

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF THE MEMBERS OF THE)
LOUISVILLE GAS AND ELECTRIC COMPANY DEMAND-)
SIDE MANAGEMENT COLLABORATIVE FOR THE) CASE NO. 97-083
REVIEW, MODIFICATION, AND CONTINUATION OF)
THE COLLABORATIVE, DSM PROGRAMS, AND COST)
RECOVERY MECHANISM)

O R D E R

IT IS ORDERED that Louisville Gas and Electric Company ("LG&E") shall file an original and 10 copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested 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 appropriately indexed, 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. Careful attention should be given to copied material to ensure that it is legible. The information requested herein is due no later than May 2, 1997.

1. For each tabbed item included in the February 18, 1997 Joint Application, provide the name of the witness responsible for responding to questions relating to the information. If the witness is not an employee of LG&E, identify the organization the individual is with.

2. Explain why LG&E is seeking approval of cost recovery for both 1997 and 1998 at this time.

3. Refer to Item 1 of the Joint Application, the Executive Summary, pages 5 and 6. This section identifies several proposed changes to the cost recovery mechanism. However, the filing lacks any explanations as to why the proposed changes are necessary or reasonable.

a. Why was this information omitted from the Joint Application?

b. For each proposed change, provide a thorough, detailed explanation as to why the change is necessary and reasonable.

c. Provide copies of the LG&E Demand-Side Management Collaborative ("Collaborative") meeting minutes where the proposed changes were approved.

4. Refer to Item 3 of the Joint Application, the Residential Conservation and Energy Education Program. The Status narrative indicates that the 1,500 completions were comprised of "completions," "walk aways," and "others." It is also indicated that approximately \$2.4 million was spent. Provide a breakdown of the 1,500 completions by category and indicate how much of the \$2.4 million was spent on each category.

5. Refer to Item 3 of the Joint Application, page 14. It is stated that a new program design for the Energy Partners Program will be developed and competitive bidding for vendor selection will be done.

a. When will the program design be completed?

b. Describe the reasons for the change in design and the types of changes the Collaborative deems necessary.

6. Refer to Item 5 of the Joint Application, the Commercial Conservation Program. Explain the differences between a "Walk-Through audit," a "Level I audit," and a "Level II audit." Indicate the difference in cost, on average, between the three audit types.

7. Refer to Item 7 of the Joint Application, the Residential Load Management Program, page 40. This page contains the proposed cycling strategy and incentive payment schedule.

a. Describe how the proposed cycling strategy was determined. Indicate how many alternative strategies were modeled and why this particular strategy was selected.

b. Describe how the proposed incentive payment levels were determined. Provide copies of any analyses or studies performed which were used in the determination of incentive payment levels.

8. Refer to Item 7 of the Joint Application. The discussion seems to imply that LG&E might decide not to pursue this program after it completes the investigation planned for 1997. LG&E's 1993 Integrated Resource Plan incorporated 73.6 MW of direct load control into its selected resource plans.¹

a. Will the decision of whether to implement the Residential Load Management Program be coordinated with LG&E's integrated resource planning? If not, explain why.

¹ Case No. 93-425, A Review Pursuant to 807 KAR 5:058 of the 1993 Integrated Resource Plan of the Louisville Gas and Electric Company; Staff Report on the Integrated Resource Plan Report, issued March 14, 1995, page 5-8.

b. In its current integrated resource planning, is LG&E modeling options which do not rely on direct load controls? If not, explain why.

9. Refer to Item 8 of the Joint Application, the Residential New Construction Program, page 44. Identify the members of the Kentucky Committee for Marketing Electricity.

10. Refer to Item 12 of the Joint Application, page 63, where the Commercial Not-for-Profit Program is discussed. It is stated that the Louisville Resource Conservation Council received the contract to implement this program.

a. Who are the principals in this company? Describe the role, activities and responsibilities, if any, of these individuals within the Collaborative.

b. Describe the bid process to let the contract. What other contractors were mailed the bid, and who else submitted a bid?

11. Refer to Item 13 of the Joint Application, the Program Cost Effectiveness Tests, page 70. The provided benefit/cost table showing the results of various demand-side management ("DSM") tests does not indicate whether the results are based on the 20-year methodology or the 5-year methodology. Indicate which methodology is presented.

12. The benefit/cost table on page 70 indicates that 4 of the 9 programs failed three of the DSM tests and that 8 of the 9 programs failed the Ratepayer Impact Test. In determining the reasonableness of the DSM plans proposed by a utility, KRS 278.285 provides that the Commission consider, among other factors, the cost and benefit analysis and other justification for specific DSM programs.

a. Excluding the Residential Load Management Program, what other justification does LG&E offer in support of continuing the remaining 8 DSM programs listed on page 70?

b. Provide any studies, surveys, or other analyses which examined whether LG&E's customers wanted these programs. This request covers any work performed by LG&E or work performed by other entities on LG&E's service territory to which LG&E has access.

c. If there have been no studies, surveys, or other analyses performed indicating that LG&E's customers want these programs, explain how LG&E determined these programs should be continued.

13. Included with the Joint Application were 362 pages of computer printouts generally identified as "Pre-Program Benefit/Cost Tests" for 10 DSM programs. There appear to be two sets of printouts for each program, but the sets were not submitted in a manner that allows for ready comparison. In addition, there is no disclosure concerning whether a particular DSM program's printouts were prepared using the 20-year or 5-year methodology. Provide an index for each program's printouts which indicates whether the 20-year or 5-year methodology was used.

14. Refer to Item 14 of the Joint Application, the Tariff. The proposed DRLS, portion of the DSM Cost Recovery Component ("DSMRC") for both electric and gas customers is based on engineering estimates of energy savings, expected program participation and estimated sales for the upcoming 12-month period. Listed below are

specific exhibit pages from the DSMRC supporting calculations submitted with Item 14.

For each referenced exhibit page, provide:

- a. The estimated energy savings per program (in Kwh or Ccf) per participant and explain how the estimates were determined.
- b. The estimated program participation per program and explain how the estimates were determined.
- c. The calculations used to determine the non-variable revenue per Kwh or Ccf. Explain the basis for any assumptions used in the calculations.
- d. The source of the forecast Kwh or Ccf sales, including the date of any load forecast analysis used to forecast these sales.

The exhibit pages are:

- (1) Exhibit BE-1, pages 2 and 3 of 3.
- (2) Exhibit BE-2, pages 2 and 3 of 3.
- (3) Exhibit BE-3, pages 2 and 3 of 3.
- (4) Exhibit BE-4, pages 2 and 3 of 3.
- (5) Exhibit BG-1, pages 2 and 3 of 3.
- (6) Exhibit BG-2, pages 2 and 3 of 3.

15. LG&E is proposing a two-part DSM Incentive: for Energy Impact Programs, the incentive is 15 percent of the net resource savings expected from the approved programs; for Energy Education Programs, the incentive is 5 percent of the annual cost of the approved programs to be installed in the upcoming year.

a. Explain how the 5 percent rate for Energy Education Programs was determined.

b. Regardless of whether net resource savings or annual costs are used as the basis for the incentive, explain why the incentive percentage rate should be different.

16. Does the DSMRC component appear as a separate line item on the customer's bill? If no, explain why this item is not separately disclosed.

17. Refer to Item 16 of the Joint Application, the section titled "Impact Evaluation of Louisville Gas & Electric Company's Energy Partners Program - Final Report," page 4. The report indicates that when the Collaborative issued its request for proposals to perform an impact evaluation, it identified four general goals of the Energy Partners Program. Indicate when the general goals were initially adopted. Include copies of Collaborative minutes which document the adoption of the general goals.

18. Refer to Item 16 of the Joint Application, the section titled "Attachments." The following questions refer to the January 31, 1997 report prepared by Sherman Energy Associates ("Sherman"), entitled Elements of Collaborative Success: A Review of Rules, Procedures, Policies and Attitudes in the LG&E DSM Collaborative.

a. At page 3, in the first paragraph of section 1.4, it is recommended that the Collaborative expand membership to broaden representation in each customer class subgroup. What is the status of this recommendation?

b. At page 18, in its discussion on how the Collaborative should manage program implementation contracts, Sherman states that a contractor should not

work without a contract. For all programs which have been implemented by the Collaborative to the present time:

(1) Provide a list of all contractors which have performed work without a contract.

(2) The length of time a contract did not exist for each such contractor, compared to the length of time for program implementation.

c. At page 22 (unnumbered in the report), reference is made to the Collaborative conducting meetings with its customers and community organizations. Describe the extent to which the Collaborative has met with organizations which represent, or whose membership is comprised of, the targeted groups of the Collaborative's programs already implemented.

19. Refer to Item 16 of the Joint Application, Attachments. The following questions refer to the May 17, 1996 report prepared by Sherman entitled Early Process Review Update of the Energy Partners Program.

a. What contractor was hired to complete the Project Warm database, and describe the contractor's qualifications?

b. Has the database been completed? If not, why?

c. At page 12, Sherman recommends that the Collaborative determine "what information it wants to extract (from) the database so that the appropriate fields are included and relationships are set up...." Describe the manner in which this has been accomplished and the role LG&E Information Services had in the process.

d. Also at page 12, Sherman states that the contractor intends to provide the database as a "run-time product." According to Sherman, this means the Collaborative will be dependent upon the contractor for future modifications. Has the Collaborative purchased from the contractor the "full code" written for the database and reports? If not, how will future modifications be made in the database, which based upon Sherman's experiences will be likely within the first year of use?

e. At page 15, Sherman mentions that an agreement between Project Warm and the City WAP has not been finalized. Was this ever completed? If not why?

f. Describe the manner in which the new contractor for the Energy Partners Program will coordinate its activities with the City WAP program. Will a formal agreement be finalized between the two?

20. Refer to Item 16 of the Joint Application, Attachments. The following questions refer to the February 4, 1997 report prepared by Proctor Engineering Group ("Proctor") entitled Impact Evaluation of Louisville Gas and Electric Company's Energy Partners Program Final Report.

a. At page 1, Proctor references data collection. Explain why data on arrearages was not available.

b. At page 2, with regard to electric and gas usage and savings, how many participants were evaluated from which these conclusions were made?

c. At page 3, Proctor references the high gas and electric usage levels of the Energy Partners Program participants. Compare this usage level with the "typical" electric and gas customer, noting the sources of use for each type of customer.

d. At page 40, a summary of health and safety problems found is provided. The frequency of problems found is quite high.

(1) Describe what efforts by LG&E exist presently to address this problem for members of the Energy Partners Program's targeted community who do not participate in the program.

(2) How does the Collaborative recommend that the value and cost-effectiveness of this benefit be accounted for and assessed?

e. At pages 40-41, Proctor provides a list of non-energy benefits which could not be quantified. How does the Collaborative suggest these benefits be valued and assessed in determining the program's cost-effectiveness?

Done at Frankfort, Kentucky, this 17th day of April, 1997.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:



Executive Director