CGS, As Available Gas Service Rate AAGS, Firm Transportation Rate FT, and Gas Transportation Service/Standby Rider TS</u>		 <u>Energy Charge</u>
DSM Cost Recovery Component (DCR)		\$ 0.00080 per Ccf
DSM Revenues from Lost Sales (DRLS)		\$ 0.00000 per Ccf
DSM Incentive (DSMI)		\$ 0.00000 per Ccf
DSM Capital Cost Recovery Component (DCCR)		\$ 0.00052 per Ccf
DSM Balance Adjustment (DBA)		<u>\$ (0.00020) per Ccf</u>
Total DSMRC for Rates CGS, AAGS, FT, and TS		\$ 0.00112 per Ccf

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Date of Issue: April 14, 2011

Date Effective: May 14, 2011

Issued By: Lonnie E. Bellar, Vice President, State Regulation and Rates, Louisville, Kentucky

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 16

Witness: Michael E. Hornung

Q-16. Refer to the Companies' response to Staff's initial information request, Item 8, page 2. The Companies state, "Generally speaking, the Companies do not believe it will be necessary to terminate a program mid-year; a program's temporarily poor performance may be improved, and in the event it cannot in a reasonable amount time, the Companies will terminate it during the annual DSM billing adjustment process."

- a. Do the Companies revise their DSM rates that appear on the customers' bills annually once the DSM billing adjustment process is completed? Explain.
- b. If the answer to 15.a. is yes, confirm that revised DSM tariffs are filed with the Commission once the DSM billing adjustment process is completed.

A-16.

- a. The Companies file new DSM rates twice a year. First, at the end of each November, the Companies file for new DSM rates associated with the projected expenditures for the upcoming year. Second, at the end of each February, the Companies file their DSM Balancing Adjustments to address any over- or under-collections related to the previous year. In addition to these two filings, the Companies file new tariffs to adjust the lost-sales component of the DSM Mechanism upon the completion of a general rate case.
- b. Confirmed. Please see the attached filings from November 2010 and the DSM Balancing Adjustment filed in February 2011 on CD in the folder titled Question No. 16.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 17

Witness: Michael E. Hornung / Counsel

Q-17. Refer to the Companies' response to Staff's initial information request, Item 11. The Companies instituted litigation in October 2010 to recover some portion of the costs associated with the purchase of load control thermostats. The Companies have incurred \$1,986,945 in costs associated with the replacement program of the initial load control thermostats. The 2010 thermostat cost of removal of \$1,940,300 for both Companies was placed in the DSM balancing adjustment for 2011.

- a. What is the estimated cost of litigation? Explain.
- b. Will the cost of litigation be placed in the DSM balancing adjustment or borne by the shareholders? Explain.

A-17.

- a. The Companies are providing the requested information under a Petition for Confidential Protection being filed with the Commission.
- b. Internal legal expenses associated with the litigation will be treated as normal utility expenses. External legal expense will be netted against the recovery; the remainder will be refunded through the DSM balancing adjustment.

CONTRACT

This contract (hereinafter referred to as this "Contract") is entered into, effective as of January 1, 2010 between E.ON U.S. Services, Inc. (hereinafter referred to as "E.ON U.S."), whose principal place of business is 220 West Main, Louisville, Kentucky 40202, and

Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc.
(Hereinafter referred to as "Contractor")

ADDRESS: P.O. Box 11610
Lexington, KY 40576

The parties hereto agree as follows:

1.0 GENERAL

Whereas on the basis of the representations from Contractor's presentations, printed material, correspondence, discussions and in reliance upon the expertise of Contractor's knowledge to provide the service described herein, under the terms and conditions hereinafter set forth, Contractor shall perform the following work:

Deliver client intake, energy audits and client education services for customers participating in Kentucky Utilities Company's ("KUP") Residential Low-Income Weatherization Program (known as "WeCare") as more specifically described in Articles 2.0 and 3.0 hereof (hereinafter referred to as the "Work"), in accordance with the Kentucky Public Service Commission Settlement Agreement Case No. 2007-00319 dated January 17, 2008, and LG&E and KU shall compensate the Contractor for the Work, under all the terms and conditions hereof.

2.0 DESCRIPTION OF WORK

- 2.1 Except as otherwise expressly provided herein, Contractor shall supply all labor, supervision, materials, equipment, tools and warehousing, and shall pay all expenses, necessary or appropriate in the performance of the Work.
- 2.2 NO MATERIALS CONTAINING ASBESTOS SHALL BE SUPPLIED OR USED IN THE PERFORMANCE OF WORK.
- 2.3 Without limitation, Contractor shall meet all requirements set forth in the Lead Construction Standard 29 CFR 1926.62.
- 2.4 Contractor shall supply MSDS-Material Safety Data Sheets for all materials used in the performance of the Work.

- 2.5 The Work shall include but not be limited to the following:

Performance of Energy Audits

- 2.5.1 Contractor shall perform comprehensive energy audits. The audits shall be performed utilizing the National Energy Audit Tool (NEAT)
- 2.5.2 The energy audit shall include, but not be limited to, the following:

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- 2.5.2.1 safety testing (gas leak and combustion testing on all gas appliances)
- 2.5.2.2 a blower door test and 1 to 2 hour (minimum of 1 hour) refrigerator energy consumption test using a "Watts Up" Meter
- 2.5.2.3 adjustment of the customer's HVAC and water heating settings
- 2.5.2.4 recording the original and changed settings of the HVAC thermostat and water heating in order to evaluate the energy savings and recording of the refrigerator test.

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- 2.5.3 Contractor shall complete energy audits weekly through out the year.
- 2.5.4 Contractor shall report the results of each audit to E.ON US and the Phase 2 WeCare Weatherization Contractor within (2) two weeks of completion of audit.
- 2.5.5 Contractor shall provide a weekly schedule of audits to be performed. The schedule shall be submitted to E.ON by noon (12.00 pm est.) on the last workday of the week preceding the audit
- 2.5.6 Contractor shall electronically send a list of audits completed during the prior week by 10:00 A.M. on Tuesday of the following week to the LG&E/KU 's Energy Efficiency Department. If the Monday of that week is a holiday, then the weekly audit completed report is due Wednesday by 10 A.M.
- 2.5.7 The required format for this report is a Microsoft excel file attachment through email (specific fields to be given to CAC).
- 2.5.8 Contractor shall electronically send the list of completed audits in NEAT file completed during the two weeks prior by 10:00 A.M. to the LG&E/KU Program Manager and the Phase 2 Contractor.
- 2.5.9 Contractor's personnel shall wear appropriate identification and apparel identifying them as LG&E/KU WeCare provider and will present themselves as providing services on behalf of both a CAC agency and KU WeCare.
- 2.5.10 Contractor shall obtain a customer agreement form indicating the customer's agreement to adopt suggested behavior changes related to their energy usage based on audit findings and interview with the customer. All other LG&E/KU WeCare forms will be given to CAC. All KU WeCare customers will sign the WeCare forms and receive copies of the signed documents will be placed in the KU WeCare folder.
- 2.5.11 Contractor shall be responsible for ensuring that all planned participation goals are achieved and appropriate distribution of services as described in Attachment A is achieved.

Recruitment and Enrollment

- 2.5.12 Contractor shall be responsible for identifying, locating, reaching and /or enlisting the KU program participants in order to meet program participation and energy savings goals.

Customer Intake

- 2.5.13 Contractor shall be responsible for the enrollment of customers in the KU WeCare program.
- 2.5.14 Contractor shall enroll customers that meet one of the following criteria:
 - 2.5.14.1 Customers who have applied for and received Low-Income Home Energy Assistance Program (LIHEAP) funding and have an active account with usage for one full year.
 - 2.5.14.2 Customers who have met the same income qualification requirements as if they were applying for LIHEAP/Weatherization Assistance Program (WAP) in Kentucky and are an active account with usage for one full year.

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2.5.14.3 Customers who have received LIHEAP assistance within one year of applying for the WeCare program and the customer have an active account with usage for one full year.

2.5.15 Contractor shall process all applications submitted by customers.

Energy Audit

2.5.16 Contractor shall use the following form types:

2.5.16.1 A customer permission slip authorizing work and acquisition of customer information necessary for verifying customer eligibility (income related), customer's energy usage and energy cost.

2.5.16.2 Landlord permission slips authorizing work by the landlord of rental properties.

2.5.17 Both forms described in 2.5.14 above shall be a four copy document with one copy to the customer, one copy to the Company, one to remain with the Contractor and the one copy to the Phase 2 WeCare Weatherization Contractor.

2.5.18 Contractor shall be responsible for insuring that the forms are legible and all parties must be able to read the information and signature clearly.

Distribution of Services

2.5.19 Contractor shall provide WeCare Services throughout the KU service territories.

2.5.20 Contractor shall perform audits and provide intake services to both Tier A, Tier B and Tier C customers as described further in Attachment 1

2.5.21 Contractor shall be responsible for ensuring that planned participation goals are achieved and appropriate in accordance with the distribution of services described in Attachment 1

Energy Education

2.5.22 Contractor shall provide education materials and coaching to each WeCare participant on various steps they can take as energy consumers to conserve energy and use energy wisely.

2.5.23 The content of the energy education program will be agreed upon by the Company and the Contractor.

2.5.24 All written educational and program materials must be approved by E.ON US prior to the onset of audits.

Achieving Overall Energy Impact

2.5.25 Contractor shall be responsible for determining that energy measures recommended through its energy audits are sufficient to meet or exceed overall energy impact goals.

2.5.26 Contractor shall provide Company with a description of the methods it uses to estimate energy savings from each eligible measure the customer can receive with the KU WeCare program.

2.5.27 Contractor shall provide a description of the methods it uses to estimate energy savings from each recommended measure.

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- 2.5.28 Contractors shall provide a methodology to allocate energy impacts where measures were installed under the federal weatherization program in addition to KU WeCare.
- 2.5.29 Contractor shall calculate the total energy impact of the KU WeCare program. Overall goals for KU WeCare energy impacts shall be based upon participation goals of the three tiers of services and average per customer energy impact goals for each tier as further described in Attachment A.
- 2.5.30 Contractor shall calculate the energy impact to each customer see Attachment B. Data shall be submitted to Company both electronically and hard copy.
- 2.5.31 In circumstances where customers receive benefits from both KU WeCare and CAC/WAP, Contractor shall split the benefits based upon individual measures installed by each program.

Administration

- 2.5.32 Contractor shall be responsible for scheduling quarterly review meetings with the program manager.
- 2.5.33 Contractor shall be responsible for providing reports and data files on schedule and in the medium described in the section entitled Deliverables.
- 2.5.34 Contractor shall be responsible for maintaining all records in an order and manner that can be audited subject to the Audit clause of the attached GSA.
- 2.5.35 Contractor shall be responsible for providing Phase 2 and Evaluation contractors requested reports and data.
- 2.5.36 The Quarterly review meeting shall include but not be limited to the following
- 2.5.36.1 A status overview of progress to date and projecting for next quarterly
 - 2.5.36.2 Results of the KU WeCare Program Metrics
 - 2.5.36.3 A report on contractors' safety (i.e. injuries, off-duty time, near misses)
 - 2.5.36.4 A report on any customer complaints received
 - 2.5.36.5 A report on issues or opportunities for improvement
 - 2.5.36.6 Cost to date and projected cost

3.0 **DELIVERABLES**Contractor

- 3.1 Contractor shall provide to the E.ON program manager the following reports via email:
- 3.1.1 A weekly schedule of audits to be performed by noon on Friday of the week preceding the audits
 - 3.1.2 A weekly report of work in process and work completed
 - 3.1.3 A weekly report of the results of the audits within two weeks of completion of the NEAT audits
 - 3.1.4 A weekly report of all audit data captured and outputs from the NEAT program including all data collection in the NEAT audit (NEAT files).
 - 3.1.5 A monthly report of independent evaluation data
 - 3.1.6 A monthly invoice dated from the 1st of the month to the last date of the month and each customer's information including the account name, address, city, state and zip code, account number, phone number, Tier level, all activities performed for payment (intake with date and cost, audit and education with date and cost and other services with date). This invoice must be

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- sent via email (pdf format) and must be sent before the 10th of each month. If the invoice is not correct, it will be returned for corrections to be made.
- 3.1.7 Any safety issue will be reported to the Safety Department and the program manager as soon as possible.
- 3.1.8 Contractor's contact personnel will notify program manager if they are out of the office or on vacation.
- 3.1.9 A complete list of personnel who are performing field work for the KU WeCare Program, includes: phone number, passport number, and date of passport test sent to program manager created on an excel spreadsheet.
- 3.1.10 Date and time of internal safety meeting sent in advance to E.ON US Program Manager.
- 3.1.11 Usage request for customers who are scheduled for an audit must have customer signature of approval to release usage to contractor,
- 3.1.12 Customer survey questionnaires may be given to customers at the time of service with a prepaid envelope or customers may be contacted randomly utilizing a telephone survey process. Customer Satisfaction will be measured on a monthly basis but reported during the quarterly review.
- 3.2 Contractor shall transmit the following files to the Company
- 3.2.1 A daily file to update the Company's Customer Care System (CCS). The file shall include but be limited to:
- 3.2.1.1 The identity of customers who have contacted Contractor requesting KU WeCare Audit Services
- 3.2.1.2 The identity of customers who have contacted Contractors requesting WeCare Education.
- 3.2.1.3 The identity of customers who have been approved for WeCare Audit Services.
- 3.2.1.4 The identity of customers who did not qualify for WeCare Service with reason(s)
- 3.2.1.5 The identity of customers whose service has been completed and passed on to the Phase 2 WeCare Weatherization Contractor
- 3.2.1.6 Identity shall mean at minimum:
- customers' first and last name (account name)
 - customer address
 - customer 10 digit telephone number
 - customer account number
- 3.2.1.7 All customer information and customer dwelling information will reside in a KU WeCare database. File reconciliation will take place on a quarterly basis. The file reconciliation will consist of a review of the contractor's most recent database vs. KU most recent database information. A plan to address the items discovered during the reconciliation process will be developed within 72 hours of receiving results from the reconciliation.
- 3.2.1.8 Items identified will be addressed within two weeks of receiving the results from the reconciliation. A log of the items highlighting the status of the issue; plans to close the issue and responsible person will be tracked and shared during the monthly and quarterly meetings.
- 3.3 Contractor shall provide the Phase 2 contractor and Evaluation contractor a copy of each customer's original audit (including data collection information). Contractor shall work with Phase 2 contractor and Evaluation contractor to determine frequency, data requirement and medium of submission of audit.
- 3.4 Contractor shall provide Phase 2 contractor a data file from the NEAT program weekly.

Company

- 3.5 Company shall provide a program manager to administer the program who will be responsible for the following:
- 3.5.1 Providing direction and support to the Contractor in regards to the WeCare program

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- 3.5.2 Working with Contractor to develop the format of all delivered reports.
- 3.5.3 Coordinating the implementation of the program including insuring that Contractors' employees receive Passport training and identification badges.
- 3.5.4 Reviewing the reports delivered by Contractor and providing timely feedback.
- 3.5.5 Processing invoices.
- 3.5.6 Coordinate the work and efforts between the Contractor and the Phase 2 WeCare Weatherization contractor.
- 3.5.7 Perform checks, validations, verifications, field work audits, monthly safety audits and other activities necessary to ensure adequate financial and operational controls exist within the program.
- 3.5.8 Coordinate the transmission of data among the Company, Contractor and Phase 2 Contractor using the new Customer Care System
- 3.5.9 Review and approve the content of the energy education program.

4.0 EXHIBITS AND ATTACHMENTS

All Work shall be performed in strict accordance with the following specifications, exhibits and drawings which are incorporated herein by reference.

4.1	<u>Exhibit No. 1</u> <u>Exhibit No. 2</u>	Title <u>Program Overview</u> <u>Performance Metrics</u>
4.2	<u>Attachment A</u> <u>Attachment B</u>	Title Allowable Measure Spending Per Customer/Customer Participation Targets/Targeted <u>Energy Impacts</u> <u>Individual Measure Energy Impact</u>

5.0 TEMPORARY FACILITIES AND UTILITIES

5.1 FURNISHED BY CONTRACTOR

Except as otherwise expressly set forth in this Contract, Contractor shall supply, install, properly maintain and remove all temporary facilities and utilities necessary for performance of the Work, including but not limited to:

- 5.1.1 All sanitary facilities, including janitorial services
- 5.1.2 First-aid facilities
- 5.1.3 Fuels and lubricants
- 5.1.4 Transportation facilities on and off site

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- 5.1.5 Communication facilities
- 5.1.6 Scaffolding
- 5.1.7 All necessary equipment for lifting and moving equipment
- 5.1.8 All small tools
- 5.1.9 All standard expendable or consumable construction items and supplies
- 5.1.10 Containers, ice, cups for drinking water
- 5.1.11 Cost of unloading, loading and storing all materials, equipment and supplies
- 5.1.12 Dumpsters and waste disposal in accordance with the Article titled "Cleanup" set forth in the attached General Services Agreement.

The type of facilities, move-in and move-out dates and locations on job sites shall be subject to and in accordance with the review and approval of E.ON U.S.

6.0 TERM

This Contract shall become effective January 1, 2010 and continue until February 29, 2012, unless terminated earlier pursuant to the Article titled "Term and Termination" set forth in the attached General Services Agreement. Unless otherwise specified, E.ON U.S. makes no promise or guarantee as to the amount of Work to be performed under this Contract, nor does it convey an exclusive right to the Contractor to perform Work of the type or nature set forth in this Contract.

7.0 PERFORMANCE SCHEDULE

- 7.1 Contractor shall commence performance of the Work on January 1, 2010 and shall complete Work not later than February 29, 2012. Passport training and badge are required prior to the start of work.
- 7.2 Contractor shall arrange or coordinate material storage at the job site or shop to minimize material theft or damage. E.ON U.S. will not be held accountable for Contractor materials and/or supplies.
- 7.3 Contractor shall not assign or subcontract out any material portion of the work except under extenuating circumstances, which requires advanced written approval by E.ON U.S. Contractor shall notify E.ON U.S. of its intent to use subcontractors in performance of Work at least forty-eight (48) hours prior to start of Work. See the Article titled "Assignment of Agreement; Subcontracting" in the General Services Agreement.
- 7.4 The performance under this Agreement will be subject to periodic review by E.ON U.S. or another firm designated by E.ON U.S. for Contractor compliance.

8.0 GENERAL SERVICES AGREEMENT

- 8.1 The terms and conditions set forth in the General Services Agreement that is attached hereto, (herein referred to as the "General Services Agreement") and are hereby incorporated by reference as fully set forth herein. In the event of a conflict between the terms and conditions of the General Services Agreement and those of this Contract, the terms and conditions of the General Services Agreement shall prevail.

9.0 COMPENSATION

9.1 Full compensation to Contractor for full and complete performance by Contractor of the Work, compliance with all terms and conditions of this Contract and for Contractor's payment of all obligations incurred in, or applicable to, performance of the Work (hereinafter referred to as the "Contract Price") shall be the following unit prices:

Customer Recruitment/Intake:

E.ON U.S. cost per intake for LG&E/KU customers enrolled in the LIHEAP Program and identified as such in the E.ON customer database at the time of the customer's application

[REDACTED]

E.ON U.S. cost per intake for LG&E/KU customers not enrolled in the LIHEAP Program nor are they identified as a LIHEAP recipient in the E.ON customer database at the time of the customer's application:

[REDACTED]

Energy Audits:

E.ON U.S. cost per audit for audits performed exclusively for the WeCare Program

[REDACTED]

E.ON U.S. cost per audit for audits performed jointly for the WeCare Program and Weatherization Assistance Program (WAP)

[REDACTED]

Drug and Alcohol Testing:

To assist Contractor in complying with E.ON U.S.'s Drug and Alcohol Testing policy, E.ON U.S. will reimburse Contractor up to [REDACTED] annually for actual drug and alcohol tests conducted.

10.2 PRICING FOR CHANGES IN SCOPE OF WORK

At E.ON U.S.'s sole option, adjustments to the Contract Price for changes in the Scope or Description of Work shall be on a fixed price basis.

10.3 SPECIAL INVOICING INSTRUCTIONS

10.3.1 See the Article titled "Invoices and Effect of Payment" in the General Services Agreement

10.3.2 All invoices shall include a Contract Number. Invoices for Work shall include Contract/Purchase Order Number xxxxx. All invoices shall be prepared in one original and distributed as follows:

Original: E.ON U.S. Services, Inc.
Attention: WeCare Program Manager
P.O. Box 32020
Louisville, Kentucky 40232

10.3.3 Invoices for Drug and Alcohol Testing as noted in Article 9.1 above should be invoiced on a quarterly basis and separate from invoices for the Work.

11.0 CONTRACTUAL NOTICES

See the Article titled "Miscellaneous" in the General Services Agreement for provisions governing contractual notices.

11.1 E.ON U.S.'s address: E.ON U.S. Services, Inc.
Attention: Manager, Corporate Purchasing

Contract No.

Hornung/Counsel

820 West Broadway
P.O. Box 32020
Louisville, Kentucky 40232
502-627-3646 (FAX)

Copy to:

E.ON U.S. Services, Inc.
Attention: Manager, Energy Efficiency Operations
P.O. Box 32020
Louisville, Kentucky 40232

11.2 Contractor's

Address:
Community Action Council for Lexington-Fayette, Bourbon,
Harrison, and Nicholas Counties, Inc.
P.O. Box 11610
Lexington, KY 40576


Contract No.

12.0 ENTIRE AGREEMENT

This Contract, including all specifications, exhibits and drawings listed in this Contract and the General Services Agreement, constitutes the entire agreement between the parties relating to the Work and supersedes all prior or contemporaneous oral or written agreements, negotiations, understandings and statements pertaining to the Work of this Contract.

The parties hereto have executed this Contract on the dates written below, but it is effective as of the date first written above.

E.ON U.S. SERVICES, INC.

BY: 
TITLE: George Robert Portman
DATE: 11.24.09

Community Action Council (CAC)

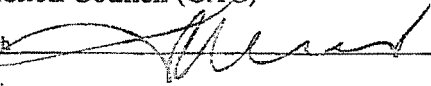
BY: Jack E. Burch 
TITLE: Executive Director
DATE: 10.1.09

EXHIBIT I

Residential Low Income Weatherization Program

The Low Income Weatherization Program was designed to reduce the energy consumption of LG&E and KU's low-income customers who has an active account for one full year. The program provides both directly installed weatherization measures and an education component to enlist the customer as a "partner" in ensuring the energy savings. 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. Weatherization improves customers' comfort, reducing the tendency to raise the thermostat in winter or lower it in summer. Eligible households will be those who have received LIHEAP funding and their income is at or below the then-effective LIHEAP Federal Poverty guidelines. Customers who feel they qualify for the program and have not applied for LIHEAP are eligible to participate in an intake qualification process. These customers frequently enter the program through word-of-mouth or referral by churches and other community organizations.

The Low Income Weatherization Program gives low-income customers who would otherwise are not be likely to participate in Energy Efficiency programs an opportunity to do so. By providing energy efficient products and energy management techniques, it allows the recipients of the program to gain control of their utility bills.

EXHIBIT 2

Performance Metrics

- WeCare Program Metrics may also be viewed in 3.0 DELIVERABLES in the body of the contract.
- A quarterly Metric Review Meeting is required. Coordination of the quarterly and the monthly meetings and the meeting minutes is the responsibility of the Contractor. The responsible E.ON Program Manager and Procurement Specialist will also be in attendance for the quarterly meetings. Copies of the meeting minutes must be issued to all in attendance within five business days of the meetings. The first quarterly meeting is to be held on or before 3/31/10.

A review of the following metrics will include but not be limited to:

- Participation Goals per filing – 1200 per year: The participation goal will be split 50/50 between LG&E and KU service territories.

Annual Participation	LG&E	KU	Total
Tier A Customers	250	250	500
Tier B Customers	200	200	400
Tier C Customers	150	150	300
Total Customers	600	600	1200

Tier	Annual Energy Consumption Qualification	Allowable Measure Cost
A	Up to 1,299 ccf or up to 11,499 kWh	\$200
B	1,300 to 1,800 ccf or 11,500 to 16,000 kWh	\$750
C	Greater than Tier B	\$1,700

- Energy savings goals per the filing (cumulative year to year)

First Year	2,297 MWh	262 KW	213,441 ccf
Second Year	4,593 MWh	524 KW	426,882 ccf

A monthly minimum potential energy savings goal of 103,000 kWh, a minimum of 12 KW and if ccf are present, refer to Attachment A.

- Tier A: All Electric Customers – 21 KU customers per month with each saving 789 kWh
 - Tier B: All Electric Customers- 17 KU customers per month with each saving 1973 kWh
 - Tier C: All Electric Customers –13 KU customers per month with each saving 4275 kWh
- The Contractor will report on the potential energy savings for each customer that is completed on the weekly report. If the energy goals are not calculated to be achieved, a

written explanation stating the reason and an action plan to reach the energy goals must be submitted to the Program Manager by the end of each month on a separate document, but emailed with the invoice monthly.

- An annual audit of the WeCare Program processes and procedures will be performed by a Company representative, example: Program Manager, representative from Audit Services.
- Safety audits will be performed by the program manager validating the Contractor representative performing the audit/education work for KU WeCare Program. Safety audits will include but not be limited to: verification of passport documentation; site review, and personal protection equipment. There will be a report created for each Safety Audit performed and emailed to the Company's Safety Department.

Contract No.

Attachment A WeCare Program Phase 1 Allowable Measure Spending Per Customer Customer Participation Targets Targeted Energy Impacts				
	Tier A	Tier B	Tier C	
	Maximum Measures	Maximum Measures	Maximum Measures	
	\$200	\$750	\$1,700	
Customer Type				
All E.ON Electric - Average KWH Savings (also includes E.ON electric and non-E.ON heat)	789	1973	4275	
E.ON Electric & Gas				
Average KWH Savings	681	1701	3687	Must Meet
Average CCF Savings	137	342	740	Both
Expected Customers				
All E.ON Electric	250	200	150	
E.ON Electric & Gas	250	200	150	
All E.ON Electric Savings (KWH)	197,324	394,649	641,304	1,233,277
E.ON Electric & Gas Savings (KWH)	170,148	340,296	552,981	1,063,425
Total KWH Savings	367,472	734,945	1,194,285	2,296,702
E.ON Gas Savings	34,151	68,301	110,989	213,441
Total Annual KW Savings	42	84	136	262

Attachment B
Individual Measure Energy Impacts
WeCare Program

MEASURE	UNIT	ENERGY IMPACTS	Energy Impact Calculation Methodology
Air sealing (blower door guided)	Per hour basis		
Attic hatch cover (insulated and air sealed)	per hatch		
Building repairs - single pane glazing replacement	Per unit/d inch		
Building repairs - single pane wood sash replacement	Per unit/d inch		
Building repairs - single pane wood window replacement	Per unit/d inch		
Building repairs - double pane glazing replacement	Per unit/d inch		
Building repairs - double pane wood sash replacement	Per unit/d inch		
Building repairs - double pane wood window replacement	Per unit/d inch		
Building repairs - drywall replacement (finish ready)	Per square foot		
Building repairs - exterior siding replacement (finish ready)	Per square foot		
Building repairs - flooring replacement (finish ready)	Per square foot		
Building repairs - primary solid core wood door replacement (pre-hung, all inclusive)	Per door		
Building repairs - lockset replacement (to stop air infiltration)	Per door		
Central air conditioner system efficiency rate-ups	Per system basis		
Compact fluorescent fixtures (security 25-30 watt exterior flood)	Per fixture		Manufacturer of bulb? Wattage?
Compact fluorescent light bulb (15 - 15 watt electronic - 60 watt equivalent)	Per bulb		Manufacturer of bulb? Wattage?
Compact fluorescent light bulb (15 - 25 watt electronic - 75 watt equivalent)	Per bulb		Manufacturer of bulb? Wattage?
Compact fluorescent light bulb (25 - 30 watt electronic - 100 watt equivalent)	Per bulb		Manufacturer of bulb? Wattage?
Crawl space or basement floor covering (to seal building envelope)	Per square foot		
Crawl space perimeter insulation (rim joist)	Per square foot		
Crawl space perimeter insulation (wall)	Per square foot		
Crawl space vent closure	Per vent		
Duct insulation (R-6, 2" FSK Fiberglas wrap)	Per linear foot		
Duct sealing (duct blaster guided - if different explain in methodology column)	Per hour		
Duct Wrap	Per foot		

**GENERAL SERVICES AGREEMENT
E.ON U.S. SERVICES INC. AND/OR AFFILIATES**

This "General Services Agreement" is made this ninth day of November 4, 2009 (the "Effective Date") by and between *(i)* E.ON U.S. Services Inc. ("E.ON U.S. Services Inc.") and/or its "Affiliates" (as defined below) and *(ii)* COMMUNITY ACTION COUNCIL FOR LEXINGTON-FAYETTE, BOURBON, HARRISON, AND NICHOLAS COUNTIES ("Contractor") a Kentucky non-profit corporation and a Special District of the Commonwealth of Kentucky.

WHEREAS, Contractor desires the opportunity to provide goods and/or services to E.ON U.S. Services Inc. from time to time, and E.ON U.S. Services Inc. and/or its Affiliates desire the opportunity to engage Contractor to provide such goods and/or services through the issuance of Purchase Orders and/or Statements of Work; and

WHEREAS, the parties intend that this General Services Agreement sets forth the exclusive terms and conditions which shall govern the performance of the Work by Contractor for E.ON U.S. Services Inc. and/or any of its Affiliates should E.ON U.S. Services Inc. and/or any of its Affiliates engage Contractor to provide Work.

NOW THEREFORE, in consideration of the premises, the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do agree as follows:

ARTICLE 1 DEFINITIONS

- 1.01 **Affiliate:** "Affiliate" shall mean any entity which, from time to time, in whole or in part, and directly or indirectly, controls, is controlled by, or under common control with E.ON U.S. Services Inc. and shall include, without limitation, Louisville Gas and Electric Company and Kentucky Utilities Company.
- 1.02 **Agreement:** "Agreement" shall mean this General Services Agreement, along with any "Statements of Work" (as defined below) and/or Purchase Order (as defined below) issued by Company and/or any other documentation as may be executed by the parties in accordance with Article 2, and/or other agreed collateral document pursuant to which the Work is to be performed.
- 1.03 **Applicable Laws:** "Applicable Laws" shall mean any and all applicable federal, state or local laws, regulations, codes, ordinances, administrative rules, court orders, permits or executive orders.
- 1.04 **Contract Price:** "Contract Price" shall mean the aggregate of the particular considerations set forth in one or more Purchase Orders or other Statements of Work or as otherwise agreed upon. Unless otherwise agreed in writing, the Contract Price includes all applicable taxes, duties, fees, and assessments of any nature including, without limitation, all sales and use taxes due to any governmental authority with respect to the Work.
- 1.05 **Contractor:** "Contractor" shall mean the entity designated as the "Contractor" in the opening paragraph of this Agreement.
- 1.06 **Company:** "Company" shall mean E.ON U.S. Services Inc. and/or any of its Affiliates as appropriate based on which entity is the party to the applicable Purchase Order and/or Statements of Work or other binding document. The rights and obligations of E.ON U.S. Services Inc. and/or each of its Affiliates hereunder shall be limited to the extent of such party's proportionate utilization of Contractor's services hereunder.
- 1.07 **E.ON U.S. Services Inc.:** E.ON U.S. Services Inc. shall mean E.ON U.S. Services Inc., a Kentucky corporation.

- 1.08 Purchase Order:** Company may, at its discretion, from time to time, issue one or more of its own "Purchase Order Standard Terms and Conditions" and/or "Contractor Purchase Agreement" ("CPA") (collectively referred to as a "Purchase Order") that may supplement, but in no way or manner ever supersede, this Agreement with respect to any conflicting terms and conditions.
- 1.09 Statements of Work:** "Statements of Work" shall mean any specifications, instructions, drawings, schedules, a Purchase Order, contracts, scopes of Work, and/or descriptions of Work.
- 1.10 Tools and Equipment:** "Tools and Equipment" shall mean any tools, equipment, rigging and other general supplies on the Company's premises where the Work is being performed that is either owned and/or leased by Company or by any of its Affiliates.
- 1.11 Work:** "Work" shall include, collectively, those services, goods and/or obligations as set forth in this Agreement.

ARTICLE 2 SCOPE: BINDING EFFECT

Unless otherwise agreed in a writing executed by each of the parties which evidences a clear intention to supersede this Agreement, the parties intend that this Agreement apply to all transactions which may occur between E.ON U.S. Services Inc. and/or any of its Affiliates and Contractor during the term of this Agreement and which are related to the provision of goods and/or services by Contractor for the benefit of E.ON U.S. Services Inc. and/or any of its Affiliates. Neither E.ON U.S. Services Inc. nor any of its Affiliates makes any commitment to Contractor as to the exclusiveness of this relationship or as to the volume, if any, of business E.ON U.S. Services Inc. and/or its Affiliates will do with Contractor. The parties do, however, anticipate that the parties will agree from time to time for the performance of Work by Contractor. Such agreement for the provision of Work shall be reflected by (a) each of the parties executing a mutually acceptable Statement of Work under this Agreement or (b) Company providing a Purchase Order or other Statement of Work to Contractor and Contractor accepting such Purchase Order or other Statement of Work (including by commencing performance pursuant to such Purchase Order or other Statement of Work). In the event Company provides a Purchase Order or other Statement of Work to Contractor and Contractor commences performance, unless such Purchase Order or other Statement of Work expressly provides otherwise, Contractor hereby agrees to the formation of a binding agreement as described in the Purchase Order or other Statement of Work upon Contractor's commencement of performance, waives any argument that it might otherwise have under Applicable Laws that the Purchase Order should have been executed by each of the parties to be enforceable and further agrees to not contest the enforceability of such Purchase Order or other Statement of Work on those grounds, and agrees to not contest the admissibility of Company's records related to such Purchase Order or other Statement of Work that are kept in the ordinary course by Company. In addition, in no event shall the terms and conditions of any proposal, purchase order or other statement of work, acknowledgement, invoice, or other document unilaterally issued by Contractor be binding upon Company without Company's explicit written acceptance thereof. Any Work performed by Contractor without Company's binding commitment for such Work either via a duly executed or accepted Purchase Order or other Statement of Work under this Agreement shall be at Contractor's sole risk and expense, and Company shall have no obligation to pay for any such Work.

ARTICLE 3 CONDITIONS AND RISKS OF WORK: LABOR HARMONY

Unless the applicable Purchase Order and/or Statement of Work expressly provides otherwise, Contractor agrees that, before beginning any Work, Contractor shall carefully examine all conditions relevant to such Work and its surroundings and Contractor shall assume the risk of such conditions and shall, regardless of such conditions, the expense, or difficulty of performing the Work, fully complete the Work for the stated Contract Price applicable to such Work without further recourse to Company. Without limiting the foregoing, Contractor specifically recognizes that Company and other parties may be working concurrently at the site. Information on the site of the Work and local

conditions at such site furnished by Company in specifications, drawings or otherwise is made without representation or warranty of any nature by Company, is not guaranteed by Company, and is furnished solely for the convenience of Contractor. All drawings and other documents, if any, required to be submitted to Company for review shall be submitted in accordance with the mutually agreed to schedule and, if no schedule applies, such drawings or other documents shall be submitted by Contractor without unreasonable delay. No Work affected by such drawings and other documents shall be started until Contractor is authorized to do so by Company. In case of a conflict between or within instructions, specifications, drawings, schedules, Purchase Order(s) and/or other Statements of Work, Company shall resolve such conflict; and Company's resolution shall be binding on Contractor. Contractor agrees that all labor employed by Contractor, its agents or subcontractors for Work on the premises of Company shall be in harmony with all other labor being used by Company or other contractors working on Company's premises. Contractor agrees to give Company immediate notice of any threatened or actual labor dispute and will provide assistance as determined necessary by Company to resolve any such dispute. Contractor, its agents or subcontractors, shall remove from Company's premises any person objected to by Company in association with the Work.

ARTICLE 4 COMPANY CHANGES IN WORK

The scope of and conditions, specifications and/or quantities ordered applicable to the Work shall be subject to changes by Company from time to time. Such changes shall only be enforceable if documented in a writing executed by Company. Except as otherwise specifically set forth in this Agreement, changes in the scope of or conditions applicable to the Work may result in adjustments in the Contract Price and/or the Work schedule in accordance with this Article 4. If Contractor believes that adjustment of the Contract Price or the Work schedule is justified, whether as a result of a change made pursuant to this Article or as a result of any other circumstance, then Contractor shall (a) give Company written notice of its claim within five (5) business days after receipt of notice of such change or the occurrence of such circumstances and (b) shall supply a written statement supporting Contractor's claim within ten (10) business days after receipt of notice of such change or occurrence of such circumstances, which statement shall include Contractor's detailed estimate of the effect on the Contract Price and/or the Work schedule. Contractor agrees to continue performance of the Work during the time any claim hereunder is pending. Company shall not be bound to any adjustments in the Contract Price or the Work schedule unless expressly agreed to by Company in writing. Company will not be liable for, and Contractor waives, any claims of Contractor that Contractor knew or should have known and that were not reported by Contractor in accordance with the provisions of this Article 4.

ARTICLE 5 FORCE MAJEURE

Neither party shall be liable to the other for any damages for any failure to perform or for any delays or interruptions beyond that party's reasonable control in performing any of its obligations under this Agreement only due to acts of God, fires, floods, earthquakes, riots, war, acts of terrorism, civil insurrection, acts of the public enemy, or acts or failures to act of civil or military authority, unless the time to perform is expressly guaranteed. Contractor shall advise Company immediately of any anticipated and actual failure, delay or interruption and the cause and estimated duration of such event. Any such failure, delay or interruption, even though existing on the Effective Date or on the date of the start of the Work, shall require Contractor to within five (5) days submit a recovery plan detailing the manner in which the failure, delay, or interruption shall be remedied and the revised schedule. Contractor shall diligently proceed with the Work notwithstanding the occurrence thereof. This Article shall apply only to the part of the Work directly affected by the particular failure, delay or interruption, and shall not apply to the Work as a whole or any other unaffected part thereof.

ARTICLE 6 CONTRACTOR DELAYS

Time is an important and material consideration in the performance of this Agreement by Contractor. Contractor agrees to cooperate with Company in scheduling the Work so that the project and other

activities at Company's site will progress with a minimum of delays. Company shall not be responsible for compensating Contractor for any costs of overtime or other premium time work unless Company has provided separate prior written authorization for additional compensation to Contractor and, if Company provides such written authorization, such additional compensation shall be limited to Contractor's actual cost of the premium portion of wages, craft fringe benefits and payroll burdens (without any mark-ups and/or profit). Contractor shall be liable for all failures, delays and interruptions in performing any of its obligations under this Agreement which are not (a) caused by Company and reported in accordance with Article 4, (b) excused by Article 5, or (c) directed by Company pursuant to Article 7. Contractor shall, without adjustment to completion date or Contract Price, be obligated to make up time lost by such failures, delays or interruptions. Company may suspend payments under this Agreement during the period of any such failure, delay or interruption.

ARTICLE 7 COMPANY EXTENSIONS

Company shall have the right to extend schedules or suspend the Work, in whole or in part, at any time upon written notice to Contractor (except that in an emergency or in the event that Company identifies any safety concerns, Company may require an immediate suspension upon oral or written notice to Contractor). Contractor shall, upon receipt of such notice, immediately suspend or delay the Work. Contractor shall resume any suspended Work when directed by Company. If Contractor follows the requirements of Article 4, a mutually agreed equitable adjustment to the Contract Price or to the schedules for payments and performance of the remaining Work may be made to reflect Company's extension of schedules or suspension of the Work. Contractor will provide Company with all information requested in connection with determining the amount of such equitable adjustment.

ARTICLE 8 INSPECTING, TESTING, AUDITING, AND USE OF TOOLS AND EQUIPMENT:

8.01 Right of Inspecting and Testing: Company reserves the right, but shall not be obligated, to appoint representatives to follow the progress of the Work with authority to suspend any Work not in compliance with this Agreement. The appointment, or absence of an appointment, of such representatives by Company shall not have any affect on warranties. Acceptance or approval by Company's representative shall not be deemed to constitute final acceptance by Company, nor shall Company's inspection relieve Contractor of responsibility for proper performance of the Work. Inspection by Company's representative shall not be deemed to be supervision or direction by Company of Contractor, its agents, servants or employees, but shall be only for the purpose of attempting to ensure that the Work complies with this Agreement. In the event Contractor fails to provide Company with reasonable facilities and access for inspection when advised, and if in the opinion of Company it becomes necessary to dismantle the Work for such inspection, then Contractor shall bear the expenses of such dismantling and reassembly.

8.02 Right of Auditing: Contractor shall maintain complete records relating to any cost-based (i.e., Work not covered by firm prices), components of the Work billed under this Agreement, or Work relating to the quantity of units billed under any unit price provisions of this Agreement (all the foregoing hereinafter collectively referred to as "Records") for a minimum of five years following the latest of performance of, delivery to Company of, or payment by Company for, such Work or units. All such Records shall be open to inspection and subject to audit and reproduction during normal working hours, by Company or its authorized representatives, to the extent necessary to adequately permit evaluation and verification of any invoices, payments, time sheets or claims based on Contractor's actual costs incurred in the performance or delivery of Work under this Agreement. For the purpose of evaluating or verifying such actual or claimed costs, Company or its authorized representative shall have access to said Records at any time, including any time after final payment by Company to Contractor pursuant to this Agreement. All non-public information obtained in the course of such audits shall be held in confidence except pursuant to judicial and administrative order. Company or its authorized representative shall have access, during normal working hours, to all

necessary Contractor facilities and shall be provided adequate and appropriate work space to conduct audits in compliance with the provisions of this Article. Company shall give Contractor reasonable notice of intended audits. The rights of Company set forth in this paragraph shall survive the termination or expiration of this Agreement.

8.03 Use of Tools and Equipment: Company, in its sole discretion, may allow Contractor to use Company's Tools and Equipment for the Work and related activities at designated Company locations. Contractor shall indemnify and hold harmless Company and its Affiliates, including their respective officers, directors, shareholders, agents, managers, members and employees (each an "Indemnified Party"), from and against any and all claims, damages, losses or liabilities arising out of, relating to, or in connection with, the use of Company's Tools and Equipment by Contractor, its agents, servants, employees or subcontractors, and will reimburse each Indemnified Party for all expenses (including in-house and/or outside attorney's fees and expenses) as they are incurred in connection with investigating, preparing or pursuing or defending any action, claim, suit or investigation or proceeding related to, arising out of, or in connection with, the use of Company's Tools and Equipment by Contractor, its agents, servants, employees or subcontractors, whether or not threatened or pending and whether or not any Indemnified Party is a party. Contractor, on behalf of itself or its agents, equity owners, affiliates, officers and directors, and all of their predecessors, successors, assigns, heirs, executors and administrators, hereby irrevocably release, discharge, waive, relinquish and covenant not to sue, directly, derivatively or otherwise, Company and/or its Affiliates and each of their respective directors, officers, shareholders, members, managers, partners (general or limited), employees and agents (including, without limitation, its financial advisors, counsel, proxy solicitors, information agents, depositories, consultants and public relations representatives) and all of their predecessors, successors, assigns, heirs, executors or administrators, and all persons acting in concert with any such person, with respect to any and all matters, actions causes of action (whether actually asserted or not), suits, damages, claims or liabilities whatsoever, at law, equity or otherwise, arising out of, relating to, or in connection with the use of Company's Tools and Equipment by Contractor, its agents, servants, employees or subcontractors. Company shall in no event be liable for any claim whatsoever by or through Contractor, its employees, agents and/or subcontractors or by any third party, for any inoperability or failure of the Tools and Equipment to perform as designed or intended, whether such claim is based in warranty, contract, tort (including negligence), strict liability or otherwise and whether for direct, incidental, consequential, special, exemplary or other damages. Contractor shall ensure that its employees, agents, subcontractors or servants shall inspect, exercise the appropriate level of care in the use, maintenance and repair of the Tools and Equipment, so as to minimize the incidence of casualties and injuries occurring in connection therewith.

ARTICLE 9 COMPLIANCE WITH APPLICABLE LAWS: SAFETY: DRUG AND ALCOHOL TESTING: IMMIGRATION LAWS: NERC RELIABILITY STANDARDS COMPLIANCE

9.01 Applicable Laws and Safety: Contractor agrees to protect its own and its subcontractors' employees and be responsible for their Work until Company's acceptance of the entire project and to protect Company's facilities, property, employees and third parties from damage or injury. Contractor shall at all times be solely responsible for complying with any and all Applicable Laws and facility rules, including without limitation those relating to health and safety, in connection with the Work and for obtaining (but only as approved by Company) all permits and approvals necessary to perform the Work. Without limiting the foregoing, Contractor agrees to strictly abide by and observe all standards of the Occupational Safety & Health Administration (OSHA) which are applicable to the Work being performed now or in the future, as well as Company's Contractor Code of Business Conduct and Company's Contractor/Subcontractor Safety Policy which are both hereby incorporated by reference (Contractor hereby acknowledges receipt of a copy of such Company's Contractor Code of Business Conduct and Company's Contractor/Subcontractor Safety Policy) and any other rules and regulations of the Company, all of which are incorporated herein by reference. Contractor also agrees to be bound to any amendments and/or modifications that may be issued in the future by Company from time to time, with respect to Company's Contractor Code of Business Conduct and/or any of its related policies which are the subject of this Article 9. Contractor shall maintain the Work site in a

safe and orderly condition at all times. Company shall have the right, but not the obligation, to review Contractor's compliance with safety and cleanup measures. In the event Contractor fails to keep the work area clean, Company shall have the right to perform such cleanup on behalf of, at the risk of and at the expense of Contractor. In the event Contractor subcontracts any of the Work, Contractor shall notify Company in writing of the identity of the subcontractor before utilizing the subcontractor. Contractor shall require all of its subcontractors to complete the safety and health questionnaire and checklists provided by Company and shall provide a copy of such documents to Company upon request. Contractor shall conduct, and require its subcontractors to conduct, safety audits and job briefings during performance of the Work. In the event a subcontractor has no procedure for conducting safety audits and job briefings, Contractor shall include the subcontractor in its safety audits and job briefings. All safety audits shall be documented in writing by the Contractor and its subcontractors. Contractor shall provide documentation of any and all audits identifying safety deficiencies and concerns and corrective action taken as a result of such audits to Company semi-monthly. Contractor further specifically acknowledges, agrees and warrants that Contractor has complied, and shall at all times during the term of this Agreement, comply in all respects with all laws, rules and regulations relating to the employment authorization of employees including, but not limited to, the Immigration Reform and Control Act of 1986, as amended, and the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, as amended, whereby Contractor certifies to Company that Contractor has (a) properly maintained, and shall at all times during the term of this Agreement properly maintain all records required by Immigration and Customs Enforcement, such as the completion and maintenance of the Form I-9 for each of Contractor's employees; (b) that Contractor maintains and follows an established policy to verify the employment authorization of its employees; (c) that Contractor has verified the identity and employment eligibility of all employees in compliance with all applicable laws; and (d) that Contractor is without knowledge of any fact that would render any employee or subcontractor of Contractor ineligible to legally work in the United States. Contractor further acknowledges, agrees and warrants that all of its subcontractors will be required to agree to these same terms as a condition to being awarded any subcontract for such Work.

9.02 Hazards and Training: Contractor shall furnish adequate numbers of trained, qualified, and experienced personnel and appropriate safety and other equipment in first-class condition, suitable for performance of the Work. Such personnel shall be skilled and properly trained to perform the Work and recognize all hazards associated with the Work. Without limiting the foregoing, Contractor shall participate in any safety orientation or other of Company's familiarization initiatives related to safety and shall strictly comply with any monitoring initiatives as determined by Company. Contractor shall accept all equipment, structures and property of Company as found and acknowledges it has inspected the property, has determined the hazards incident to working thereon or thereabouts, and has adopted suitable precautions and methods for the protection and safety of its employees and the property.

9.03 Drug and Alcohol: No person will perform any of the Work while under the influence of drugs or alcohol. No alcohol may be consumed within four (4) hours of the start of any person's performance of the Work or anytime during the workday. A person will be deemed under the influence of alcohol if a level of .02 percent blood alcohol or greater is found. In addition to the requirements of the drug testing program, as set forth in Company's rules and regulations, all persons who will perform any of the Work will be subject to drug and alcohol testing under either of the following circumstances: (i) where the person's performance either contributed to an accident or cannot be completely discounted as a contributing factor to an accident which involves off-site medical treatment of any person; and (ii) where Company determines in its sole discretion that there is reasonable cause to believe such person is using drugs or alcohol or may otherwise be unfit for duty. Such persons will not be permitted to perform any Work until the test results are established. Contractor shall be solely responsible for administering and conducting drug and alcohol testing, as set forth herein, at Contractor's sole expense. As applicable, and in addition to any other requirements under this Agreement, Contractor shall develop and strictly comply with any and all drug testing requirements as required by Applicable Laws.

9.04 NERC Reliability Standards. The following additional provisions shall apply if Contractor's Work in any way involves areas or assets which are located within physical security perimeters as defined by NERC's Reliability Standards for the Bulk Electric Systems of North America (collectively, the "NERC Standards"), including without limitation any Company data center or control center. Contractor's non-compliance of NERC Standards may result in fines and/or penalties being assessed against the Company that would result in Company seeking indemnification from Contractor as a consequence of Contractor's and/or its subcontractors', agents' and/or representatives' non-compliance of NERC Standards.

A. **Information Protection.** Without compromising the confidentiality provisions in Article 24, Contractor shall at all times comply with the Company's information protection program(s) as defined by CIP-003, R4. Among the information protected by this program are: (i) all operational procedures; (ii) lists of critical cyber assets; (iii) network topology or similar diagrams; (iv) floor plans of computing centers that contain critical cyber assets; (v) equipment layouts of critical cyber assets; (vi) disaster recovery plans; (vii) incident response plans; and (viii) security configuration information. Contractor shall protect this protected information from disclosure consistent with the program.

B. **Access Revocation.** Contractor shall *immediately* advise appropriate Company's management if any of Contractor's personnel who have key card access to a restricted area or electronic access to a protected system no longer require such access.

C. **Training.** If any Contractor personnel require key card access to a restricted area or electronic access to a protected system, Contractor shall ensure that such personnel complete, and retake as requested, all necessary NERC training as requested by Company.

D. **Personnel Risk Assessment.** If any Contractor personnel require key card access to a restricted area or electronic access to a protected system, Contractor shall ensure that Company receives necessary waivers and information from Contractor's personnel to complete, and repeat as necessary, such background checks as requested by Company.

Continuing Obligations. Contractor further acknowledges that its compliance with the NERC Standards is a continuing obligation during and after the Term. Upon written notice to Contractor, Company shall have the absolute right to audit and inspect any and all information regarding Contractor's compliance with this Section 9.04, and/or to require confirmation of the destruction of any documentation received from or regarding Company. Contractor is encouraged to contact Company's Compliance Department pursuant to Section 9.05 to ensure Contractor understands and complies with this Section 9.04.

9.05 Office of Compliance: The Company has an Office of Compliance. Should Contractor have actual knowledge of violations of any of the herein stated policies of conduct in this Article 9, or have a reasonable basis to believe that such violations will occur in the future, whether by its own employees, agents, representatives or subcontractors, or by another vendor and/or supplier of the Company and its employees, agents, representatives or subcontractors, or by any employee, agent and/or representative of Company, Contractor has an affirmative obligation to immediately report any such known, perceived and/or anticipated violations to the Company's Office of Compliance in care of Director, Compliance and Ethics, E.ON U.S. Center, 220 West Main Street, Louisville, Kentucky 40202.

ARTICLE 10 STATUS OF CONTRACTOR

Company does not reserve any right to control the methods or manner of performance of the Work by Contractor. Contractor, in performing the Work, shall not act as an agent or employee of Company, but shall be and act as an independent contractor and shall be free to perform the Work by such methods and in such manner as Contractor may choose, doing everything necessary to perform such Work properly and safely and having supervision over and responsibility for the safety and actions of its employees and the suitability of its equipment. Contractor's employees and subcontractors shall not be deemed to be employees and/or agents of Company. Contractor agrees that if any portion of Contractor's Work is subcontracted, all such subcontractors shall be bound by and observe the conditions of this Agreement to the same extent as required of Contractor. In such event, Company strongly encourages the use of Minority Business Enterprises, Women Business Enterprises and Disadvantaged Business Enterprises, as defined under federal law and as certified by a certifying agency that Company recognizes as proper.

ARTICLE 11 EQUAL EMPLOYMENT OPPORTUNITY

To the extent applicable, Contractor shall comply with all of the following provisions, which are incorporated herein by reference: (i) Equal Opportunity regulations set forth in 41 CFR § 60-1.4(a) and (c), prohibiting employment discrimination against any employee or applicant because of race, color, religion, sex, or national origin; (ii) Vietnam Era Veterans Readjustment Assistance Act regulations set forth in 41 CFR § 60-250.4 relating to the employment and advancement of disabled veterans and Vietnam era veterans; (iii) Rehabilitation Act regulations set forth in 41 CFR § 60-741.4 relating to the employment and advancement of qualified disabled employees and applicants for employment; (iv) the clause known as "Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals" set forth in 15 USC § 637(d)(3); and (v) the subcontracting plan requirement set forth in 15 USC § 637(d).

ARTICLE 12 INDEMNITY BY CONTRACTOR

Contractor shall indemnify, defend, and hold harmless Company, its directors, officers, members, managers, employees and agents, from any and all damage, loss, claim, demand, suit, liability, penalty and/or fine (pursuant to Section 9.04 or otherwise) or forfeiture of every kind and nature, including but not limited to attorneys' fees (for both in-house and/or outside counsel) and expenses and other costs and expenses of defending against the same and payment of any settlement or judgment therefore, by reason of (a) bodily and other personal injuries to or deaths of persons, (b) damages to tools or equipment owned or leased by Company, (c) damages to other property, (d) the release or threatened release of a hazardous substance or any pollution or contamination of or other adverse effects on the environment, (e) violations of any Applicable Laws or (f) infringement of patent, copyright, trademark, trade secret or other property right, to the extent resulting or alleged to have resulted from acts or omissions of Contractor, its employees, agents, subcontractors or other representatives or otherwise from performance of this Agreement, whether suffered directly by Company or indirectly by reason of third party claims, demands or suits. This obligation to indemnify, defend and hold harmless shall survive termination or expiration of this Agreement.

ARTICLE 13 ENVIRONMENTAL

13.01 Control: As required under the OSHA Hazard Communication Standard (29 CFR 1910.1200) and certain other Applicable Laws, Contractor or its subcontractors shall provide Material Safety Data Sheets ("MSDS") covering any hazardous substances and materials furnished under or otherwise associated with the Work under this Agreement. Contractor and its subcontractors shall provide Company with either copies of the applicable MSDS or copies of a document certifying that no MSDS are required under any Applicable Laws in effect at the worksite. **No asbestos or lead containing materials shall be incorporated into any Work performed by Contractor or otherwise left on the Work site without the prior written approval of Company.** Contractor and its subcontractors shall be solely responsible for determining if any chemical or material furnished, used, applied, or stored or Work performed under this Agreement is subject to any Applicable Laws.

13.02 Labeling: Contractor and its subcontractors shall label hazardous substances and materials and train their employees in the safe usage and handling of such substances and materials as required under any Applicable Laws.

13.03 Releases: Contractor and its subcontractors shall be solely responsible for the management of any petroleum or hazardous substances and materials brought onto the Work site and shall prevent the release of petroleum or hazardous substances and materials into the environment. All petroleum or hazardous substances and materials shall be handled and stored according to Contractor's written Spill Prevention Control and Countermeasures Plan or Best Management Practices Plan as defined under the provisions of the Clean Water Act, as amended, if either such Plan must be maintained pursuant to Applicable Laws. Contractor shall provide secondary containment for the storage of petroleum or hazardous substances and materials. The prompt and proper clean-up of any spills, leaks, or other releases of petroleum or hazardous substances and materials resulting from the

performance of the Work under this Agreement and the proper disposal of any residues shall be Contractor's sole responsibility, but Contractor shall give Company immediate notice of any such spills, leaks, or other releases. Contractor shall be solely responsible for the storage, removal, and disposal of any excess or unused quantities of chemicals and materials which Contractor causes to be brought to the Work site.

13.04 Generated Wastes: Unless Company and Contractor expressly agree otherwise in writing, Contractor and its subcontractors shall be solely responsible for any wastes generated in the course of the Work, and Contractor shall handle, store, and dispose of such wastes in accordance with any Applicable Laws.

13.05 Survival: The obligations set forth in this Article shall survive termination or expiration of this Agreement.

ARTICLE 14 INSURANCE

14.01 Contractor's Insurance Obligation: For the entire duration of the Agreement, Contractor shall provide and maintain, and shall require any of its subcontractors to provide and maintain, the following insurance (and, except with regard to Workers' Compensation, naming Company as additional insured and waiving rights of subrogation against Company and Company's insurance carrier(s)), and Contractor shall submit evidence of such coverage(s) of Contractor to Company prior to the start of the Work and, furthermore, Contractor shall notify Company, prior to the commencement of any Work pursuant to any Statement of Work and/or Purchase Order, of any threatened, pending and/or paid off claims to third parties, individually or in the aggregate, which otherwise affects the availability of the limits of such coverage(s) inuring to the benefit of Company as hereinafter specified:

- (a) Workers' Compensation and Employer's Liability Policy, which shall include:
 - 1) Workers' Compensation (Coverage A), with statutory limits, and in accordance with the laws of the state where the Work is performed;
 - 2) Employer's Liability (Coverage B) with minimum limits of One Million Dollars (\$1,000,000) Bodily Injury by Accident, each Accident, \$1,000,000 Bodily Injury by Disease, each Employee;
 - 3) Thirty (30) Day Cancellation Clause; and
 - 4) Broad Form All States Endorsement.
- (b) Commercial General Liability Policy, which shall have minimum limits of One Million Dollars (\$1,000,000) each occurrence; One Million Dollars (\$1,000,000) Products/Completed Operations Aggregate each occurrence; One Million Dollars (\$1,000,000) Personal and Advertising Injury, each occurrence, in all cases subject to Two Million Dollars (\$2,000,000) in the General Aggregate for all such claims, and including:
 - 1) Thirty (30) Day Cancellation Clause;
 - 2) Blanket Written Contractual Liability to the extent covered by the policy against liability assumed by Contractor under this Agreement;
 - 3) Broad Form Property Damage; and
 - 4) Insurance for liability arising out of blasting, collapse, and underground damage (deletion of X, C, U Exclusions).
- (c) Commercial Automobile Liability Insurance covering the use of all owned, non-owned, and hired automobiles, with a bodily injury, including death, and property damage combined single minimum limit of One Million Dollars (\$1,000,000) each occurrence with respect to Contractor's vehicles assigned to or used in performance of Work under this Agreement.
- (d) Umbrella/Excess Liability Insurance with minimum limits of Two Million Dollars (\$2,000,000) per occurrence; Two Million Dollars (\$2,000,000) aggregate, to apply to employer's liability, commercial general liability, and automobile liability.
- (e) To the extent applicable, if any fixed wing or rotor craft aircraft will be used by Contractor in performing the Work, Aircraft Public Liability Insurance covering such aircraft whether owned, non-owned, leased, hired or assigned with a combined single minimum limit for

bodily injury and property damage of Five Million Dollars (\$5,000,000) including passenger liability coverage.

- (f) To the extent applicable, if engineering or other professional services will be separately provided by Contractor as specified in the Statements of Work, then Professional Liability Insurance with limits of Three Million Dollars (\$3,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate, which insurance shall be either on an occurrence basis or on a claims made basis (with a retroactive date satisfactory to Company).

14.02 Quality of Insurance Coverage: The above policies to be provided by Contractor shall be written by insurance companies which are both licensed to do business in the state where the Work will be performed and either satisfactory to Company or having a Best Rating of not less than "A-". These policies shall not be materially changed or canceled except with thirty (30) days written notice to Company from Contractor and the insurance carrier. Evidence of coverage, notification of cancellation or other changes shall be mailed to: Attention: Manager, Supply Chain, E.ON U.S. Services Inc., P.O. Box 32020, Louisville, Kentucky 40232.

14.03 Implication of Insurance: Company reserves the right to request and receive a summary of coverage of any of the above policies or endorsements; however, Company shall not be obligated to review any of Contractor's certificates of insurance, insurance policies, or endorsements, or to advise Contractor of any deficiencies in such documents. Any receipt of such documents or their review by Company shall not relieve Contractor from or be deemed a waiver of Company's rights to insist on strict fulfillment of Contractor's obligations under this Agreement.

14.04 Other Notices: Contractor shall provide notice of any accidents or claims at the Work site to Company's Manager, Risk Management at E.ON U.S. Services Inc., P.O. Box 32030, Louisville, Kentucky 40232 and Company's site authorized representative.

ARTICLE 15 WARRANTIES

Contractor warrants that:

- (a) the Work will conform to any applicable Statement of Work and/or Purchase Order; and any materials supplied in connection therewith shall be new, unused and free from defect;
- (b) the Work will be suitable for the purposes specified by Company and will conform to each statement, representation and description made by Contractor to Company;
- (c) the Work is not and shall not be subject to any encumbrance, lien, security interest, patent, copyright or trademark claims, infringements, or other defects in title; and
- (d) any labor or services performed pursuant to this Agreement shall be performed in a competent, diligent, and timely manner in accordance with the highest professionally accepted standards.

Contractor shall respond in writing to any warranty claim by Company within five (5) business days of the delivery of notice of such claim to Contractor. All such warranties shall, in no case, be less than 18 months after Company's notice of substantial completion of the Work or 12 months after the commencement of regular use by Company of all components and/or systems comprising the Work, as applicable, whichever occurs first; *provided, however*, that any specific warranties, whether of performance, fitness for any particular purpose or intended purposes, merchantability or otherwise, that are in excess of such time periods, as may be agreed by and between Contractor and Company in any Statement of Work and/or Purchase Order, shall govern notwithstanding any terms to the contrary contained in this Agreement.

ARTICLE 16 OWNERSHIP OF INTELLECTUAL PROPERTY; PATENTS

16.01 Ownership: All inventions, discoveries, processes, methods, designs, drawings, blueprints, information, software, works of authorship and know-how, or the like, whether or not patentable or copyrightable (collectively, "Intellectual Property"), which Contractor conceives, develops, or begins to develop, either alone or in conjunction with Company or others, with respect to the Work, shall be "work made for hire" and the sole and exclusive property of Company. Upon request, Contractor shall

promptly execute all applications, assignments and other documents that Company shall deem necessary to apply for and obtain letters patent of the United States and/or copyright registration for the Intellectual Property and in order to evidence Company's sole ownership thereof.

16.02 Royalties and License Fees: Contractor shall pay all royalties and license fees which may be payable on account of the Work or any part thereof. In case any part of the Work is held in any suit to constitute infringement and its use is enjoined, Contractor within a reasonable time shall, at the election of Company, and in addition to Contractor's obligations under Article 12, either (a) secure for Company the perpetual right to continue the use of such part of the Work by procuring for Company a royalty-free license or such other permission as will enable Contractor to secure the suspension of any injunction, or (b) replace at Contractor's own expense such part of the Work with a non-infringing part or modify it so that it becomes non-infringing (in either case with changes in functionality that are acceptable to Company).

ARTICLE 17 RELEASE AND INDEMNITY REGARDING LIENS

Contractor hereby releases and/or waives for itself and its successors in interest, and for all subcontractors and their successors in interest, any and all claims or right of mechanics or any other type of lien to assert and/or file upon Company's or any other party's property, the Work, or any part thereof as a result of performing the Work. Contractor shall execute and deliver to Company such documents as may be required by Applicable Laws (i.e., partial and/or final waivers of liens and/or affidavits of indemnification) to make this release effective and shall give all required notices to subcontractors with respect to ensuring the effectiveness of the foregoing releases against those parties. Contractor shall secure the removal of any lien that Contractor has agreed to release in this Article within five (5) working days of receipt of written notice from Company to remove such lien. If not timely removed, Company may remove the lien and charge all costs and expenses including legal fees (for inside and/or outside legal counsel) to Contractor including, without limitation, the costs of bonding off such lien. Company, in its sole discretion, expressly reserves the right to off-set and/or retain any reasonable amount due to Contractor from payment of any one or more of Contractor's invoices upon Company having actual knowledge of any threatened and/or filed liens and/or encumbrances that may be asserted and/or filed by any subcontractor, materialman, independent contractor and/or third party with respect to the Work, with final payment being made by Company only upon verification that such threatened and/or filed liens and/or encumbrances have been irrevocably satisfied, settled, resolved and/or released (as applicable), and/or that any known payment disputes concerning the Work involving Contractor and any of its subcontractors, agents and/or representatives have been resolved so that no actions, liens and/or encumbrances of any kind or nature will be filed against Company and/or Company's property.

ARTICLE 18 ASSIGNMENT OF AGREEMENT: SUBCONTRACTING

Upon prior written notice given to Company, Contractor shall not, by operation of law or otherwise, assign and/or subcontract any part of the Work or this Agreement without Company's prior written approval. Such approval, if given by Company, shall not relieve Contractor from full responsibility for the fulfillment of any and all obligations under this Agreement. Under any and all circumstances, any permitted assignee of Contractor, whether or not such assignee shall be a division, subsidiary and/or affiliate entity of Contractor, shall also be fully bound by the terms of this Agreement and, furthermore, upon request by Company, each of Contractor and its permitted assignee shall provide sufficient financial information, as determined by Company in its sole discretion, necessary to validate such assignee's credit worthiness and ability to perform under this Agreement.

ARTICLE 19 INVOICES AND EFFECT OF PAYMENTS

19.01 Invoices: Within a reasonable period of time following the end of each calendar month or other agreed period, Contractor shall submit an invoice to Company that complies with this Article 19. Payments shall be made within forty-five (45) days of Company's receipt of Contractor's proper invoice and, in the event that Company's payment is overdue, Contractor shall promptly

provide Company with a notice that such payment is overdue. Contractor's invoices shall designate the extent to which E.ON U.S. Services Inc. or any of its Affiliates is the responsible party. Such invoices shall reference the contract number and shall also show labor, material and taxes paid (including without limitation sales and use taxes); retainers to the extent as may be specified in the Purchase Order, Statement of Work and/or other contractual documentation, or otherwise pursuant to Article 17; duties, fees and other assessments imposed by governmental authorities; freight; and all other charges (including without limitation equipment rental) as separate items. All invoices shall be submitted with supporting documentation and in acceptable form and quality to Company's authorized representative. Should Company dispute any invoice for any reason, payment on such invoice shall be made within thirty (30) days after the dispute resolution. Payment of the invoice shall not release Contractor from any of its obligations hereunder including, but not limited to, its warranty and indemnity obligations. Invoices shall not be delivered with goods, but all correspondence and packages related to this Agreement shall reference the contract number assigned by Company.

19.02 Taxes: If Company provides Contractor with an exemption certificate demonstrating an exemption from sales or use taxes in Kentucky, then Contractor shall not withhold or pay Kentucky sales or use taxes to the extent such exemption certificate applies to the Work (such exemption does not and shall not apply to any materials consumed by Contractor in performing the Work). Contractor agrees that it shall not rely upon Company's direct pay authorization in not withholding or paying Kentucky sales or use taxes. If Company does not provide Contractor with an exemption certificate demonstrating an exemption from sales or use taxes in Kentucky, Contractor shall be solely responsible for paying all appropriate sales, use, and other taxes and duties to (including without limitation sales or use tax with respect to materials purchased and consumed in connection with the Work), as well as filing appropriate returns with, the appropriate authorities. To the extent specifically included in the Contract Price, Contractor shall bill Company for and Company shall pay Contractor all such taxes and duties, but Company shall in no event be obligated for taxes and duties not specifically included in the Contract Price or for interest or penalties arising out of Contractor's failure to comply with its obligations under this Article 19.

19.03 Billing of Additional Work: All claims for payments of additions to the Contract Price shall be shown on separate Contractor's invoices and must refer to the specific change order or written authorization issued by Company as a condition to being considered for payment.

19.04 Effect of Payments/Offset: No payments shall be considered as evidence of the performance of or acceptance of the Work, either in whole or in part, and all payments are subject to deduction for loss, damage, costs or expenses for which Contractor may be liable under any Purchase Order and/or Statement of Work and are set-off hereunder. In addition to Company's right of off-set for threatened and/or filed liens and/or encumbrances, and/or with respect to payment disputes pursuant to Article 17 or otherwise, Company, without waiver or limitation of any rights or remedies of Company, shall be entitled from time to time to deduct and/or retain from any and all amounts owing by Company to Contractor in connection with this Agreement or with respect to any other contract with Company any and all amounts owed by Contractor to Company in connection with this Agreement or any other contract with Company.

19.05 Evidence of Payment to Subcontractors: Contractor shall, if requested by Company, furnish Company with waivers of lien and/or certificates showing names of Contractor's suppliers and subcontractors hereunder, and certifying to Company that said suppliers and subcontractors have been paid in full.

ARTICLE 20 ROUTING OF SHIPMENTS

Company shall have the option of specifying the routing of shipments. If freight is included in the Contract Price, and such specified routing increases Contractor's shipping costs, Contractor shall immediately so notify Company, and should Company still specify the more expensive routing, then Company shall reimburse Contractor for the increase actually incurred thereby.

ARTICLE 21 TERM AND TERMINATION

21.01 Term: This Agreement shall commence on the Effective Date and shall survive in full force and effect until terminated as set forth below and/or otherwise, solely with respect to any Statement of Work and/or Purchase Order, terminate consistent with the specified expiration date as may be stated in any Statement of Work and/or Purchase Order by and between Contractor and Company notwithstanding any terms and conditions to the contrary in this Agreement. A termination under this Article 21 based on certain Work shall only apply to the Statement of Work and/or Purchase Order that covers such Work. Any Statements of Work and/or Purchase Orders that do not relate to such Work shall not be affected by such a termination.

21.02 Termination for Contractor's Breach: If the Work to be done under this Agreement shall be abandoned by Contractor, if this Agreement or any portion thereof shall be assigned by operation of law or otherwise, if the Work or any portion thereof is sublet by Contractor without the permission of Company, if Contractor is placed in bankruptcy, or if a receiver be appointed for its properties and/or assets, if Contractor shall make an assignment for the benefit of creditors, if at any time the necessary progress of Work is not being maintained, or if Contractor is violating any of the conditions or agreements of this Agreement, or has executed this Agreement in bad faith, Company may, without prejudice to any other rights or remedies it may have as a result thereof, notify Contractor to discontinue any or all of the Work and terminate this Agreement in whole or part. In the event that Section 365(a) of the Bankruptcy Code or some successor law gives Contractor as debtor-in-possession the right to either accept or reject this Agreement, then Contractor agrees to file an appropriate motion with the Bankruptcy Court to either accept or reject this Agreement within twenty (20) days of the entry of the Order for Relief in the bankruptcy proceeding. Contractor and Company acknowledge and agree that said twenty (20) day period is reasonable under the circumstances. Contractor and Company also agree that if Company has not received notice that Contractor has filed a motion with the Bankruptcy Court to accept or reject this Agreement within said twenty (20) day period, then Company may file a motion with the Bankruptcy Court asking that this Agreement be accepted or rejected, and Contractor shall not oppose such motion.

21.03 Effect of Termination for Contractor's Breach: From the effective date of such termination notice, Contractor and/or its subcontractors shall vacate the site, whereupon Company shall have the right but not the obligation to take possession of the Work wherever located, and Contractor shall cooperate with Company and cause Contractor's subcontractors to cooperate with Company so that Company can effect such possession. In obtaining replacement services, Company shall not be required to request multiple bids or obtain the lowest figures for completing the Work and may make such expenditures as shall best accomplish such completion and are reasonable given the circumstances. The expenses of completing the Work in excess of the unpaid portion of the Contract Price, together with any damages suffered by Company, shall be paid by Contractor, and Company shall have the right to set off such amounts from amounts due to Contractor.

21.04 Termination for Either Party's Convenience: Either party may terminate this Agreement or one or more Statements of Work in whole or in part for its own convenience by thirty (30) days' written notice at any time. In such event, Company shall pay Contractor all direct labor and material costs incurred on the Work that is subject to such termination prior to such notice, plus any reasonable unavoidable cancellation costs which Contractor may incur as a result of such termination, plus indirect costs or overhead on the portion of the Work completed, computed in accordance with generally accepted accounting principles less salvage value. As an alternative to salvage value reduction, Company shall have the right in its sole discretion to take possession of all or part of the Work.

ARTICLE 22 LIABILITY OF AFFILIATES

Any and all liabilities of E.ON U.S. Services Inc. and/or its Affiliates under this Agreement shall be several but not joint.

ARTICLE 23 PUBLICITY

Contractor shall not issue news releases, publicize or issue advertising pertaining to the Work or this Agreement without first obtaining the written approval of Company.

ARTICLE 24 CONFIDENTIAL INFORMATION

All information relating to the Work or the business of Company including, but not limited to, drawings and specifications relating to the Work, and customer information, shall be held in confidence by Contractor and shall not be used by Contractor for any purpose other than for the performance of the Work or as authorized in writing by Company. In the event that the Contractor assigns the work to one or more subcontractors, a signed confidentiality agreement between the Contractor and each subcontractor(s) will be provided to the Company prior to the provision of any information described in the immediately preceding sentence or the performance of any Work by the subcontractor. All drawings, specifications or documents furnished by Company to Contractor or developed in connection with the Work shall either be destroyed or returned to Company (including any copies thereof) upon request at any time.

ARTICLE 25 MISCELLANEOUS

25.01 Waiver: No waiver by Company of any provision herein or of a breach of any provision shall constitute a waiver of any other breach or of any other provision.

25.02 Headings: The headings of Articles, Sections, Paragraphs, and other parts of this Agreement are for convenience only and do not define, limit, or construe the contents thereof.

25.03 Severability: If any provision of this Agreement shall be held invalid under law, such invalidity shall not affect any other provision or provisions hereof which are otherwise valid.

25.04 State Law Governing Agreement; Consent to Jurisdiction: This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky, without regard to its principles of conflicts of laws. The site of any legal actions between the parties shall be held in state and/or federal court in Louisville, Jefferson County, Kentucky.

25.05 Enforcement of Rights: Company shall have the right to recover from Contractor all expenses, including but not limited to fees for and expenses of inside and/or outside counsel hired by Company, arising out of Contractor's breach of this Agreement or any other action by Company to enforce or defend Company's rights hereunder.

25.06 No Third Party Beneficiaries: Except for Contractor and Company, there are no intended third party beneficiaries of this Agreement and none may rely on this Agreement in making a claim against Company.

25.07 Notices: All notices and communications respecting this Agreement shall be in writing, shall be identified by the contract number, shall be designated for E.ON U.S. Services Inc., or the appropriate Affiliate, and shall be addressed as follows (which address either party may change upon five (5) days prior notice to the other party).

To Company:
E.ON U.S. Services Inc.
Attn: Manager, Supply Chain
P.O. Box 32020
Louisville, Kentucky 40232

To Contractor:
COMMUNITY ACTION COUNCIL
710 West High Street
Lexington KY 40508
Fax No. (859) 244-2219

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the Effective Date.

COMPANY:

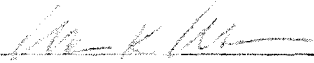
CONTRACTOR:

E.ON U.S. SERVICES INC.

COMMUNITY ACTION COUNCIL

Authorized Signature

Authorized Signature





Name (Please Print)

Name (Please Print)

William K. Weirford

Jack E. Burch

Title

Title

Manager, Corporate Purchasing

Executive Director

Date

Date

11/07/2009

10.1.09

ATTACHMENTS: (i) Copy of Company's Contractor/Subcontractor Safety Program; (ii) Drug Testing Program; and (iii) Contractor's Code of Business Conduct

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 18

Witness: Michael E. Hornung

Q-18. Refer to the Companies' response to Staff's initial request, Item 16, page 2.

- a. How are the Companies progressing toward the goal of 500 MWs of cumulative demand reduction? Explain.
- b. The response indicates that 4.5 positions will be added to support existing programs, with an additional burdened labor budget of \$723,741.
 - 1) Provide the burdened labor cost for DSM program operation for the most recent calendar year available.
 - 2) Explain whether any DSM program support is currently outsourced or has been considered for outsourcing.

A-18.

- a. Through 2010, the Companies have achieved a cumulative demand reduction of 182 MW.
- b.
 - 1) Total burdened labor cost for DSM program operations for 2010 was \$2,137,240.
 - 2) The Companies' current policy is to maintain oversight of all DSM programs. The Companies have hired Program Managers to oversee the third-party vendors that perform the ongoing field work for each program.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 19

Witness: Lonnie E. Bellar

- Q-19. Refer to the Companies, response to the Attorney General's ("AG") initial information request, Item 4. The response states that, "The request for the DSM Capital Cost Recovery component is not an attempt to collect any expenses associated with the safety issue," and further, "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." Explain exactly what LG&E/KU expects to recover from its customers if nothing is recovered from the vendor of the thermostats, including the calculation of the return on the investment as of December 31, 2010, as well as to date. Provide all necessary calculations performed to support your response.
- A-19. The Companies have already recovered the cost of the thermostats at issue through the DSM mechanism because they were treated as expense items and included in the last DBA. If the Companies are able to recover any amounts from the thermostat vendor, the amount of such recovery (net of the external legal costs to obtain such recovery) will be returned to customers through the DSM mechanism.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 20

Witness: Michael E. Hornung

- Q-20. Refer to the Companies' response to the AG's initial information request, Item 7. The Companies respond, "Incentives are provided for the removal of working refrigerator or freezers only." If a refrigerator or freezer will run, but not cool or freeze, will it be considered working? Explain.
- A-20. The refrigerator or freezer must be fully operational and cool or freeze properly. Refrigerators and freezers that do not cool or freeze will not be eligible for incentives.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 21

Witness: Michael E. Hornung

Q-21. Refer to the Companies' response to the AG's initial information request, Item 8.

- a. Describe any follow-up conducted by the Companies, or its agents, to ensure its DSM programs are effective toward the goals of reducing demand, and that following deployment, the programs are satisfactory to the participants. Include the results of any surveys conducted for each existing program.
- b. If follow-up is not conducted concerning any existing program, explain why not.

A-21.

- a. Yes, the Companies' personnel monitor the cost effectiveness and customer service of each program on a continual basis. In addition to this continual effort, the Companies have contracted with an independent, third-party consulting firm to review biannually the operations of, and metrics for, each program.

Beyond this, the Companies also deploy post-service surveys to monitor how each program is being received in the market, and to improve the programs accordingly. An electric version of the most current program survey's results are provided on the enclosed CD in the folder titled KPSC Question No. 21.

- b. As discussed above, the Companies ensure that all of its DSM programs are effective towards set goals and objectives. With this said, the Company has not performed specific customer surveys for the Residential High Efficiency Lighting Program or the Dealer Referral Network.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 22

Witness: Michael E. Hornung

Q-22. Refer to the Companies' response to the Association of Community Ministries, Inc.'s ("ACM") initial information request, Item 12, renters of single-family homes and units in multi-family buildings are eligible for the WeCare Program.

- a. Is there a length-of-time requirement as to occupancy regarding the WeCare Program? Explain.
- b. If the answer to 22.a. is yes, and a renter does not meet the occupancy requirement, but their lease agreement is for a longer-than-required time period, would the renter then be qualified to participate in the WeCare Program, assuming the landlord agrees? Explain.

A-22.

- a. Yes, the occupant must have 12 consecutive months of usage in the requested premise to be eligible to participate in the WeCare Program.
- b. No. Because a customer's energy usage pattern can differ from residence to residence, the Companies require a customer to occupy and have 12 consecutive months of usage in a residence to be eligible to participate in the WeCare Program.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 23

Witness: Michael E. Hornung

Q-23. Refer to the Companies' response to the ACM's initial request, Item 15.

- a. Who is the third-party contractor that contacts LG&E customers who are LIHEAP recipients about the WeCare Program?
- b. Does KU also use a third-party contractor that contacts KU customers who are LIHEAP recipients about the WeCare Program?

A-23.

- a. Honeywell is the current contractor who contacts customers who are LIHEAP recipients for the WeCare Program.
- b. Yes, KU uses the Community Action Council to contact their customers who are LIHEAP recipients.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Commission Staff's Second Information Request
Dated June 28, 2011

Case No. 2011-00134

Question No. 24

Witness: Michael E. Hornung

Q-24. Refer to the Companies' response to ACM's initial information request, Item 17. Of the \$2.06 electric bill impact resulting from new DSM programs and enhancements, \$1.65, or 80 percent, is from the residential lighting program.

- a. How does LG&E know that the Residential High Efficiency Lighting Program is the best use of the dollars spent on these new and enhanced programs? Provide all calculations needed to support your response.
- b. Given that incandescent bulbs are to be phased out by 2014, does it continue to make sense for the Companies to spend DSM resources on Compact Fluorescent Bulbs or should this be left to the consumer? Explain.
- c. What does column heading "DRR" refer to in the table outlining bill impact by program? Explain.

A-24.

- a. The Companies' Residential High Efficiency Lighting Program was submitted as part of Case No. 2007-00319 and is not being sought for modification in Case No. 2011-00134. The Companies have performed the four traditional DSM/EE cost-benefit tests set out in the California Standard Practice Manual for each of the existing programs, the proposed new programs, and modifications to existing programs. The test results show that each program passed the Participant and Total Resource Cost tests. The results of these tests historically have been used by the Commission to evaluate DSM programs. The set of four cost-benefit tests the Commission currently employs, i.e., the set contained in the California Standard Practice Manual: Economic Analysis of Demand-Side Programs and Projects ("Manual"), represents the collection of tests for determining the cost-effectiveness of potential DSM/EE programs.¹ Additionally, the \$2.06 total bill impact incorporates the DBA adjustment

¹ The Manual is available online at: http://www.energy.ca.gov/greenbuilding/documents/background/07-J_CPUC_STANDARD_PRACTICE_MANUAL.PDF

of -\$1.63. The lighting program actual impact is 56% instead of 80% [$1.65/(2.06+1.63)$].

These tests and their Manual definitions are:

- **The Participant Test:** The Participant Test is the measure of the quantifiable benefits and costs to the customer due to participation in a program.
- **The Ratepayer Impact Measurement Test:** The Ratepayer Impact Measure (RIM) test measures what happens to customer bills or rates due to changes in utility revenues and operating costs caused by the program. Rates will go down if the change in revenues from the program is greater than the change in utility costs. Conversely, rates or bills will go up if revenues collected after program implementation is less than the total costs incurred by the utility in implementing the program. This test indicates the direction and magnitude of the expected change in customer bills or rate levels.²
- **The Total Resource Cost Test:** The Total Resource Cost Test measures the net costs of a demand-side management program as a resource option based on the total costs of the program, including both the participants' and the utility's costs.
- **The Program Administrator Cost Test (or "Utility Cost Test"):** The Program Administrator Cost Test measures the net costs of a demand-side management program as a resource option based on the costs incurred by the program administrator (including incentive costs) and excluding any net costs incurred by the participant. The benefits are similar to the TRC [Total Resource Cost] benefits.

A score of 1.0 or greater is passing, meaning that the value of the program's benefits is equal to or greater than the cost of the program. The Residential High Efficiency Lighting Program received a Participant test score of 8.50 and a Total Resource Cost test score of 2.26. A comparative view of the Residential High Efficiency Lighting Program test scores can be located in Exhibit MEH-1, page 14.

The benefit/cost ratios performed according to the California Standard Practice Manual for each of the proposed energy efficiency programs. Each of the proposed programs passes the Participant Test (programs designated "n/a" have no participant costs) and the Total Resource Cost Test.

- b. A report generated by E-Source referencing data from the U.S. Environmental Protection Agency ("EPA") and the U.S. Department of Energy has reported that at the end of 2010, CFLs have achieved a national market share of 16% for all lighting bulb sales.³ E-Source reported that 90% of customers in the nation are aware of CFLs and 70% of U.S. households contain at least one. These numbers rose significantly in 2010 with nation's electric utility energy efficiency efforts being accredited for this success. The report further states: "Utility lighting programs that include CFLs

² Manual at 13.

³ "What Does EISA Mean for Residential Lighting Programs", Alexandra Behringer, E-Source Research Brief, January 13, 2011.

remain critical for energy savings. Even with the continued growth in market share of CFLs, the low CFL socket penetration means that there is still a lot of potential for lighting savings, and CFLs continue to be the most cost-effective residential lighting technology in many areas.” Lastly this report encourages utilities to diversify their lighting program offerings to include differing wattages and lighting applications to encourage a greater customer acceptance.

- c. The column heading “DRR” should read, “DCCR” (DSM Capital Cost Recovery), the proposed added element to the DSM Cost Recovery Mechanism that would allow the Companies to earn an approved return on equity exclusively for DSM/EE-related capital expenditures (currently only the Residential Load Management program contains such expenditures).

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 25

Witness: Michael E. Hornung

- Q-25. Refer to the Companies' response to ACM's initial information request, Item 5. The Companies respond, "Yes, renters are eligible to participate in the Residential Load Management/Demand Conservation Program. Landlord consent is required and the incentives are shared." Do the Companies know how the incentive is shared, for example 50/50? Explain.
- A-25. The incentives are split 50/50 between the landlord and renter. Renters receive a monthly bill credit and landlords receive a check after the control season has ended.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 26

Witness: Michael E. Hornung

- Q-26. Refer to the Companies' response to the Community Action Council's ("CAC") initial information request, Item 1. The response includes normalized usage and resultant bill impact of the new and enhanced programs upon the average residential customer. Provide the normalized usage and resultant bill impact upon the average electric bill for an electric space heating customer.
- A-26. The Companies do not track customers who use electric space heaters in their residences. The Companies' response to the Community Action Council's ("CAC") initial information request, Item 1 outlines the DSM Mechanism per kWh cost that could be applied to an individual's bill.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 27

Witness: Michael E. Hornung

Q-27. Refer to the Companies' response to the CAC's initial information request, Item 3. WeCare participants receive a live telephone survey from a third-party evaluation contractor regarding their experience with the program.

- a. Have any contractors been removed from the list? Explain.
- b. Provide the results of the survey.

A-27.

- a. The results of these surveys are used to improve the process and deployment of the WeCare program. Any feedback directly associated with a contractor performing these services on behalf of the Companies is addressed either immediately or at the established quarterly contractors' meeting with the Companies. The Companies have not had a need to terminate a contractor as any issues have been effectively addressed by the process described above.
- b. An electronic version of the WeCare survey results are is provided on the enclosed CD in the folder titled KPSC Question No. 27.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 28

Witness: Michael E. Hornung

- Q-28. Refer to the Companies' response to the Metropolitan Housing Coalition's ("Metro Housing") initial information request, Item 2. Explain the decrease in expenses for the Residential Load Management program from 2009 to 2010.
- A-28. In 2009, the Companies became aware of a technology-related risk concerning programmable thermostats being utilized in the Residential Load Management Program. The decrease in expenses from 2009 to 2010 for the Residential Load Management Program is the result of installation of controllable A/C switches in place of the programmable thermostats that came at a lower per-device and installation cost.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

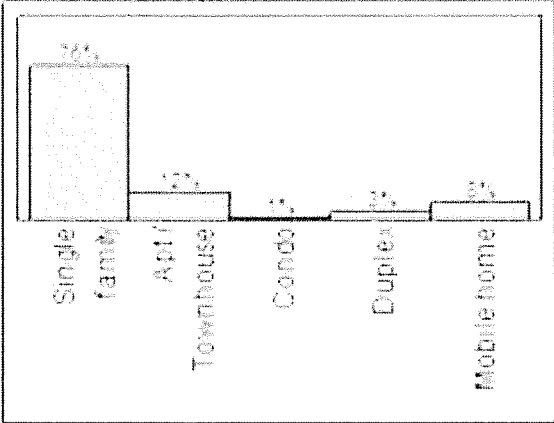
Question No. 29

Witness: Michael E. Hornung

- Q-29. Refer to the Companies' response to the Metro Housing's initial information request, Item 3. The Companies respond that approximately 30 percent of LG&E's customers reside in rental units.
- a. What is the approximate percentage of KU residential customers that live in rental units? Explain.
 - b. Provide for both LG&E and KU the approximate number of residential customers who reside in single-family, site-built homes; manufactured housing; multi-family units; non-profit housing developments; etc.
- A-29.
- a. Based on third-party demographic data provided by Acxiom late in 2010, approximately 34% of KU customers live in rental units.
 - b. Based on a 2010 Residential Appliance Survey conducted by the Companies' Sales & Forecasting department, the sample of customers surveyed was stratified amongst various usage categories and areas.

KENTUCKY UTILITIES

Housing Type

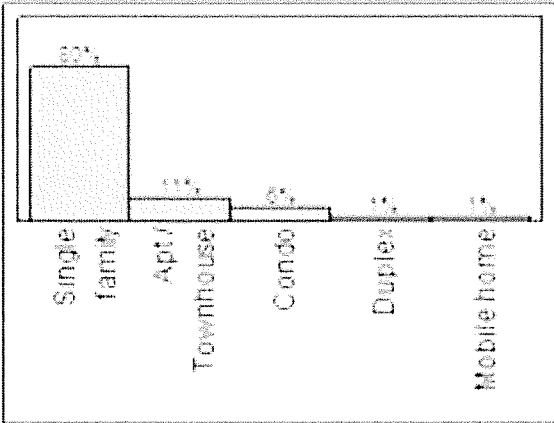


Frequencies

Level	Prob
Single family	75.9%
Apt/Townhouse	12.4%
Condo	0.6%
Duplex	3.1%
Mobile home	8.0%
Total	100.0%
N Missing	0
5 Levels	

LOUISVILLE GAS & ELECTRIC

Housing Type



Frequencies

Level	Prob
Single family	80.2%
Apt/Townhouse	11.1%
Condo	6.2%
Duplex	1.5%
Mobile home	1.1%
Total	100.0%
N Missing	0
5 Levels	

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 30

Witness: Michael E. Hornung

Q-30. Refer to the Companies' response to Metro Housing's initial information request, Item 7.

- a. Explain why the budgets for advertising and program evaluation increase each year, Year 1 through Year 7.
 - 1) Include in the explanation whether "new" participation is expected to be greater each year than the year before.
 - 2) Explain whether advertising costs for a program should not, at some point, be expected to decrease following its initial roll-out.
- b. Explain whether comparisons of program administrative costs have been made with similar programs for other utilities, either by the Companies or by an outside consultant.

A-30.

- a. Because all DSM program participation is voluntary, there is a need for continued advertising and education to inform customers of the importance associated with energy efficiency and what programs the Companies has to assist. As each program has a unique purpose and complexity, individual program advertising and evaluation cost budgets have been created in order to achieve the participant goals outlined in this filing.

Those programs that do contain advertising costs are not expected to decrease after the initial program roll out. The year-to-year trend associated with program advertising varies by program. For example, the WeCare program does not have any advertising dollars as the demand for this program is greater than the annual participation targets. In contrast to this, the Demand Conservation Program's advertising budget grows every year. As the success of this program increases its market saturation, continued education and advertising are warranted to encourage reluctant customers to participate.

- b. The Companies contracted with ICF International to provide an independent third-party review of the Companies' programs as compared to the industry's "best practices." This review included analysis associated with the budgets, participation goals, and an overall portfolio review. This report is attached as part of Exhibit MEH-1, section 10, pages 22-68 of Michael Hornung's testimony.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 31

Witness: Michael E. Hornung

- Q-31. Using calendar year 2010 usage as a basis, explain whether Kroger should expect an overall increase or decrease in its electric bills resulting from participation in the applicable proposed commercial DSM rate. The response should be specific for stores in the LG&E or KU service territories. Provide all calculations necessary to support your response.
- A-31. LGE/KU is not able to determine the actual impact to Kroger's bill as the Company is not knowledgeable of Kroger's internal operations or management decisions associated with its energy consumption. However, any retrofits that Kroger has performed and submitted to LGE/KU for incentives will produce energy efficiencies and lower energy consumption associated with that particular project. It is unknown if the number of energy efficiency projects are sufficient to offset other energy consumption added (either in equipment or operational changes) to Kroger's overall operations and thus aggregated in the overall consumption billed.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 32

Witness: Michael E. Hornung

- Q-32. Confirm that LG&E is a summer-peaking utility and KU alternates as a summer- or winter-peaking utility. Explain whether the fact that LG&E and KU are either summer- or winter-peaking utilities is a consideration when potential DSM programs are evaluated.
- A-32. LG&E is a summer-peaking utility and KU is considered dual-peaking. Collectively, the Companies are summer peaking. As the combined Companies' peak is utilized in the expansion planning associated with new generation and the DSM programs are designed to delay the construction of the next generating unit, the demand savings associated with the summer time period is used in the evaluation of DSM programs.

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

**Response to the Commission Staff's Second Information Request
Dated June 28, 2011**

Case No. 2011-00134

Question No. 33

Witness: Michael E. Hornung

- Q-33. DSM programs are designed to postpone the need for new generation. Confirm that LG&E and KU generation is dispatched together, as a system. If confirmed, does the fact that LG&E and KU generation is dispatched as a system conflict with the Companies having separate DSM programs? Explain.
- A-33. Yes, LG&E/KU electric generation is dispatched and planned together as one system as demonstrated within Company's jointly filed 2011 IRP. Not unlike the planning process associated with new generation, the Company's DSM programs are planned and operated together. As there continue to be two separate regulatory jurisdictions the Company separates and assigns the costs to each utility. The energy and demand reductions are incorporated into the Company's load profiles that provide the basis for any proposed new electric generation.

LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

Response to the Commission Staff's Second Information Request
Dated June 28, 2011

Case No. 2011-00134

Question No. 34

Witness: Michael E. Hornung

- Q-34. Using the following table format, provide, by program for LG&E electric, LG&E gas, and KU electric customers, the DSM Cost Recovery Component, DSM Revenues from Lost Sales, DSM Incentives, DSM Capital Cost Recovery Component, and DSM Balancing Adjustment in an Excel format with formulas intact and unprotected:

Program	DSM Cost Recovery Component (DCR)	DSM Revenues from Lost Sales (DRLS)	DSM Incentives (DSMI)	DSM Capital Cost Recovery Component (DCCR)	DSM Balancing Adjustment (DBA)	Total
Residential High Efficiency Lighting						
Residential New Construction						
Residential HVAC Tune Up						
Commercial HVAC Tune Up						
Customer Education & Public Information						
Dealer Referral Network						
Residential Responsive Pricing (RRP)						
Program Development & Administration						
Residential Conservation (HEPP)						
Residential Low Income Weatherization						
Residential Load Management						
Commercial Load Management						
Commercial Conservation/Rebates						
Smart Energy Profile						
Residential Refrigerator Removal						
Residential Incentives						
Total						

A-34. A table summary is provided below. Please refer to the spreadsheets provided on the compact disc for additional information. The LG&E Electric and KU Electric spreadsheets were provided in response to KPSC Q-4 parts b and d respectively in the first data request. The LG&E Gas spreadsheet is provided in this response. These three files summarize the tables for this request.

Additional support for DCR is provided as part of this data request. Additional support for DRLS is provided in the second data request for KPSC Q-13 parts a and b for LG&E and KU respectively. Additional information regarding DSMI was provided in response

to KPSC Q-4 part g in the first data request. Additional support for DCCR is provided in Exhibit LEB-3. Additional support for the DBA in effect at the time of the initial case filing (April 14, 2011) is provided in response to KPSC Q-13 part d of the second data request.

LG&E Electric Program	DSM Cost Recovery Component (DCR)	DSM Revenues from Lost Sales (DRLS)	DSM Incentives (DSMI)	DSM Capital Cost Recovery Component (DCCR)	DSM Balancing Adjustment (DBA)	Total
Residential High Efficiency Lighting	\$2,305,030	\$4,603,842	\$115,251	\$0		\$7,024,123
Residential New Construction	\$482,328	\$106,535	\$14,177	\$0		\$603,040
Residential HVAC Tune Up	\$266,683	\$61,401	\$10,309	\$0		\$338,393
Commercial HVAC Tune Up	\$252,645	\$90,981	\$12,632	\$0		\$356,258
Customer Education & Public Information	\$978,335	\$0	\$48,917	\$0		\$1,027,252
Dealer Referral Network	\$58,957	\$0	\$2,948	\$0		\$61,905
Residential Responsive Pricing (RRP)	\$118,750	\$0	\$0	\$0		\$118,750
Program Development & Administration	\$348,237	\$0	\$0	\$0		\$348,237
Residential Conservation (HEPP)	\$428,887	\$129,996	\$19,384	\$0		\$578,267
Residential Low Income Weatherization	\$457,069	\$201,041	\$22,853	\$0		\$680,963
Residential Load Management	\$0	\$195,465	\$0	\$2,028,416		\$2,223,881
Commercial Load Management	\$0	\$8,530	\$0	\$105,628		\$114,158
Commercial Conservation/Rebates	\$1,627,700	\$3,809,359	\$81,385	\$0		\$5,518,444
Smart Energy Profile	\$490,165	\$720,442	\$24,508	\$0		\$1,235,115
Residential Refrigerator Removal	\$407,900	\$88,200	\$20,395	\$0		\$516,495
Residential Incentives	\$783,676	\$251,199	\$39,184	\$0		\$1,074,059
Total	\$9,006,362	\$10,266,992	\$411,943	\$2,134,043		\$21,819,340

Total with DBA

(\$8,902,519) \$12,916,821

Response to Question No. 34
Page 4 of 5
Hornung

LG&E Gas Program	DSM Cost Recovery Component (DCR)	DSM Revenues from Lost Sales (DRLS)	DSM Incentives (DSMI)	DSM Capital Cost Recovery Component (DCCR)	DSM Balancing Adjustment (DBA)	Total
Residential High Efficiency Lighting	\$0	\$0	\$0	\$0		\$0
Residential New Construction	\$209,567	\$28,842	\$15,252	\$0		\$253,661
Residential HVAC Tune Up	\$0	\$0	\$0	\$0		\$0
Commercial HVAC Tune Up	\$0	\$0	\$0	\$0		\$0
Customer Education & Public Information	\$792,223	\$0	\$36,513	\$0		\$828,736
Dealer Referral Network	\$47,741	\$0	\$2,200	\$0		\$49,942
Residential Responsive Pricing (RRP)	\$6,250	\$0	\$0	\$0		\$6,250
Program Development & Administration	\$281,991	\$0	\$0	\$0		\$281,991
Residential Conservation (HEPP)	\$301,526	\$49,149	\$13,628	\$0		\$364,302
Residential Low Income Weatherization	\$727,163	\$94,934	\$36,358	\$0		\$858,456
Residential Load Management	\$0	\$61,744	\$0	\$1,102,362		\$1,164,107
Commercial Load Management	\$0	\$0	\$0	\$57,234		\$57,234
Commercial Conservation/Rebates	\$0	\$0	\$0	\$0		\$0
Smart Energy Profile	\$195,235	\$109,199	\$9,762	\$0		\$314,196
Residential Refrigerator Removal	\$0	\$0	\$0	\$0		\$0
Residential Incentives	\$0	\$0	\$0	\$0		\$0
Total	\$2,561,696	\$343,869	\$113,712	\$1,159,596		\$4,178,873
Total with DBA					\$730,332	\$4,909,206

KU Electric Program	DSM Cost Recovery Component (DCR)	DSM Revenues from Lost Sales (DRLS)	DSM Incentives (DSMI)	DSM Capital Cost Recovery Component (DCCR)	DSM Balancing Adjustment (DBA)	Total
Residential High Efficiency Lighting	\$2,305,030	\$3,773,898	\$115,252	\$0		\$6,194,179
Residential New Construction	\$691,895	\$136,593	\$20,336	\$0		\$848,824
Residential HVAC Tune Up	\$266,683	\$50,332	\$10,309	\$0		\$327,324
Commercial HVAC Tune Up	\$252,645	\$86,317	\$12,632	\$0		\$351,594
Customer Education & Public Information	\$1,770,559	\$0	\$88,528	\$0		\$1,859,086
Dealer Referral Network	\$106,698	\$0	\$5,335	\$0		\$112,033
Residential Responsive Pricing (RRP)	\$0	\$0	\$0	\$0		\$0
Program Development & Administration	\$630,229	\$0	\$0	\$0		\$630,229
Residential Conservation (HEPP)	\$730,413	\$166,673	\$33,011	\$0		\$930,097
Residential Low Income Weatherization	\$1,184,232	\$96,787	\$59,212	\$0		\$1,340,230
Residential Load Management	\$0	\$199,835	\$0	\$3,056,096		\$3,255,931
Commercial Load Management	\$0	\$9,891	\$0	\$158,959		\$168,851
Commercial Conservation/Rebates	\$1,627,700	\$2,409,383	\$81,384	\$0		\$4,118,468
Smart Energy Profile	\$685,400	\$839,238	\$34,270	\$0		\$1,558,908
Residential Refrigerator Removal	\$407,900	\$72,300	\$20,395	\$0		\$500,595
Residential Incentives	\$783,676	\$205,915	\$39,184	\$0		\$1,028,775
Total	\$11,443,058	\$8,047,162	\$519,848	\$3,215,055		\$23,225,123
Total with DBA					(\$3,837,268)	\$19,387,855

RECEIVED

COMMONWEALTH OF KENTUCKY

JUL 11 2011

BEFORE THE PUBLIC SERVICE COMMISSION

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

PETITION FOR CONFIDENTIAL PROTECTION

Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (collectively “Companies”) hereby petition the Kentucky Public Service Commission (“Commission”) pursuant to 807 KAR 5:001, Section 7, and KRS 61.878(1)(c) to grant confidential protection for the items described herein, which the Companies seek to provide in response to the Second Request for Information of Commission Staff No. 17(a) (“PSC DR 2-17(a)”). In support of this Petition, the Companies state as follows:

1. Under the Kentucky Open Records Act, the Commission is entitled to withhold from public disclosure commercially sensitive to the extent that open disclosure would permit an unfair commercial advantage to competitors of the entity disclosing the information to the Commission. See KRS 61.878(1)(c). Public disclosure of the information identified herein would, in fact, prompt such a result for the reasons set forth below.

2. PSC DR 2-17(a) asks the Companies, “What is the estimated cost of litigation?” Publicly disclosing that information could significantly prejudice the Companies in any settlement negotiations with the defendant. Because the net proceeds of any recovery from the litigation will be passed through to the Companies’ customers via the Demand-Side Management

mechanism, any prejudice to the Companies' settlement negotiating position would ultimately harm their customers.

3. The information for which the Companies are seeking confidential treatment is not known outside of the Companies and their counsel, and is not disseminated within the Companies except to those employees with a legitimate business need to know and act upon the information. Such information is generally recognized as confidential and proprietary information in the energy industry, and indeed in all industries.

4. The Companies do not object to limited disclosure of the confidential information described herein, pursuant to an acceptable protective agreement, to intervenors with legitimate interests in reviewing the same for the purpose of participating in this case.

5. If the Commission disagrees with this request for confidential protection, it must hold an evidentiary hearing (a) to protect the Companies' due process rights and (b) to supply the Commission with a complete record to enable it to reach a decision with regard to this matter. Utility Regulatory Commission v. Kentucky Water Service Company, Inc., Ky. App., 642 S.W.2d 591, 592-94 (1982).

6. In accordance with the provisions of 807 KAR 5:001, Section 7, the Companies are filing with the Commission one copy of the Confidential Information highlighted and ten (10) copies without the Confidential Information.

WHEREFORE, Louisville Gas and Electric Company and Kentucky Utilities Company respectfully requests that the Commission grant confidential protection to the information designated as confidential.

Dated: July 11, 2011

Respectfully submitted,



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*Counsel for Louisville Gas and Electric
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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Petition for Confidential Protection was served via U.S. mail, first-class, postage prepaid, this 11th day of July 2011, upon the following persons:

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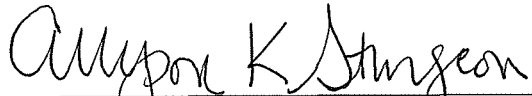
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