

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A JOINT APPLICATION FOR THE APPROVAL OF)
DEMAND-SIDE MANAGEMENT PROGRAMS, A DSM)
COST RECOVERY MECHANISM, AND A CONTINUING) CASE NO. 93-150
COLLABORATIVE PROCESS ON DSM FOR)
LOUISVILLE GAS AND ELECTRIC COMPANY)

O R D E R

IT IS ORDERED that an informal conference shall be held on January 22, 1996, at 10:00 a.m., Eastern Standard Time, in Conference Room No. 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky.

IT IS FURTHER ORDERED that Louisville Gas and Electric Company ("LG&E"); the Attorney General; Jefferson County, Kentucky; Metro Human Needs Alliance; People Organized and Working for Energy Reform; Anna Shed; Kentucky Industrial Utility Customers; Louisville Resources Conservation Council; and the Louisville and Jefferson County Community Action Agencies, collectively the members of the LG&E Demand-Side Management Collaborative (the "Collaborative") shall, by January 16, 1996, file the original and 12 copies of the following information with the Commission, with a copy to all parties of record. Each copy should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item each sheet should be indexed appropriately, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to

questions relating to the information provided. If any information requested herein has been previously placed in the record, reference may be made to the specific location of said information in responding to this information request.

1. Section 2.0 of the 1996 Demand-Side Management Program Plan ("DSM Program Plan") discusses the DSM Collaborative operations.

a. Are the current by-laws of the Collaborative the same as the April 20, 1993 draft copy filed in response to Item 9(i) of the Commission's September 22, 1993 Order, except for the amendment noted on page 13 of the DSM Program Plan? If not, provide a copy of the current by-laws.

b. Article IV, Section 2 of the April 20, 1993 draft by-laws states that minutes shall be kept of all meetings and circulated for approval to the membership. On page 13 of the DSM Program Plan, it is disclosed that no minutes have been kept for the residential and commercial class subgroup meetings. Explain why these subgroups have apparently ignored the by-law requirements of the Collaborative?

c. Since a great deal of the Collaborative's work has related to the residential and commercial classes, explain how the appropriate subgroups are able to keep up with the discussions from previous meetings.

2. Collaborative policies are described on page 14 of the DSM Program Plan.

a. Provide a copy of the conflict of interest policy.

b. Provide the page reference for Attachment I of the DSM Program Plan relating to the conflict of interest policy.

3. Identify the current leadership of the Collaborative.

4. Section 3.0 of the DSM Program Plan discusses future DSM filing dates. Explain when in the proposed timetable the calculation of lost revenues and the balancing account would occur.

5. Section 5.0 of the DSM Program Plan discusses seven new initiatives proposed by the Collaborative. Explain how the 1996 program expense estimates were determined for each new initiative. Include the assumptions, workpapers, and supporting documentation used in the calculations. For the direct load control program, cross-references to LG&E's last Integrated Resource Plan will be acceptable if applicable.

6. Section 5.2 of the DSM Program Plan discusses the planned direct load control program. On page 58, the cycling strategy and proposed incentives are presented.

a. How were the different cycling strategies determined?

b. What adjustments, if any, were made by the Collaborative to the proposed strategies?

c. How were the proposed incentive payments determined?

d. What adjustments, if any, were made by the Collaborative to the proposed incentives?

7. Section 5.5 of the DSM Program Plan discusses the residential financing program.

a. Will LG&E be guaranteeing the loans made under this

program? If yes, when will LG&E file an application pursuant to KRS 278.300 for authority to assume the evidences of indebtedness? If no, why would there be the need for a bad debt contingency?

b. Explain how on-the-bill financing works and how products and services are paid for through energy bill savings. Include examples of this approach.

8. Section 5.6 of the DSM Program Plan discusses the residential bill redesign.

a. How does LG&E currently inform its customers of the rate schedule used to compute the monthly bill?

b. Would the proposed redesign of the residential bill in effect be the same information method contained in 807 KAR 5:006, Section 6(1)(a)?

c. Provide copies of the current residential bill design and the proposed residential bill design.

d. Explain why the provision of pricing information, which is required by administrative regulation, constitutes a DSM program?

e. LG&E's summer inclined rate structure has been in effect since January 1, 1991. Why has LG&E waited 5 years before proposing to redesign its bills due to pricing signal concerns?

9. Section 6.0 of the DSM Program Plan deals with program cost effectiveness tests. Five DSM screening tests were performed for the new initiatives proposed by the Collaborative. Screening test results were provided for the direct load control program on a stand alone basis and in total for the 7 proposed programs as a

package.

a. Were each of the 7 programs individually screened using the 5 tests shown in Section 6.0?

b. If individual screening was performed for any of the other six programs, provide the results in table format similar to "B/C II" and "B/C IV".

c. If a proposed program was not individually screened, explain why.

d. Explain the relevance of screening all 7 programs together considering:

(1) There does not appear to be a strong inter-relationship between all 7 programs; and,

(2) The proposed programs include offerings to both the residential and commercial classes.

10. Section 4.1 of the DSM Program Plan discusses the Residential Conservation and Energy Education Program ("Energy Partners Program").

a. It is stated that the 1994 actual expenses were \$292,667, all of which were outside services. Provide a schedule of all vendors receiving more than \$1,000 during the year which lists the amount received and describes the services provided.

b. For year end 1995, it is estimated that expenses for outside services will be \$850,604. Explain in detail the reasons for the increase and provide a schedule of vendors receiving more than \$1,000 (actual or estimated) during the year which lists the amount received and describes the services provided.

c. Why will expenses for outside services increase to \$1,687,712 for 1996? Provide a schedule of estimated expenditures for 1996 showing all vendors expected to receive more than \$1,000 with a description of the expected services to be provided.

11. According to the Collaborative, in the Energy Partners Program, 71 homes were completed in 1994, while 403 homes were completed during the first three quarters of 1995. The goal is to complete 1,500 homes by year-end 1996. Given the rate of completion for 1994 and 1995, how does the Collaborative expect to meet the goal of 1,500 homes completed by the end of 1996?

12. Regarding the Energy Partners Program expenses incurred for 1994, and estimated for the years 1995 and 1996, provide the cost per house completed for each year. Explain the direct benefit of the Energy Partners Program to existing LG&E ratepayers who do not participate in the program.

13. In summarizing the timetable for the Energy Partners Program, it is stated that in December 1993, Linda Wigington was brought in as a consultant "regarding unresolved aspects of program design." What were these "unresolved aspects"?

14. According to the timetable, in January 1994, numerous issues were discussed with Ms. Wigington.

a. Provide any report, analysis, memorandum or notes provided by Ms. Wigington. If no such documents exist, describe her specific comments regarding: (1) audit design and process; (2) coordination with "WAP" programs; (3) program evaluation and monitoring; and (4) data collection.

b. How were these comments incorporated into the implementation of the Energy Partners Program?

15. In December 1994, the timetable summary states that the residential sub-group of the Collaborative "decided that each house in the Energy Partners Program must receive at least an audit and energy education in order to be considered a completion."

a. Prior to this decision, what had been considered a "completion"?

b. Describe the type of energy education provided and by whom.

c. Since implementation of the program, how many homes have been completed, and of that number, how many have received an audit and energy education with no additional program measures?

16. For the Energy Partners Program, Project Warm is described as "contractor-manage field operations." Describe why Project Warm was selected and its specific activities and responsibilities.

17. Attachment 1 to the DSM Program Plan is a report submitted by EDS Management Consulting Services ("EDS"). The collaborative states that "most of the recommendations" from the EDS report have been implemented.

a. When was the report submitted to the Collaborative?

b. Which recommendations were not implemented and why?

18. In section 3.2.2, Issue 2 of its report, EDS states that the computerized database for the Energy Partners Program "is a serious shortcoming." Describe what steps the Collaborative has

taken to address the database design, report capabilities and hardware/software compatibility issues raised by EDS.

19. In discussion of Issue 2 in its report, EDS concludes that Project Warm "is in need of a highly skilled fiscal staffer." Explain why such a person was not part of the program at the time of implementation.

20. The EDS report states that "the staff of Project Warm, while talented, hardworking, and learning quickly, do not have experience in the operation of a full-scale weatherization program." Explain the Collaborative's rationale for placing a contractor in charge of field operations who has no experience with a full-scale weatherization program.

21. In section 3.2.3, Issue 3 of its report, EDS concludes that the Energy Partners Program does not include a means to estimate expected program savings from the measures installed. The Collaborative states that in 1996 the results of the impact evaluation will look at program effectiveness.

a. Why weren't such means incorporated into the program design prior to implementation?

b. Explain how an impact evaluation can be done without a means to estimate savings.

c. Explain how the impact evaluation in 1996 will determine program savings on completed homes in 1994 and 1995.

22. Some of the issues discussed with Ms. Wigington in January 1994 included audit design and process, coordination with weatherization assistance programs, program evaluation, monitoring

and data collection. Many of the comments and recommendations in the EDS report relate to these same program areas. Since Ms. Wigington's recommendations were adopted by the Collaborative, why were there still program deficiencies identified by EDS?

23. At Recommendation 3.1 of its report, EDS states that Project Warm and the "City WAP" need to formalize a number of aspects of their relationships.

a. Who is the contractor/operator of "City WAP"?

b. Why wasn't this relationship formalized subsequent to the Collaborative's discussions with Ms. Wigington?

24. In discussion of Issue 5 in its report, "Work Flow and On-site Contracts", EDS recommends that the number of visits to each home be reduced; the period of time between inspection and installation be shortened; and the use of contract auditors be phased out.

a. Describe the extent to which Project Warm has implemented these recommendations.

b. EDS states that contract auditors have been used "because skilled people were not available for employment when Project Warm needed them." Explain why skilled people were not available at the time Project Warm needed them.

c. What percent of the total homes completed in 1994 and 1995 were done by contract auditors?

d. Who determined the rates to be paid to the contract auditors? Were these costs included in the 1993 application filed in this case?

25. In its Summary of the Energy Partners Program, at page 30 of the DSM Program Plan, the Collaborative states that "we have moved forward with a well designed program that we are confident will produce significant energy savings." Explain the basis for this conclusion in view of EDS's comments regarding: the need for more quality control (Recommendation 1.2); database design (Recommendation 2.1); inadequate fiscal control (Recommendation 2.2); no means to estimate expected program savings for the measures installed (Issue 3); lack of coordination between Project Warm and City WAP (Recommendation 3.1); and excessive rates paid to contract auditors (Issue 5).

26. At page 21 of Section 4.1 of the DSM Program Plan, a Program Description is provided.

a. Does this description apply to the manner in which the program was implemented in 1994 and 1995?

b. If this description applies to implementation of the program in 1996, describe where EDS's recommendations adopted by the Collaborative are reflected.

27. Provide the names of the individuals and organizations responsible for implementation and oversight of the Energy Partners Program; the Commercial Conservation Program; and each proposed "new initiative" in the DSM Program Plan.

28. The collaborative proposes to file an annual program status report and evaluation document no later than March 1 of each year. Will this report be filed in 1996 for the initial programs

and will it include process and impact evaluations of each initial program? If not, why?

29. The Collaborative proposes to develop a budget and recover expenses "for costs incurred in the operation of the Collaborative, as well as the development and administration of the DSM programs where it is difficult to assign costs specifically to an individual program."

a. Identify and provide the level of such costs for each initial program already incurred since Commission approval.

b. What organization has incurred these costs and how have they been recovered?

c. Were these costs reflected in the Collaborative's 1993 application filed in this case?

30. Since implementation of the initial programs, what is the total dollar amount associated with DSM that has been recovered by LG&E?

31. The DSM Program Plan states that 93 audits were conducted under the Commercial Conservation Program through the third quarter of 1995.

a. Why weren't audits begun until November 1994?

b. Who made the original budget estimate for the costs of the audits and what is the basis for the adjustment?

c. Given the number of audits completed to date, how does the Collaborative expect to meet its goal of 450 audits completed by 1996 year-end?

32. Explain the rationale for establishing performance goals and expectations for the Commercial Conservation Program after the program completes more audits, implementation rates are measured, and market research performed.

33. Identify the energy services companies which have performed the energy audits in the Commercial Conservation Program.

Done at Frankfort, Kentucky, this 5th day of January, 1996.

PUBLIC SERVICE COMMISSION

Linda K. Breathitt
For the Commission

ATTEST:

Don Mills
Executive Director