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JUL 15 2016

PUBLIC SERVICE
COMMISSION



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Dr. Talina R. Mathews
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

July 15, 2016

LG&E and KU Energy LLC
State Regulation and Rates
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PO Box 32010
Louisville, Kentucky 40232
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RE: Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates – Case No. 2014-00371

Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates – Case No. 2014-00372

Dear Dr. Mathews:

On May 26, 2016, Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (collectively “Companies”) filed a copy of the completed Industrial Sector DSM Potential Assessment for 2016-2035 (“Industrial Study”) under Case No. 2014-00003. Pursuant to the Commission’s Order of June 30, 2015 in the above-referenced proceeding, the Companies hereby submit the first monthly status report on the DSM Energy Efficiency Advisory Group after the completion of the Industrial Study.

The Companies held a DSM Energy Efficiency Advisory Group meeting on June 23, 2016. The meeting began with a summary of the Industrial Study’s findings, the methodology utilized to complete the Industrial Study, and the energy efficiency potential determined in the Industrial Study. The Companies discussed initial research efforts on possible Industrial DSM programs. The group also discussed the opt-out provision of KRS 278.285 and how to address the definition of industrial, the definition of energy intensive, and the definition of cost-effective energy efficiency measures. Attached is the meeting handout and sign-in sheets.

Dr. Mathews, Executive Director
July 15, 2016

The group agreed to meet again in August 2016 to further discuss the topics of this meeting along with understanding how other states address these items as well as funding impacts of future DSM programs.

In accordance with 807 KAR 5:001, Section 8, this is to certify that the electronically filed documents are a true and accurate copy of the same documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on July 15, 2016; that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means; and that the original and three copies in paper medium of this filing will be filed with the Commission within two business days from the date of the electronic filing.

Please do not hesitate to contact me if you have any questions about the study's status or any other related matters.

Sincerely,

A handwritten signature in blue ink that reads "Rick E. Lovekamp". The signature is written in a cursive style with a large, stylized initial "R".

Rick E. Lovekamp



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Energy Efficiency Advisory Group - Stakeholder Meeting

June 23, 2016



Agenda

- Welcome / Intros
- Industrial Potential Study Results
 - *Achievable potential*
 - *Energy efficiency program examples*
- Industrial Exemption/DSM Opt-out
 - *State law KRS 278.285*
- Next Steps

PSC Order from DSM Application (CASE NO. 2014-000003)

5. Within three months of the issuance of this Order, the Companies shall commission an industrial potential or market-characterization study.

Order was dated November 14, 2014. Study began in Spring of 2015.

6. The Companies shall file with the Commission the industrial potential or market-characterization study within 30 days of the date it is completed and finalized.

Study was submitted to KY PSC on May 26, 2016.

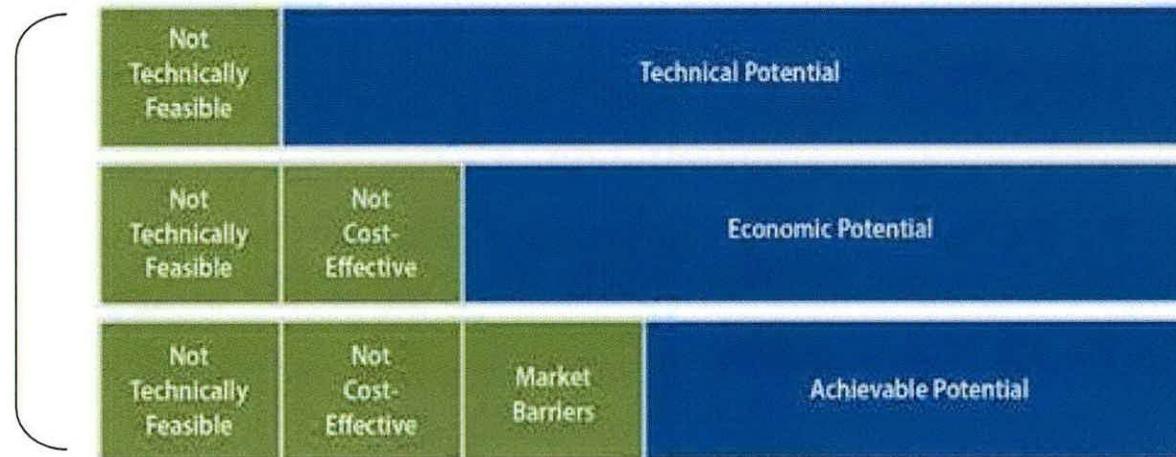
Per ARTICLE III., Section 3.3 Industrial DSM-EE Matters - Final PSC Order from CASE NOs. 2014-00371 and 2014-00372

(A) The Utilities commit to instruct the vendor for their industrial-DSM-EE potential study to commence work on the study immediately, and will not seek DSM cost recovery of the study's cost. The Utilities further commit that the study will be completed by May 1, 2016, and filed with the Commission thirty days later in accordance with the Commission's final order in Case No. 2014-00003. Thereafter, Utilities commit that they will commence the DSM Advisory Group meeting process to discuss the results of the industrial study.

(B) The Utilities commit to address opt-out criteria for industrial customers, as well as the definition of "industrial," including whether the NAICS code should be used to define "industrial," in their first DSM-EE application following completion of their industrial-DSMEE-potential study.

Types of Energy Efficiency Potential 2016-2035

Cadmus

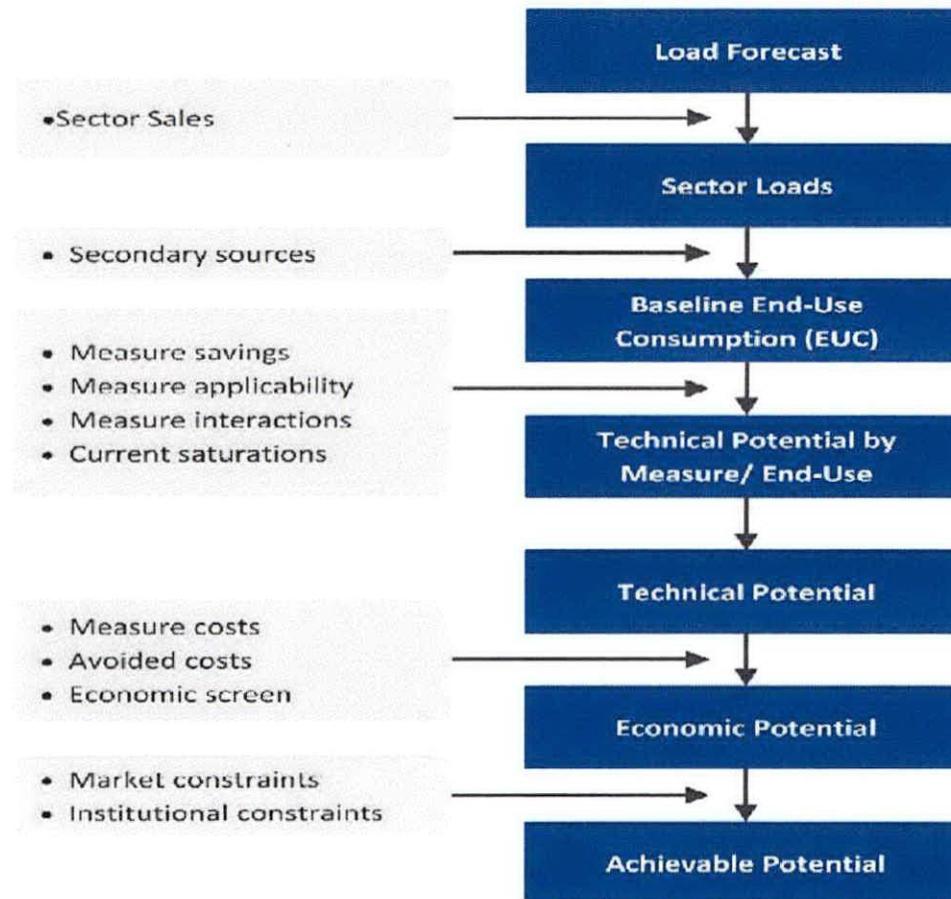


EPA - National Action Plan for Energy Efficiency (2007)

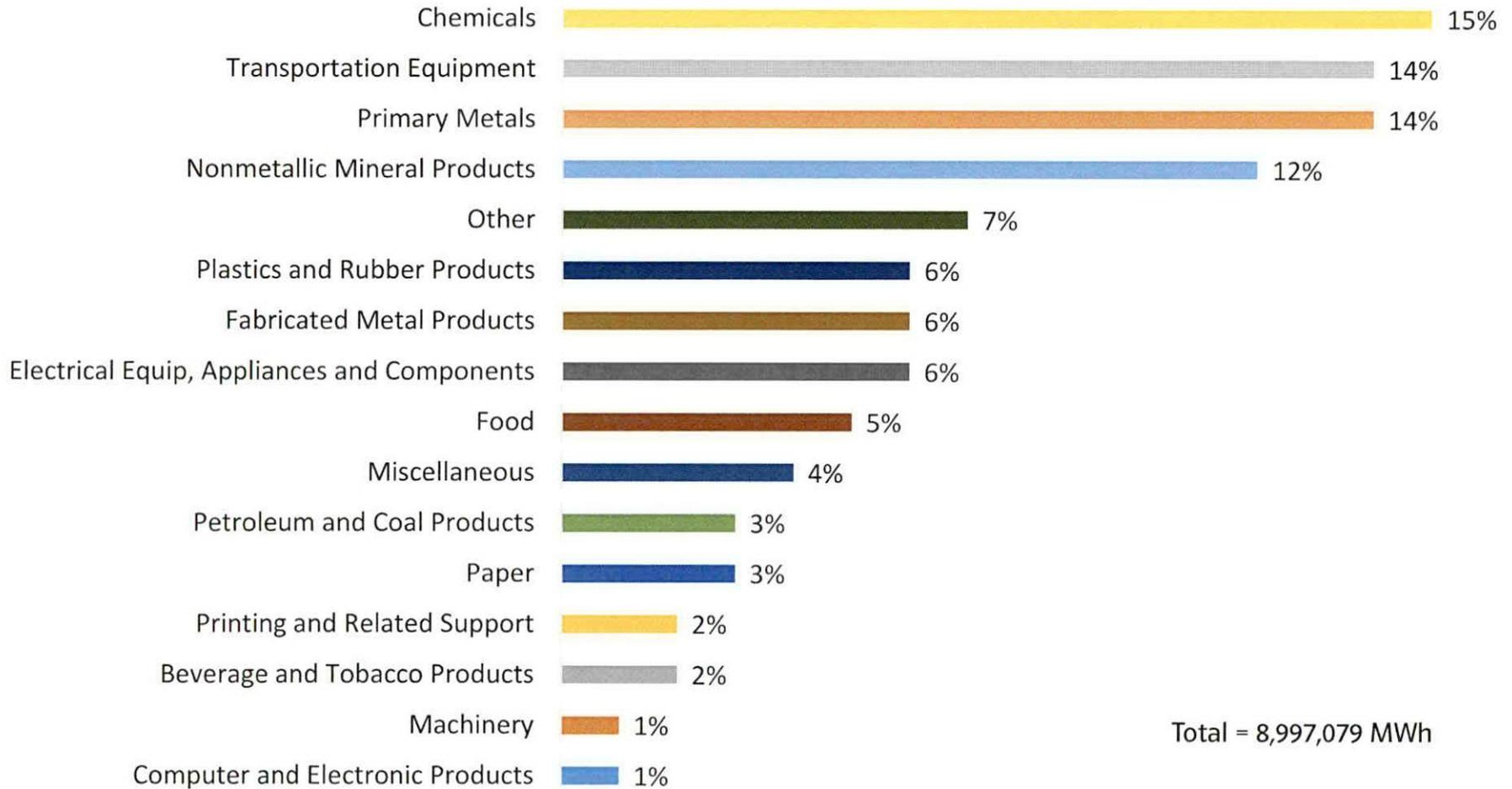
LGE/KU



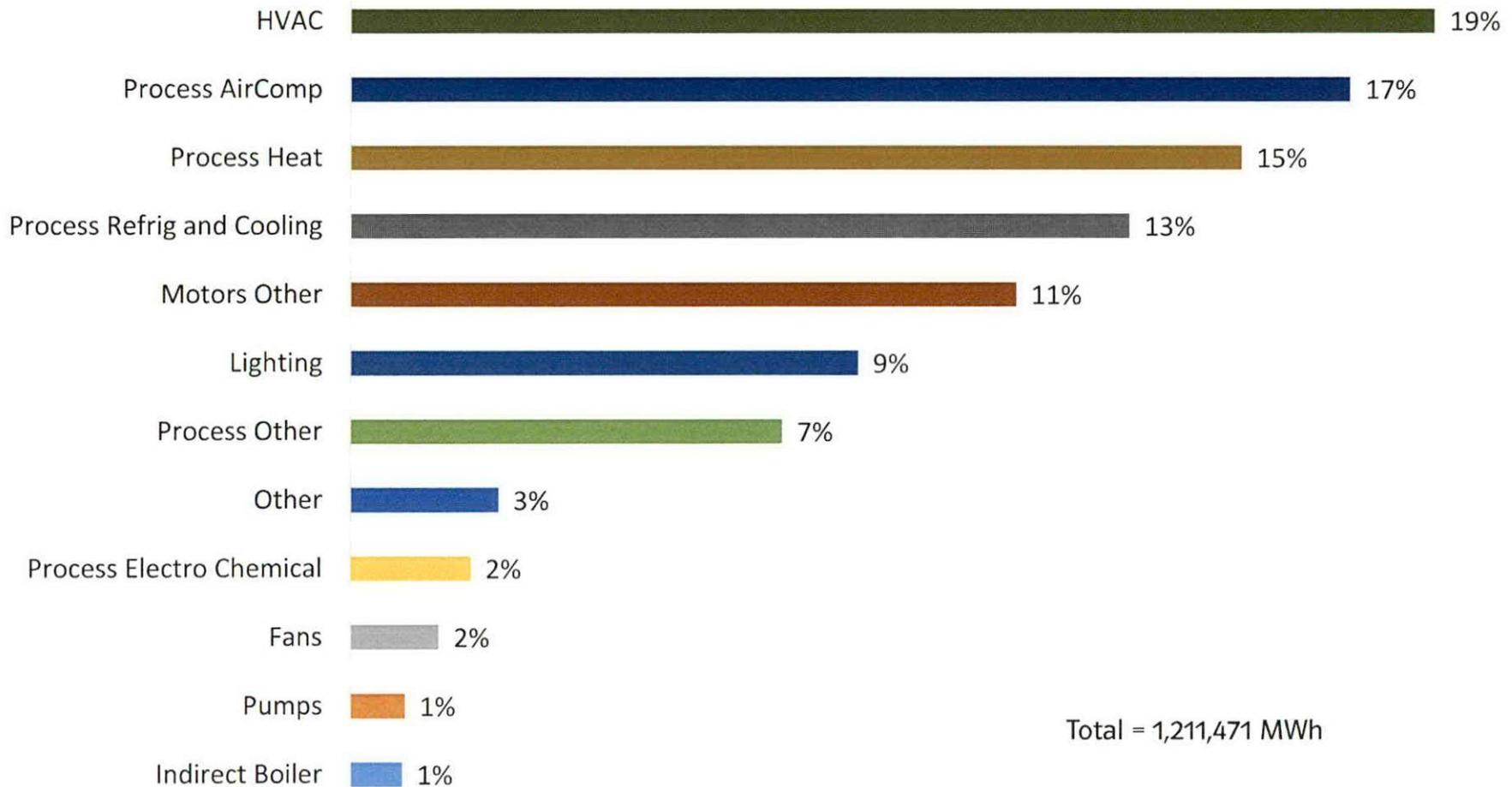
Potential Study Methodology



Electric Baseline Consumption by Industry - 2035



Electric Economic Potential by End Use - 20 yr. Cumulative



Total = 1,211,471 MWh

Technical & Economic Energy Efficiency Potential

Energy

Utility	2035 Baseline Sales - MWh	20-Year Cumulative Potential - MWh		Percent of Baseline		Economic as a % of Technical
		Technical Potential	Economic Potential	Technical Potential	Economic Potential	
LGE	2,626,749	428,025	384,170	16.3%	14.6%	90%
KU	6,370,330	941,051	827,301	14.8%	13.0%	88%
Total	8,997,079	1,369,076	1,211,471	15.2%	13.5%	88%

Demand

Utility	20-Year Cumulative Potential - MW	
	Technical	Economic
LGE	53	48
KU	115	101
Total	168	149

Achievable Energy Efficiency Potential

Energy

Utility	20-Year Cumulative Achievable Potential - MWh		
	Low	Medium	High
MWh—Cumulative 20-year			
LGE	126,776	192,085	257,394
KU	273,009	413,651	554,292
Total	399,785	605,736	811,686
Percent of Baseline			
LGE	4.8%	7.3%	9.8%
KU	4.3%	6.5%	8.7%
Total	4.4%	6.7%	9.0%

Demand

Utility	20-Year Cumulative Achievable Potential - MW		
	Low	Medium	High
LGE	16	24	32
KU	33	51	68
Total	49	74	100

New Program Possibilities...

- Industrial Rebates **Expanding to C&I**
 - *Expands existing Commercial Rebates Program where Companies pay \$100/kW for demand reductions that are result of prescriptive and custom measures*
- Industrial Energy Efficiency Consulting **New**
 - *New offering where Companies provide energy efficiency audit services for small to medium sized Industrial Customers*
- Industrial Automated Demand Response (ADR) **Expanding to C&I**
 - *Expands existing Large Commercial ADR Program where Companies pay annual incentives (\$25/kW) for controllable demand reductions*
- Industrial Strategic Energy Management (SEM) **New**
 - *New offering where selected participants go on year-long in-depth EE awareness and facility education; No/low cost options are explored.*

Opt Out Current State Law: KRS 278.285

- (3) The commission shall assign the cost of demand-side management programs only to the class or classes of customers which benefit from the programs. The **commission shall allow individual industrial customers** with **energy intensive processes** to **implement cost-effective energy efficiency measures** in lieu of measures approved as part of the utility's demand-side management programs if the alternative measures by these customers are not subsidized by other customer classes. Such individual industrial customers shall not be assigned the cost of demand-side management programs.

Next Steps

- DSM timeline
 - *Early 2018: estimated date for next DSM filing*
 - *Early 2017: decision on continued and new programs for 2019 forward*
 - *July 2016 – February 2017: series of Advisory Committee meetings to get firm understanding and consensus agreement of energy intensive definition and opt-out impacts*
- Input of meeting schedule and what gets accomplished
- Discussion items
 - *Energy intensive definition*
 - *Industrial programs*
 - *Costs and impacts*



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Thank you





Energy Efficiency DSM Advisory Group Meeting – Sign in Sheet
Thursday, June 23, 2016
Fairfield Inn & Suites
1220 Kentucky Mills Drive, Louisville, KY 40299
2:30pm – 4:30pm

Name	Organization	Phone	E-Mail
Alex Petre	LGE/KU	(502) 627-2587	alex.petre@lge-ku.com
Kevin Craft	LGE/KU	(502) 627-2397	kevin.craft@lge-ku.com
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Rick Lovekamp	LGE/KU	502-627-3780	rick.lovekamp@lge-ku.com
Larry Cook	OAG	502-696-5453	larry.cook@ky.gov
Mike Kurtz	KIUC	513-421-2255 - MKURTZ	20 BKL LAW FIRM.COM
NAT ADAMS	North America Stainless	502-216-9494	nadams@northamericastainless.com
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Lisa Kil Kelly	Legis And	502-614-3116	LKILKELLY@LASLOU.ORG
David Huff	LGE	502-627-4662	david.huff@lge-ku.com



Energy Efficiency DSM Advisory Group Meeting - Sign in Sheet
 Thursday, June 23, 2016
 Fairfield Inn & Suites
 1220 Kentucky Mills Drive, Louisville, KY 40299
 2:30pm - 4:30pm

Name	Organization	Phone	E-Mail
John Hayden	LGE/KU	502-627-3978	john.hayden@lge-ku.com
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Walter Mc Miller	Sierra Club	502-271-7045	wcmiller@atl.net
Andrea Webster	Len Metro Sustainability Partnership for a Green City	502-574-6285	andrea.webster@louisvilleky.gov
Brent Fryrear		502-882-8854	bfryrear@louisville.edu