

MANAGEMENT AUDIT ACTION PLAN
PROGRESS REPORTS

For the Focused Management and Operations Audit of Customer Service functions of
LOUISVILLE GAS AND ELECTRIC COMPANY
and
KENTUCKY UTILITIES COMPANY

Prepared for the
KENTUCKY PUBLIC SERVICE COMMISSION

MARCH 14, 2012



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March 14, 2012

Rick E. Lovekamp
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RE: *Comprehensive Management and Operations Audit of the Customer Service Functions of Louisville Gas and Electric Company and Kentucky Utilities Company – First Progress Report*

Dear Mr. Rogness:

Louisville Gas and Electric Company and Kentucky Utilities Company (collectively “the Companies”) are pleased to provide the first Management Audit Action Plan Progress Reports regarding the Comprehensive Management and Operations Audit of the Customer Service functions at the Companies.

The Companies have accepted all recommendations and are requesting that ten recommendations (II-R1, II-R6, II-R9, IV-R1, IV-R2, IV-R4, IV-R5, IV-R7, IV-R8, and IV-R9) be considered complete. The remaining recommendations are considered ongoing by the Companies and will be completed according to the implementation plan of each recommendation.

Should you have any questions regarding the enclosed, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Rick E. Lovekamp".

Rick E. Lovekamp

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: II-R1

Recommendation Statement: Fully staff Residential and Business Customer Service Centers to meet and sustain service level goals

Implementation Priority: High

LG&E/KU Person Responsible: Cheryl Bruner

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|--|---------|-------------------|
| | | Start | Complete |
| 1. | Complete construction of new call center in Morganfield, Kentucky. | 01/2011 | Completed 10/2011 |
| 2. | Recruit and hire Residential Service Center employees for Morganfield, Ky facility. | 01/2011 | Completed 02/2012 |
| 3. | Add employee agents in Residential Service Center and Business Service Center locations. | 01/2011 | Completed 02/2012 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Complete construction of new call center in Morganfield, Kentucky.*

Employees moved into the new Morganfield call center on October 31, 2011. The News Transmission article below was published to all employees on November 22, 2011.

NEWS TRANSMISSION

New Morganfield facility opens its doors to customers



Yesterday marked the first day the new Morganfield Business Office officially opened to customers. More than 40 employees — including employees from the customer contact center, Business Office and Economic Development — have already moved in to the facility.

The move to the new Morganfield facility continued over the weekend, with Business Office employees meeting their first customers at the new building yesterday.

In addition to the five business office reps, 35 customer contact center employees and one employee from Economic Development have settled in to their new facility. Distribution Operations employees will relocate to their new digs before the end of the year.

*“The completion of the building has taken us just under a year, a relatively quick process for a project of this scope,” said **Chris Hermann**, Senior Vice President of Energy Delivery. “This will be a positive experience not only for our customers, but for our employees as well, as they settle in to the space where everything is bright and new.”*

An employee open house will be held at the new facility on Dec. 15. A formal ribbon-cutting ceremony with community leaders will be held in January.

The following is an excerpt from a News Transmission article that was published company-wide on January 12, 2012.

NEWS TRANSMISSION
New Morganfield facility officially opens today

Representatives from LG&E and KU, along with state and local leaders, will gather today for a ribbon-cutting ceremony to officially open the company's new, consolidated business and operations center at Morganfield.

The 23,000-square-foot facility will house about 75 employees. The largest portion of those employees are in a new customer contact center that currently employs 34 and will employ up to 54 by the end of the first quarter 2012. The facility also consolidates Morganfield's customer service business office representatives, western Kentucky economic development representative, line technicians, meter readers and field service personnel all under one roof. For customers, the facility also features ample parking, a walk-in center and a customer drive-up window. A storage facility for parts and equipment also is on the grounds.

The contact center is already fielding calls from across LG&E and KU's 94-county service territory, becoming the company's fourth call center in Kentucky.

*"Morganfield is an excellent site to expand our operations," said **Chris Hermann**, senior vice president of Energy Delivery. "We already had a presence in the community and existing facilities here. The central location makes this a prime location for another storm-management hub. And as KU celebrates its 100th birthday later this year, this is a great place to kick off our second century of service to the state."*

*"The new facility enhances our field operations and customer service capabilities," said **John P. Malloy**, vice president of Energy Delivery - Retail Business. "The addition of Morganfield to customer contact centers in Louisville, Lexington and Pineville ensures customers will continue to receive the excellent service to which they are accustomed."*

The new center will primarily serve customers in northwest Kentucky, in an area north of the Western Kentucky Parkway and west of the Pennyrile Parkway.

Initiative 2: *Recruit and hire Residential Service Center employees for Morganfield, Ky facility.*

Management has hired Residential Service Center (RSC) customer service agents for Morganfield. The Company has 51 customer service agents in Morganfield as of February 20, 2012 (an employee list is shown on next page). The excerpts below appeared in the *PPL Dimensions Magazine* for first quarter 2012.

All of the new employees who were hired for the contact center live in and around Morganfield. Company representatives hosted three job fairs in February 2011, and more than 200 potential applicants attended. A team that included HR and retail management reviewed more than 1,500 applications and screened applicants to fill 48 positions to date with plans to bring on an additional 10 employees in February.

"We were thrilled with the overwhelming response we had to the new contact center positions," said Paul Weis, senior HR generalist. "These positions require people with demonstrated customer service, problem-solving and decision-making experience. We used technical and personality assessments to identify and screen for applicants with the skills, behaviors and motivators to ensure the right fit."

A number of the newly hired employees had previous call center experience. When a local call center closed in July 2011, a number of those employees were able to bring their customer service experience and focus to the new positions at LG&E and KU.

Attachment to Response to LGE AG-1 Question No. 11
Page 7 of 281
Bruner

The list below shows the employee ID number and hire date for each of the 51 Morganfield customer service agents. This report was generated by PeopleSoft, the Company's HR Information System.

| # Hired | Employee ID # | Job Title | Location Descr | Start Date | Full/Part | Reg/Temp | Dept | Unit |
|---------|---------------|---------------------|--------------------|------------|-----------|----------|---------------------|-------|
| 1 | 00000026765 | Customer Care Rep I | Morganfield Office | 5/2/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 2 | 00000026764 | Customer Care Rep I | Morganfield Office | 5/2/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 3 | 00000026779 | Customer Care Rep I | Morganfield Office | 5/2/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 4 | 00000026767 | Customer Care Rep I | Morganfield Office | 5/2/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 5 | 00000026768 | Customer Care Rep I | Morganfield Office | 5/2/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 6 | 00000026780 | Customer Care Rep I | Morganfield Office | 5/2/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 7 | 00000026769 | Customer Care Rep I | Morganfield Office | 5/2/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 8 | 00000026770 | Customer Care Rep I | Morganfield Office | 5/2/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 9 | 00000026771 | Customer Care Rep I | Morganfield Office | 5/2/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 10 | 00000026797 | Customer Care Rep I | Morganfield Office | 6/13/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 11 | 00000026798 | Customer Care Rep I | Morganfield Office | 6/13/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 12 | 00000026804 | Customer Care Rep I | Morganfield Office | 6/13/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 13 | 00000026799 | Customer Care Rep I | Morganfield Office | 6/13/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 14 | 00000026805 | Customer Care Rep I | Morganfield Office | 6/13/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 15 | 00000026801 | Customer Care Rep I | Morganfield Office | 6/13/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 16 | 00000026802 | Customer Care Rep I | Morganfield Office | 6/13/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 17 | 00000026803 | Customer Care Rep I | Morganfield Office | 6/13/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 18 | 00000026874 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 19 | 00000026875 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 20 | 00000026876 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 21 | 00000026877 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 22 | 00000026878 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 23 | 00000026879 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 24 | 00000026880 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 25 | 00000026881 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 26 | 00000026882 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 27 | 00000026883 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 28 | 00000026884 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 29 | 00000026885 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 30 | 00000026886 | Customer Care Rep I | Morganfield Office | 10/17/2011 | Full-Time | Regular | Residential Service | RTAIL |
| 31 | 00000026972 | Customer Care Rep I | Morganfield Office | 1/16/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 32 | 00000026968 | Customer Care Rep I | Morganfield Office | 1/16/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 33 | 00000026966 | Customer Care Rep I | Morganfield Office | 1/16/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 34 | 00000026973 | Customer Care Rep I | Morganfield Office | 1/16/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 35 | 00000026965 | Customer Care Rep I | Morganfield Office | 1/16/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 36 | 00000026980 | Customer Care Rep I | Morganfield Office | 1/16/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 37 | 00000026963 | Customer Care Rep I | Morganfield Office | 1/16/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 38 | 00000026979 | Customer Care Rep I | Morganfield Office | 1/16/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 39 | 00000026964 | Customer Care Rep I | Morganfield Office | 1/16/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 40 | 00000026967 | Customer Care Rep I | Morganfield Office | 1/16/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 41 | 00000026985 | Customer Care Rep I | Morganfield Office | 2/13/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 42 | 00000027001 | Customer Care Rep I | Morganfield Office | 2/13/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 43 | 00000026999 | Customer Care Rep I | Morganfield Office | 2/13/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 44 | 00000026978 | Customer Care Rep I | Morganfield Office | 2/13/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 45 | 00000026998 | Customer Care Rep I | Morganfield Office | 2/13/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 46 | 00000026969 | Customer Care Rep I | Morganfield Office | 2/13/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 47 | 00000026974 | Customer Care Rep I | Morganfield Office | 2/13/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 48 | 00000026976 | Customer Care Rep I | Morganfield Office | 2/13/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 49 | 00000026975 | Customer Care Rep I | Morganfield Office | 2/13/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 50 | 00000027000 | Customer Care Rep I | Morganfield Office | 2/13/2012 | Full-Time | Regular | Residential Service | RTAIL |
| 51 | 00000026977 | Customer Care Rep I | Morganfield Office | 2/13/2012 | Full-Time | Regular | Residential Service | RTAIL |

Initiative 3: *Add employee agents in Residential Service Center and Business Service Center locations.*

Management added 25% more RSC customer service agents between June 2011 and February 20, 2012. The Company added 59% more Business Service Center (BSC) customer service agents during the same time period.

| Residential Service Center | Customer Service Agents | Customer Service Agent Contractors | Total Customer Service Agents | % Increase from June 2011 |
|----------------------------|-------------------------|------------------------------------|-------------------------------|---------------------------|
| Jun-11 | 98 | 32 | 130 | N/A |
| Dec-11 | 123 | 27 | 150 | 15% |
| Feb-12* | 141 | 22 | 163 | 25% |

| Business Service Center | Customer Service Agents | Customer Service Agent Contractors | Total Customer Service Agents | % Increase from June 2011 |
|-------------------------|-------------------------|------------------------------------|-------------------------------|---------------------------|
| Jun-11 | 11 | 6 | 17 | N/A |
| Dec-11 | 15 | 7 | 22 | 29% |
| Feb-12* | 25 | 2 | 27 | 59% |

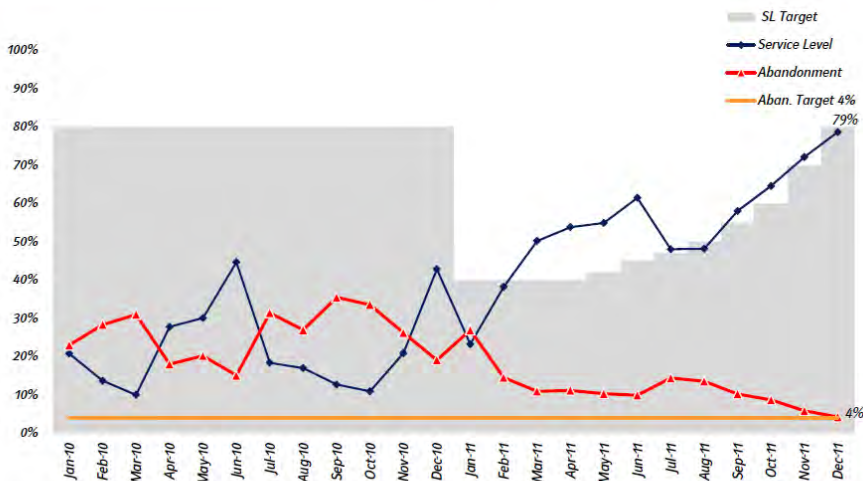
* As of February 20, 2012

The additional employee agents contributed to the steadily improving Service Level in both the RSC and BSC. Excerpts from the December 2011 Retail Operating Report reflect the improvement.

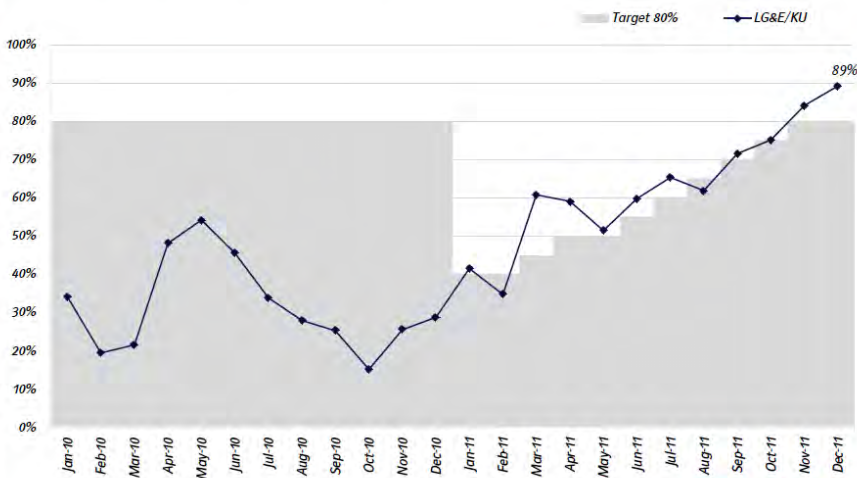
The full Retail Operating Report contains confidential information which is not available to the general public. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

RSC Service Level (calls answered within 30 seconds)

and Abandonment Rate (calls abandoned after queued to an agent)



BSC Service Level (calls answered within 30 seconds)



V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response and proposed implementation steps met the intention of Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

LG&E/KU considers this action plan complete and requests that it be closed.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

Raising the number of customer service agents in the Companies’ call centers will increase labor and associated costs. Approximately \$3.5 million annually was added for the expense of additional customer service agents including moving to the direct hire method. However, raising the number of customer service agents (given static call volume) is expected to decrease expenses associated with long distance charges while customers are waiting in the call queue and decrease costs associated with overflow calls to the Companies’ third party vendor. The capital cost to construct the Morganfield Call Center was approximately \$5.3 million. Annual operating cost for maintaining the facility is projected to be approximately \$245,000.

B. Benefit Analysis

The increase in customer service agents should reduce long distance charges, reduce overflow call charges, reduce call volume (repeat calls/abandoned calls), reduce customer complaints and increase customer satisfaction.

C. Cost/Benefit Summary

| Category | One Time | Annual Recurring |
|----------|--|---|
| Cost: | <ul style="list-style-type: none"> • Morganfield Call Center construction costs (\$5.3 million) • Recruitment, hiring, and training costs to staff center (\$15,000) | <ul style="list-style-type: none"> • Morganfield Call Center facility operational costs (\$245,000) • Increased call center headcount (\$3.5 million) |
| Benefit | <ul style="list-style-type: none"> • N/A | <ul style="list-style-type: none"> • Reduction in long distance charges and call overflow charges/fees • Reduced call volume (repeat calls/abandons) • Reduced customer complaints / increased customer satisfaction |

D. Other Costs or Benefits

None identified.

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: II-R2

Recommendation Statement: Equip the Resource Planning and Management group to be able to manage RSC and BSC call centers by service level in real-time.

Implementation Priority: High

LG&E/KU Person Responsible: Cheryl Bruner

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

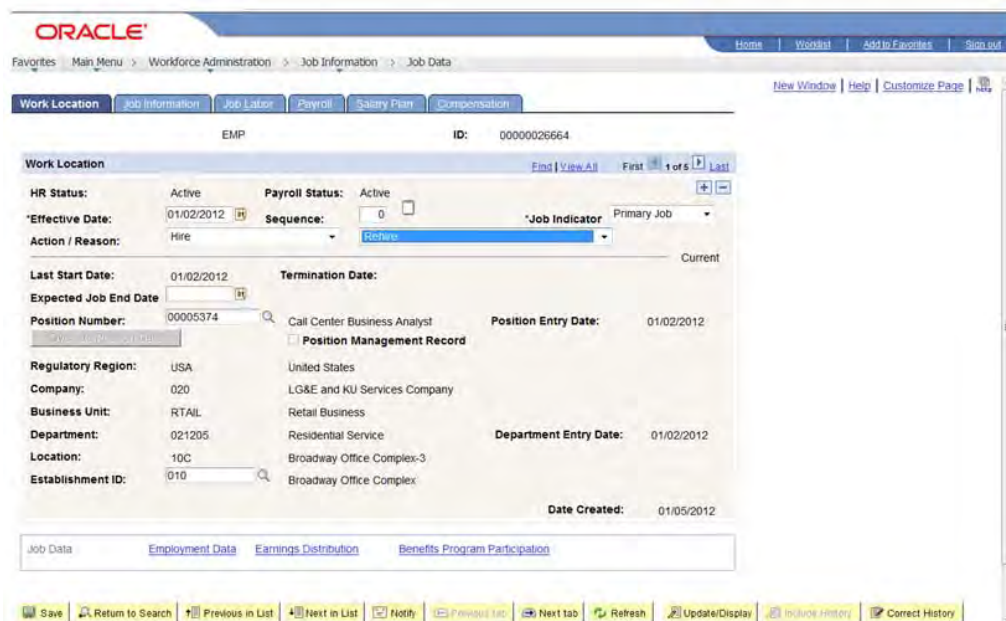
III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|--|----------|----------------------|
| | | Start | Complete |
| 1. | Fill Call Center Analyst position | Underway | Completed 01/2012 |
| 2. | Provide training to Analyst and RPM staff | 11/2011 | 06/2012 |
| 3. | Further define roles, processes, and communications to support forecasting, scheduling and intra-day adjustments to maintain service levels | 06/2011 | 06/2012 |
| 4. | Incorporate service level accountability in Energy Delivery Management Performance Management Process | 06/2011 | Completed 06/2011 |
| 5. | Evaluate / upgrade call center software to allow for balancing between virtual call centers and to support queue-level forecasting / schedule / service level management | 06/2011 | 12/2012 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Fill Call Center Analyst position*

The Call Center Analyst position was hired on January 2, 2012. Below is a screen shot from the Company’s HR Information System evidencing the hire date of the Analyst.



Initiative 2: *Provide training to Analyst and Resource Planning & Management (RPM) staff*

The Call Center Analyst attended two separate week long seminars. Those seminars were entitled: *Administration: Workforce Management System Management Essentials* and *Workforce Management Advanced Forecasting, Scheduling and Tracking*. RPM staff attended a seminar entitled: *Workforce Management Certification*.

The tables below identify completed and planned training sessions.

Completed

| Training Title | Company | Days | Dates | Location | Attendee |
|---|--|------|-------------------------|--------------------------------|-----------------|
| Administration: Workforce Management System Management Essentials | Aspect | 5 | 11/14/2011 - 11/18/2011 | Nashville (Brentwood), TN | Analyst |
| Workforce Management Advanced Forecasting | Aspect | 3 | 12/5/2011 - 12/7/2011 | Nashville (Brentwood), TN | Analyst |
| Workforce Management Advanced Scheduling and Tracking | Aspect | 2 | 12/8/2011 - 12/9/2011 | Nashville (Brentwood), TN | Analyst |
| Workforce Management Certification | Benchmark Portal | 2 | 2/23/2012 - 2/24/2012 | Indianapolis, IN | RPM |
| SWPP Conference (Workforce Management) | Society of Workforce Planning Professionals (SWPP) | 3 | 3/7/2012 - 3/9/2012 | Nashville (Opryland Hotel), TN | Analyst and RPM |

Planned

| Training Title | Company | Days | Dates | Location | Attendee |
|---|---------------|------|-----------------------|--------------------------------|-------------------------------|
| Call Management System (CMS) Training - Overview of Reports | Avaya | 0.5 | 3/21/2012 | Louisville, KY | All Call Center Support Staff |
| CMS Training - Report Configuration | Avaya | 1.5 | 3/21/2012 - 3/22/2012 | Louisville, KY | Analyst and RPM |
| Workforce Management Configuration | Aspect | 3 | 3/26/2012 - 3/28/2012 | Nashville (Brentwood), TN | Analyst and RPM |
| Introduction to Business Analysis | Learning Tree | 3 | 4/18/2012 - 4/20/2012 | Washington, DC (Reston, VA) | RPM |
| Critical Thinking and Creative Problem Solving | Learning Tree | 3 | 5/23/2012 - 5/25/2012 | Washington, DC (Rockville, MD) | RPM |

Initiative 3: *Further define roles, processes, and communications to support forecasting, scheduling and intra-day adjustments to maintain service levels*

Management is working to define roles, processes and communications to maintain service levels through effective call center management.

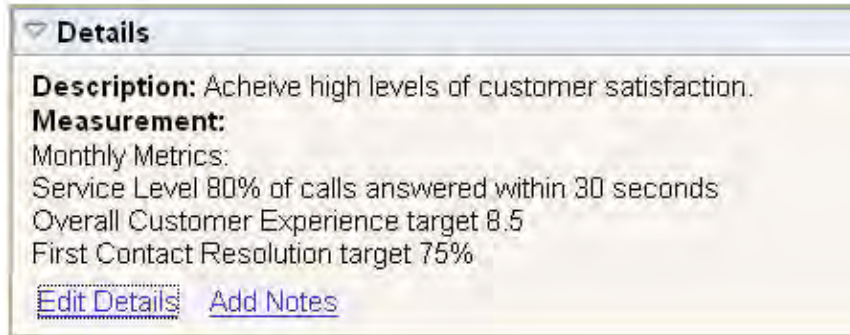
Initiative 4: *Incorporate service level accountability in Energy Delivery Management Performance Management Process*

Service level accountability has been included in the Performance Management Process objectives for the following employees:

- Director, Customer Service and Marketing
- Manager, Residential Service Center
- Manager, Business Service Center
- Operations Managers in Residential Service Center

On the next page is a screen shot showing that Service Level is incorporated into the objective pertaining to Operational Performance/Customer Experience.

*Objective 2: Operational Performance/Customer Experience



Details

Description: Achieve high levels of customer satisfaction.

Measurement:
Monthly Metrics:
Service Level 80% of calls answered within 30 seconds
Overall Customer Experience target 8.5
First Contact Resolution target 75%

[Edit Details](#) [Add Notes](#)

Initiative 5: *Evaluate / upgrade call center software to allow for balancing between virtual call centers and to support queue-level forecasting / schedule / service level management*

Management is evaluating call center software that balances virtual calls centers and supports service level management.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response and proposed implementation steps met the intention of Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

Initiative 2: *Provide training to Analyst and RPM staff*

Management has identified other additional seminars in the coming months in which the Analyst or other members of the RPM staff will participate. The status will be reported during the next progress report period.

Initiative 3: *Further define roles, processes, and communications to support forecasting, scheduling and intra-day adjustments to maintain service levels*

Management is working to define roles and responsibilities. The status will be reported during the next progress report period.

Initiative 5: *Evaluate / upgrade call center software to allow for balancing between virtual call centers and to support queue-level forecasting / schedule / service level management*

Management is evaluating call center software that balances virtual calls centers and supports service level management. The status will be reported during the next progress report period.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

Filling the Analyst position has annual recurring cost of approximately \$120,000, inclusive of salary, benefits and other overhead costs. Providing training to the Analyst and other RPM staff is estimated at \$20,000 annually.

B. Benefit Analysis

Increased optimization through efficient scheduling of agents should result in increased customer satisfaction with the contact experience.

C. Cost/Benefit Summary

To be completed once the recommendation is marked as completed.

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | | |
| Benefit | | |

D. Other Costs or Benefits

To be completed once the recommendation is marked as completed.

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: II-R3

Recommendation Statement: Institute a process with associated accountability to track telecom network activity and review busy studies on a regular basis to monitor telecom capacity.

Implementation Priority: Medium

LG&E Person Responsible: Cheryl Bruner

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|--|---------|----------------------|
| | | Start | Complete |
| 1. | Produce monthly reports for all trunks. | 10/2011 | Completed 02/2012 |
| 2. | Request routine reports from Telecom vendors on traffic information for local and long distance services. IT Network Infrastructure to review and track reports monthly. | 10/2011 | 07/2012 |
| 3. | Develop process to review trunk utilization reports and information from telecom carriers after storm situations to better understand impact of storms on internal and external telecom networks and take corrective action as needed. | 01/2012 | 07/2012 |
| 4. | Develop processes with telecom partners to leverage their available carrier tools/services to route calls to third party providers during major unplanned events. | 01/2012 | Completed 02/2012 |
| 5. | Review accumulated monthly trunk and traffic reports annually. Evaluate costs associated with any needed capacity improvements and incorporate into the next budget cycle. | 01/2012 | 01/2013 |
| 6. | Investigate methods (tools, services, models) to more accurately predict high volume conditions and their impact on the telecom network. | 01/2012 | 07/2012 |
| 7. | Evaluate “Virtual Hold” capability in next generation contact center architecture solution. | 01/2012 | Completed 02/2012 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Produce monthly reports for all trunks.*

Management has made system software changes necessary to utilize the Avaya Contact Management System (CMS) system to produce monthly reports for the Contact Center trunks. These CMS reports will be run monthly. Management will review each month and address any anomalies with the telecom providers. See Chapter II-R3 - Attachment 1 for a copy of the monthly report.

Initiative 2: *Request routine reports from Telecom vendors on traffic information for local and long distance services. IT Network Infrastructure to review and track reports monthly.*

Requests have been made to all three vendors involved with providing our services; AT&T, AT&T SE, and Windstream. Management is actively working to obtain these reports.

Initiative 3: *Develop process to review trunk utilization reports and information from telecom carriers after storm situations to better understand impact of storms on internal and external telecom networks and take corrective action as needed.*

Management is working to document the formal process.

Initiative 4: *Develop processes with telecom partners to leverage their available carrier tools/services to route calls to third party providers during major unplanned events.*

The Companies have a contract with Twenty-First Century Communications for High Volume Call Answering services. This service provides additional phone line trunks where the Companies' automated voice response system is replicated and customers can report outages even if the Companies' phone lines are full due to a large volume of incoming calls related to a major event. On the next page is a summary from Twenty-First Century Communications showing the daily call volume they received during January 2012.

Outage

| Time | TOTAL CALLS | Outage Report |
|--------|-------------|---------------|
| Totals | 1168 | 1 |

| Day | TOTAL CALLS | Outage Report |
|---------------|-------------|---------------|
| | | Interval: Day |
| 1 | 11 | 0 |
| 2 | 0 | 0 |
| 3 | 40 | 0 |
| 4 | 0 | 0 |
| 5 | 0 | 0 |
| 6 | 0 | 0 |
| 7 | 0 | 0 |
| 8 | 0 | 0 |
| 9 | 0 | 0 |
| 10 | 2 | 0 |
| 11 | 1 | 0 |
| 12 | 0 | 0 |
| 13 | 0 | 0 |
| 14 | 0 | 0 |
| 15 | 0 | 0 |
| 16 | 0 | 0 |
| 17 | 1108 | 1 |
| 18 | 0 | 0 |
| 19 | 0 | 0 |
| 20 | 0 | 0 |
| 21 | 0 | 0 |
| 22 | 0 | 0 |
| 23 | 1 | 0 |
| 24 | 2 | 0 |
| 25 | 1 | 0 |
| 26 | 1 | 0 |
| 27 | 0 | 0 |
| 28 | 0 | 0 |
| 29 | 0 | 0 |
| 30 | 0 | 0 |
| 31 | 0 | 0 |
| Totals | 1168 | 1 |



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Initiative 5: *Review accumulated monthly trunk and traffic reports annually. Evaluate costs associated with any needed capacity improvements and incorporate into the next budget cycle.*

Management created a process to review accumulated monthly trunk and traffic reports annually and it will be included in future planning processes.

Initiative 6: *Investigate methods (tools, services, models) to more accurately predict high volume conditions and their impact on the telecom network.*

Management is working on developing analytics to create models for various size storms and their impact to the contact center.

Initiative 7: *Evaluate “Virtual Hold” capability in next generation contact center architecture solution.*

Management has investigated “Virtual Hold” capability and determined not to implement it at this time due to other technology projects underway. These projects include the implementation of new CTI/screen pop functionality, transition to a “soft phone” type of interface, planned modifications to the IVR scripts and flow, and the auto reconnect and auto payment arrangement projects. “Virtual Hold” will be considered again in the future.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU’s response and proposed implementation steps met the intention of Liberty Consulting’s recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

Initiative 2: *Request routine reports from Telecom vendors on traffic information for local and long distance services. IT Network Infrastructure to review and track reports monthly.*

Management will obtain routine reports from all three telecom providers. The status will be reported during the next progress report period.

Initiative 3: *Develop process to review trunk utilization reports and information from telecom carriers after storm situations to better understand impact of storms on internal and external telecom networks and take corrective action as needed.*

Management will document the formal process. The status will be reported during the next progress report period.

Initiative 5: *Review accumulated monthly trunk and traffic reports annually. Evaluate costs associated with any needed capacity improvements and incorporate into the next budget cycle.*

Management will review the monthly trunk and traffic reports annually and incorporate any improvements into the next budget cycle. The status will be reported during the next progress reporting period.

Initiative 6: *Investigate methods (tools, services, models) to more accurately predict high volume conditions and their impact on the telecom network.*

Management will develop a model. The status will be reported during the next progress reporting period.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

Routine reports from telecom that provides traffic information for local and long distance is estimated at \$10,000 annually. Carrier tools and services that route calls to third party providers during major unplanned events are estimated at \$10,000 annually. The development of tools, services, or models to more accurately predict high volume conditions and their impact on the telecom network is estimated at \$100,000 and will require \$10,000 annually to operate and maintain.

B. Benefit Analysis

Trunk reports will provide Management needed information to identify any trunk constraints and take action if needed, which should enhance the customer experience.

C. Cost/Benefit Summary

To be completed once the recommendation is marked as completed.

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | | |
| Benefit | | |

D. Other Costs or Benefits

To be completed once the recommendation is marked as completed.

LG&E-KU Contact Center

Trunk Reports

January 2012

Executive Summary

January 2012

Please find the trunk reports for January following this summary. Each trunk report has an overview description of the trunk group being reported on. Any deviations from the norm will be highlighted and a deeper dive will be taken into any particular day to further evaluate any action that may or may not be needed.

The categories of the trunk reports are as follows:

Date This is just the date being reported on. In the case of the Trunk Summary Daily Reports which are included here, it represents the entire day.

Inbound Calls This is an actual peg count of the number of calls received on these particular trunk groups for the period

Inbound CCS CCS stands for Centrum Call Seconds or Hundred Call Seconds. The measurements taken by the PBX are taken every hundred seconds. There are 36 CCS per hour and a trunk (or channel) in full use would register 36 call seconds if it was busy for an entire hour.

% ATB This is the percent of the time involved that all trunks were busy. In the case of LG&E-KU, this does not mean a busy signal is issued, rather that further routing is taking place that either sends that call to another internal trunk group or offsite to 21st Century.

As expected, January 3 was a busy day due to being the first business day of the month and the fact it was the first day following a long holiday weekend. Additional reports for January 3 are included in the package to show when we were experiencing an overflow situation. January is not a true representation in Louisville because for most of the month of January, we were unable to report on Trunk Group 4 which performs the exact same function as trunk group 3. After making some changes to our CMS, we were able to include these trunks beginning in February 2012. To better reflect when all trunks are actually busy, we have moved the 2 T1s in Trunk Group 4 into trunk group 3. Starting in February, trunk group 3 will reflect all 138 members.

January 17 was a busy day again because it was the first day after a three day weekend as the contact center was in training on Martin Luther King day. We sent 1109 calls to 21st Century on this Tuesday.

Louisville

The Louisville section of the report consists of reports on Trunk Group 3 and Trunk Group 10. Trunk group 3 contains the primary incoming local trunks for the Louisville based customers. Trunk Group 3 contains 138 lines which allow for that many simultaneous conversations. Calls on this trunk group are generated by calling 502-589-1444 for customer service or 502-589-3500 for Electric Trouble. This trunk group carries 95%+ of all calls received initially in the Louisville Contact Center which also includes Morganfield. The balance of the calls originating from LG&E customers are carried through the Aastra switch which contains trunks from AT&T to carry the small amount of toll-free calls (800-331-7370). There are 46 trunks between the Aastra and the Avaya contact center switch in Louisville. The Aastra switch is LG&E's local campus switch serving the Louisville area so many backdoor calls also come in this way. A backdoor call would be someone who dials the main corporate number (502-627-2000) and request to speak to a contact center agent.

Once any of these trunk groups are busy and cannot take any more calls they have automatic coverage to an offsite vendor (21st Century) which provides an offsite outage IVR where customers can input information about an outage. The system then automatically creates an outage ticket on our Trouble Order Entry system which sets in motion the restoration effort. High priority calls such as wire down or gas emergency are routed back to LG&E-KU on designated trunks and placed high in the queue for a speedy resolution.

Bruner

Louisville Inbound Trunks

Trunk Group 3

A T T SE 138 Trunks

January 2012

| Date | Inbound Calls | Inbound CCS | % All Trunks Busy |
|---------------|---------------|---------------|-------------------|
| Totals | 163445 | 421450 | 0.12 |
| 1/1/2012 | 3426 | 6654.03 | 0.35 |
| 1/2/2012 | 3918 | 4844.69 | 0 |
| 1/3/2012 | 8391 | 29233.05 | 2.2 |
| 1/4/2012 | 6480 | 19134.01 | 0 |
| 1/5/2012 | 7072 | 19671.7 | 0 |
| 1/6/2012 | 8092 | 21983.28 | 0 |
| 1/7/2012 | 2126 | 3094.08 | 0 |
| 1/8/2012 | 1280 | 2015.77 | 0 |
| 1/9/2012 | 6937 | 20700.11 | 0 |
| 1/10/2012 | 4908 | 13737.44 | 0 |
| 1/11/2012 | 6116 | 17114.98 | 0 |
| 1/12/2012 | 6246 | 17911.4 | 0 |
| 1/13/2012 | 6499 | 18084.17 | 0 |
| 1/14/2012 | 1908 | 2874.71 | 0 |
| 1/15/2012 | 1120 | 1637.7 | 0 |
| 1/16/2012 | 6760 | 16586.92 | 0.17 |
| 1/17/2012 | 12414 | 23606.21 | 1.04 |
| 1/18/2012 | 7040 | 19573.98 | 0 |
| 1/19/2012 | 6249 | 16883.81 | 0 |
| 1/20/2012 | 7103 | 19940.39 | 0 |
| 1/21/2012 | 1913 | 3160.4 | 0 |
| 1/22/2012 | 1624 | 1758.37 | 0 |
| 1/23/2012 | 8532 | 22486.61 | 0 |
| 1/24/2012 | 4928 | 13082.22 | 0 |
| 1/25/2012 | 5476 | 15029.93 | 0 |
| 1/26/2012 | 5227 | 14960.38 | 0 |
| 1/27/2012 | 5663 | 15474.12 | 0 |
| 1/28/2012 | 1965 | 2543.19 | 0 |
| 1/29/2012 | 1233 | 1733.95 | 0 |
| 1/30/2012 | 7306 | 20941.71 | 0 |
| 1/31/2012 | 5493 | 14996.6 | 0 |

Bruner
Louisville Incoming Trunks
Trunk Group 3
Interval Report
January 17, 2012

| Time | Period | Inbound Calls | Inbound CCS | % All Trunks Busy |
|-------|-----------|---------------|-------------|-------------------|
| | Totals | 12414 | 23606.21 | 1.04 |
| 12:00 | - 12:30AM | 11 | 15.87 | 0 |
| 12:30 | - 1:00AM | 8 | 7.08 | 0 |
| 1:00 | - 1:30AM | 20 | 22.5 | 0 |
| 1:30 | - 2:00AM | 9 | 12.98 | 0 |
| 2:00 | - 2:30AM | 13 | 16.34 | 0 |
| 2:30 | - 3:00AM | 8 | 4.42 | 0 |
| 3:00 | - 3:30AM | 1 | 1.33 | 0 |
| 3:30 | - 4:00AM | 11 | 14.59 | 0 |
| 4:00 | - 4:30AM | 8 | 10.06 | 0 |
| 4:30 | - 5:00AM | 5 | 7.03 | 0 |
| 5:00 | - 5:30AM | 8 | 11.21 | 0 |
| 5:30 | - 6:00AM | 6 | 10.27 | 0 |
| 6:00 | - 6:30AM | 23 | 33.2 | 0 |
| 6:30 | - 7:00AM | 23 | 33.41 | 0 |
| 7:00 | - 7:30AM | 82 | 211.89 | 0 |
| 7:30 | - 8:00AM | 89 | 222.38 | 0 |
| 8:00 | - 8:30AM | 142 | 410.87 | 0 |
| 8:30 | - 9:00AM | 210 | 573.03 | 0 |
| 9:00 | - 9:30AM | 470 | 963.98 | 10.78 |
| 9:30 | - 10:00AM | 986 | 1562.56 | 7.56 |
| 10:00 | - 10:30AM | 735 | 1385.28 | 1.5 |
| 10:30 | - 11:00AM | 418 | 951.96 | 0 |
| 11:00 | - 11:30AM | 668 | 1188.58 | 9.28 |
| 11:30 | - 12:00PM | 1008 | 1612.62 | 18.17 |
| 12:00 | - 12:30PM | 894 | 1485.2 | 2 |
| 12:30 | - 1:00PM | 676 | 1261.49 | 0 |
| 1:00 | - 1:30PM | 746 | 1413.89 | 0.72 |
| 1:30 | - 2:00PM | 662 | 1226.03 | 0 |
| 2:00 | - 2:30PM | 558 | 1158.45 | 0 |
| 2:30 | - 3:00PM | 559 | 1108.72 | 0 |
| 3:00 | - 3:30PM | 596 | 1097.98 | 0 |
| 3:30 | - 4:00PM | 515 | 991.34 | 0 |
| 4:00 | - 4:30PM | 384 | 850.29 | 0 |
| 4:30 | - 5:00PM | 318 | 745.9 | 0 |
| 5:00 | - 5:30PM | 312 | 682.68 | 0 |
| 5:30 | - 6:00PM | 226 | 517.97 | 0 |
| 6:00 | - 6:30PM | 184 | 413.51 | 0 |

Bruner
Louisville Incoming Trunks
Trunk Group 3
Interval Report
January 17, 2012

| | | | | |
|-------|-----------|-----|--------|---|
| 6:30 | - 7:00PM | 148 | 402 | 0 |
| 7:00 | - 7:30PM | 133 | 183.11 | 0 |
| 7:30 | - 8:00PM | 117 | 168.13 | 0 |
| 8:00 | - 8:30PM | 99 | 139.92 | 0 |
| 8:30 | - 9:00PM | 77 | 97.75 | 0 |
| 9:00 | - 9:30PM | 58 | 100.95 | 0 |
| 9:30 | - 10:00PM | 47 | 59.64 | 0 |
| 10:00 | - 10:30PM | 36 | 45.7 | 0 |
| 10:30 | - 11:00PM | 42 | 60.19 | 0 |
| 11:00 | - 11:30PM | 33 | 53.59 | 0 |
| 11:30 | - 12:00AM | 32 | 58.34 | 0 |

Bruner

Louisville Inbound 800 and Other
Trunk Group 10
TIE Trunks to Aastra Switch 46 Trunks
January 2012

| Date | Inbound Calls | Inbound CCS | % All Trunks Busy |
|---------------|---------------|-----------------|-------------------|
| Totals | 16941 | 37146.14 | 0 |
| 1/1/2012 | 227 | 382.64 | 0 |
| 1/2/2012 | 248 | 222.92 | 0 |
| 1/3/2012 | 911 | 2634.6 | 0 |
| 1/4/2012 | 867 | 2173 | 0 |
| 1/5/2012 | 748 | 1698.01 | 0 |
| 1/6/2012 | 621 | 1570.17 | 0 |
| 1/7/2012 | 125 | 126.16 | 0 |
| 1/8/2012 | 73 | 109.33 | 0 |
| 1/9/2012 | 809 | 1986.02 | 0 |
| 1/10/2012 | 724 | 1812.87 | 0 |
| 1/11/2012 | 692 | 1791.34 | 0 |
| 1/12/2012 | 675 | 1552.14 | 0 |
| 1/13/2012 | 687 | 1562.33 | 0 |
| 1/14/2012 | 118 | 116.08 | 0 |
| 1/15/2012 | 71 | 55.28 | 0 |
| 1/16/2012 | 633 | 1322.25 | 0 |
| 1/17/2012 | 1152 | 2126.7 | 0 |
| 1/18/2012 | 721 | 1557.14 | 0 |
| 1/19/2012 | 634 | 1316.03 | 0 |
| 1/20/2012 | 658 | 1441.41 | 0 |
| 1/21/2012 | 125 | 157.52 | 0 |
| 1/22/2012 | 96 | 70.42 | 0 |
| 1/23/2012 | 875 | 1854.81 | 0 |
| 1/24/2012 | 711 | 1437.55 | 0 |
| 1/25/2012 | 766 | 1585.42 | 0 |
| 1/26/2012 | 673 | 1574 | 0 |
| 1/27/2012 | 595 | 1383.34 | 0 |
| 1/28/2012 | 126 | 120.24 | 0 |
| 1/29/2012 | 72 | 55.78 | 0 |
| 1/30/2012 | 832 | 1787.98 | 0 |
| 1/31/2012 | 676 | 1562.66 | 0 |

Lexington

The Lexington section of the report consists of reports on Trunk Groups 1, 4, and 5. Trunk groups 4 and 5 contain the primary incoming tollfree trunks for the Kentucky Utility based customers. Since the KU customers are spread around Kentucky and Virginia, most calls coming to the KU facing contact center arrive as a toll call (800-981-0600). Trunk group 4 is an AT&T trunk group with 71 members and is carried the last mile by ESPIRE communications. Trunk group 5 is an AT&T trunk group with 71 members and is carried the last mile by Windstream Communications. These two trunk groups carry 95%+ of all calls received initially in the Lexington Contact Center which also includes Pineville. Together, these two trunk groups can carry 142 simultaneous tollfree calls. Trunk group 1 is the local trunk group for the Lexington area and has the capability for 70 simultaneous calls.

Once any of the AT&T trunk groups are busy and cannot take any more calls they have automatic coverage to an offsite vendor (21st Century) which provides an offsite outage IVR where customers can input information about an outage. The system then automatically creates an outage ticket on our Trouble Order Entry system which sets in motion the restoration effort. High priority calls such as wire down or gas emergency are routed back to LG&E-KU on designated trunks and placed high in the queue for a speedy resolution. This service is not available on the Lexington local trunks due to a technology constraint by Windstream at their serving Central Office.

Bruner

Lexington Inbound Toll Trunks
Trunk Group 4
A T T (Last mile Espire) 71 Trunks
January 2012

| Date | Inbound Calls | Inbound CCS | % All Trunks Busy |
|---------------|---------------|-----------------|-------------------|
| Totals | 100945 | 259171.2 | 0.27 |
| 1/1/2012 | 1054 | 1746.94 | 0 |
| 1/2/2012 | 3595 | 3974.27 | 0 |
| 1/3/2012 | 4781 | 18901.58 | 4.25 |
| 1/4/2012 | 2701 | 8276.03 | 0 |
| 1/5/2012 | 3222 | 8018.92 | 0 |
| 1/6/2012 | 4819 | 12663.3 | 0 |
| 1/7/2012 | 1539 | 2370.55 | 0 |
| 1/8/2012 | 858 | 1288.37 | 0 |
| 1/9/2012 | 5656 | 16097.59 | 0 |
| 1/10/2012 | 4931 | 12771.02 | 0 |
| 1/11/2012 | 4367 | 11543.91 | 0 |
| 1/12/2012 | 4903 | 13340.14 | 0 |
| 1/13/2012 | 5880 | 15116.07 | 0 |
| 1/14/2012 | 1473 | 2056.82 | 0 |
| 1/15/2012 | 1148 | 1583.27 | 0 |
| 1/16/2012 | 5662 | 14986.17 | 0 |
| 1/17/2012 | 5034 | 13029.96 | 0 |
| 1/18/2012 | 5206 | 14518.19 | 0 |
| 1/19/2012 | 5227 | 13996.06 | 4.11 |
| 1/20/2012 | 5766 | 16043.01 | 0 |
| 1/21/2012 | 1235 | 1928.57 | 0 |
| 1/22/2012 | 1225 | 1296.23 | 0 |
| 1/23/2012 | 5933 | 15162.67 | 0 |
| 1/24/2012 | 3261 | 8370.9 | 0 |
| 1/25/2012 | 1935 | 5209.85 | 0 |
| 1/26/2012 | 1255 | 3714.1 | 0 |
| 1/27/2012 | 1141 | 3250.74 | 0 |
| 1/28/2012 | 0 | 0 | 0 |
| 1/29/2012 | 0 | 0 | 0 |
| 1/30/2012 | 3960 | 9475.62 | 0 |
| 1/31/2012 | 3178 | 8440.34 | 0 |

Bruner

Lexington Inbound Toll Trunks
Trunk Group 5
A T T (Last mile GTE) 71 Trunks
January 2012

| Date | Inbound Calls | Inbound CCS | % All Trunks Busy |
|---------------|---------------|-----------------|-------------------|
| Totals | 34101 | 92949.92 | 0.01 |
| 1/1/2012 | 0 | 0 | 0 |
| 1/2/2012 | 0 | 0 | 0 |
| 1/3/2012 | 3342 | 11776.22 | 0.2 |
| 1/4/2012 | 3110 | 8226.47 | 0 |
| 1/5/2012 | 2449 | 6618.84 | 0 |
| 1/6/2012 | 1513 | 4144.62 | 0 |
| 1/7/2012 | 0 | 0 | 0 |
| 1/8/2012 | 0 | 0 | 0 |
| 1/9/2012 | 1420 | 4316.19 | 0 |
| 1/10/2012 | 139 | 321.27 | 0 |
| 1/11/2012 | 39 | 129.05 | 0 |
| 1/12/2012 | 87 | 289.03 | 0 |
| 1/13/2012 | 375 | 1081.68 | 0 |
| 1/14/2012 | 0 | 0 | 0 |
| 1/15/2012 | 0 | 0 | 0 |
| 1/16/2012 | 179 | 509.5 | 0 |
| 1/17/2012 | 1399 | 3971.5 | 0 |
| 1/18/2012 | 222 | 695.86 | 0 |
| 1/19/2012 | 186 | 387.31 | 0 |
| 1/20/2012 | 1058 | 3186.92 | 0 |
| 1/21/2012 | 0 | 0 | 0 |
| 1/22/2012 | 0 | 0 | 0 |
| 1/23/2012 | 1961 | 5731.27 | 0 |
| 1/24/2012 | 1697 | 4703.81 | 0 |
| 1/25/2012 | 2136 | 6045.68 | 0 |
| 1/26/2012 | 2936 | 7357.7 | 0 |
| 1/27/2012 | 3348 | 8571.71 | 0 |
| 1/28/2012 | 1212 | 1617.26 | 0 |
| 1/29/2012 | 914 | 1269.75 | 0 |
| 1/30/2012 | 3099 | 8369.5 | 0 |
| 1/31/2012 | 1280 | 3628.78 | 0 |

Bruner

Lexington Inbound Local Trunks
Trunk Group 1
Windstream 70 Trunks
January 2012

| Date | Inbound Calls | Inbound CCS | % All Trunks Busy |
|---------------|---------------|-----------------|-------------------|
| Totals | 48767 | 100614.2 | 0 |
| 1/1/2012 | 321 | 374.24 | 0 |
| 1/2/2012 | 962 | 1063.08 | 0 |
| 1/3/2012 | 2693 | 7914.96 | 0 |
| 1/4/2012 | 2153 | 4531.61 | 0 |
| 1/5/2012 | 1870 | 4002.21 | 0 |
| 1/6/2012 | 2027 | 4187.45 | 0 |
| 1/7/2012 | 382 | 583.99 | 0 |
| 1/8/2012 | 274 | 374.35 | 0 |
| 1/9/2012 | 2462 | 5690.86 | 0 |
| 1/10/2012 | 2008 | 3743.26 | 0 |
| 1/11/2012 | 1802 | 3713 | 0 |
| 1/12/2012 | 1977 | 4195.66 | 0 |
| 1/13/2012 | 2074 | 4439.43 | 0 |
| 1/14/2012 | 387 | 506.49 | 0 |
| 1/15/2012 | 312 | 421.95 | 0 |
| 1/16/2012 | 2239 | 4732.96 | 0 |
| 1/17/2012 | 2432 | 4967.66 | 0.03 |
| 1/18/2012 | 2009 | 4183.65 | 0 |
| 1/19/2012 | 1848 | 3508.53 | 0 |
| 1/20/2012 | 2501 | 5543.23 | 0 |
| 1/21/2012 | 393 | 574.78 | 0 |
| 1/22/2012 | 339 | 344.6 | 0 |
| 1/23/2012 | 2490 | 5434.06 | 0 |
| 1/24/2012 | 2043 | 4085.61 | 0 |
| 1/25/2012 | 1888 | 3854.53 | 0 |
| 1/26/2012 | 1745 | 3528.41 | 0 |
| 1/27/2012 | 1884 | 3890.35 | 0 |
| 1/28/2012 | 403 | 495.76 | 0 |
| 1/29/2012 | 307 | 381.98 | 0 |
| 1/30/2012 | 2452 | 5152.82 | 0 |
| 1/31/2012 | 2090 | 4192.73 | 0 |

Intraflow between LG&E and KU

LG&E and KU operate as two separate ACD groups but are connected for the interflow of calls between the two ACDs. This allows for one center to cover in high volume situations or to cover in overnight/weekend situations. This intraflow is made possible with Trunk Group 20 which is set up as 94 tie lines between the two ACDs. Trunk Group 20 is provided by our SONENT network and does not involve an outside vendor. The included report is from the perspective of the Louisville ACD which represents calls flowing to KU will be termed outbound and calls flowing from KU to Louisville will be termed inbound.

Bruner

Louisville-Lexington Intraflow Trunks
Trunk Group 20
SONET Provisioned 94 Trunks
January 2012

| Date | Inbound Calls | Inbound CCS | Outbound Calls | Outbound CCS | % All Trunks Busy |
|---------------|---------------|------------------|----------------|------------------|-------------------|
| Totals | 203770 | 201326.55 | 57432 | 178709.88 | 0 |
| 1/1/2012 | 908 | 1553.2 | 295 | 2048.67 | 0 |
| 1/2/2012 | 475 | 1168.76 | 184 | 1079.92 | 0 |
| 1/3/2012 | 16285 | 14712.08 | 2697 | 10779.56 | 0 |
| 1/4/2012 | 10365 | 9237.78 | 2934 | 9104.74 | 0 |
| 1/5/2012 | 9216 | 7810.64 | 2766 | 8450.95 | 0 |
| 1/6/2012 | 9937 | 8987.95 | 2932 | 8716.34 | 0 |
| 1/7/2012 | 256 | 1319.34 | 53 | 894.66 | 0 |
| 1/8/2012 | 95 | 965.35 | 41 | 886.34 | 0 |
| 1/9/2012 | 13076 | 12235.29 | 2953 | 9473.05 | 0 |
| 1/10/2012 | 8181 | 7546.93 | 2588 | 7539.45 | 0 |
| 1/11/2012 | 8266 | 7080.54 | 2489 | 7474.48 | 0 |
| 1/12/2012 | 9396 | 7863.28 | 2365 | 7380.54 | 0 |
| 1/13/2012 | 8935 | 8743.74 | 2609 | 7342.95 | 0 |
| 1/14/2012 | 222 | 1001.43 | 83 | 957.23 | 0 |
| 1/15/2012 | 251 | 962.87 | 76 | 943.66 | 0 |
| 1/16/2012 | 8370 | 9798.58 | 2436 | 7229.14 | 0 |
| 1/17/2012 | 10963 | 9881.13 | 2935 | 7989.96 | 0 |
| 1/18/2012 | 10253 | 8616.04 | 2645 | 7549.53 | 0 |
| 1/19/2012 | 8107 | 7994.97 | 2392 | 6921.12 | 0 |
| 1/20/2012 | 11133 | 11610.59 | 2810 | 8326.93 | 0 |
| 1/21/2012 | 486 | 1256.36 | 134 | 1057.78 | 0 |
| 1/22/2012 | 666 | 1222.09 | 139 | 1015.74 | 0 |
| 1/23/2012 | 11605 | 11695.34 | 3175 | 8919.9 | 0 |
| 1/24/2012 | 6924 | 8088.31 | 2530 | 7037.13 | 0 |
| 1/25/2012 | 7030 | 6802.9 | 2422 | 7033.31 | 0 |
| 1/26/2012 | 7221 | 6589.81 | 2271 | 6974.13 | 0 |
| 1/27/2012 | 6960 | 7045.21 | 2388 | 6983.45 | 0 |
| 1/28/2012 | 217 | 1002.07 | 117 | 967.08 | 0 |
| 1/29/2012 | 174 | 963.08 | 75 | 929.03 | 0 |
| 1/30/2012 | 10951 | 10062.59 | 3237 | 9277.22 | 0 |
| 1/31/2012 | 6846 | 7508.3 | 2661 | 7425.87 | 0 |

21st Century

The 21st Century monthly report shows calls handled at 21st Century that overflowed from LG&E and KU. This is a combined report but comparing it to our internal reports, we can normally get a good representation of what is causing particularly high numbers on a given day or timeframe.

| Time | TOTAL CALLS | Outage Report |
|--------|-------------|---------------|
| Totals | 1168 | 1 |

| Day | TOTAL CALLS | Outage Report |
|--------|-------------|---------------|
| | | Interval: Day |
| 1 | 11 | 0 |
| 2 | 0 | 0 |
| 3 | 40 | 0 |
| 4 | 0 | 0 |
| 5 | 0 | 0 |
| 6 | 0 | 0 |
| 7 | 0 | 0 |
| 8 | 0 | 0 |
| 9 | 0 | 0 |
| 10 | 2 | 0 |
| 11 | 1 | 0 |
| 12 | 0 | 0 |
| 13 | 0 | 0 |
| 14 | 0 | 0 |
| 15 | 0 | 0 |
| 16 | 0 | 0 |
| 17 | 1109 | 1 |
| 18 | 0 | 0 |
| 19 | 0 | 0 |
| 20 | 0 | 0 |
| 21 | 0 | 0 |
| 22 | 0 | 0 |
| 23 | 1 | 0 |
| 24 | 2 | 0 |
| 25 | 1 | 0 |
| 26 | 1 | 0 |
| 27 | 0 | 0 |
| 28 | 0 | 0 |
| 29 | 0 | 0 |
| 30 | 0 | 0 |
| 31 | 0 | 0 |
| Totals | 1168 | 1 |



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Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: II-R4

Recommendation Statement: Improve customer service hiring practices and working environment to facilitate higher Residential Service Center agent retention.

Implementation Priority: High

LG&E Person Responsible: Cheryl Bruner

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|---|---------|-------------------|
| | | Start | Complete |
| 1. | Recruit and hire a Retail Staffing Specialist to support direct hire staffing | 07/2011 | Completed 09/2011 |
| 2. | Implement survey of new hires | 10/2011 | Completed 11/2011 |
| 3. | Develop and implement pilot to promote employee referrals | 10/2011 | Completed 01/2012 |
| 4. | Further define career progression paths for CSRs | 10/2011 | Completed 02/2012 |
| 5. | Develop and implement additional pre-employment screening tools to assess suitability of agents and Coaches | 09/2010 | Completed 07/2011 |
| 6. | Reduce overtime and occupancy targets | 01/2012 | 06/2012 |
| 7. | Identify additional off-call activities for agents | 01/2012 | 06/2012 |
| 8. | Develop reward and recognition programs | 12/2010 | Completed 04/2011 |
| 9. | Develop additional training for Coach and CSR development | 05/2011 | 7/2012 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Recruit and hire a Retail Staffing Specialist to support direct hire staffing*

A Retail Staffing Specialist was hired in September 2011 to support the recruiting, screening, and direct hire staffing of contact center and other customer service positions. On the next page is a screen shot from the Company's HR Information System evidencing the hire date of the Retail Staffing Specialist.

The screenshot displays the Oracle HR system interface for an employee with ID 0000026841. The page is titled 'Work Location' and includes a navigation menu with options like 'Home', 'Worklist', 'Add to Favorites', and 'Sign out'. The main content area shows the following details:

- Work Location:** EMP, ID: 0000026841
- HR Status:** Active, **Payroll Status:** Active
- Effective Date:** 09/19/2011, **Sequence:** 0, **Job Indicator:** Primary Job
- Action / Reason:** Hire, New Hire
- Last Start Date:** 09/19/2011, **Termination Date:** (blank)
- Expected Job End Date:** (blank)
- Position Number:** 00005869, **Position:** Retail Staffing Specialist, **Position Entry Date:** 09/19/2011
- Regulatory Region:** USA, United States
- Company:** 020, LG&E and KU Services Company
- Business Unit:** DISTR, Distribution Operations
- Department:** 025700, Dir HR Energy Delivery, **Department Entry Date:** 09/19/2011
- Location:** 26P, LG&E Center 16th floor
- Establishment ID:** 26O, LG&E Center
- Date Created:** 09/08/2011

At the bottom of the page, there are links for 'Job Data', 'Employment Data', 'Earnings Distribution', and 'Benefits Program Participation'.

Initiative 2: *Implement survey of new hires*

A new hire employee survey was developed in October 2011 and launched in November 2011 as a method to obtain feedback from newly hired employees on the recruiting, hiring and on-boarding process. This survey is sent to new employees approximately two weeks after their hire date. The new employee survey and the results of the new employee survey contain confidential information which is not available to the general public. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

Initiative 3: *Develop and implement pilot to promote employee referrals*

An employee referral program for customer service positions was developed and implemented. A copy of the article that appeared in the Company's daily employee newsletter, News Transmission, announcing the program to all employees is found in Chapter II-R4 - Attachment 1.

Initiative 4: *Further define career progression paths for Customer Service Representative (CSR)*

Management further defined career progression paths for customer service representatives, and then developed a presentation for customer service employees highlighting the job families, position responsibilities, qualifications, and education necessary for various positions within the company. This

information will provide customer service employees a guide to assist them in career progression with the company. A copy of the presentation is found in Chapter II-R4 - Attachment 2.

Initiative 5: *Develop and implement additional pre-employment screening tools to assess suitability of agents and Coaches*

Management implemented the use of personality assessments in the screening process for customer service representative positions beginning with staffing of the Morganfield contact center in February 2011. The use of the personality assessment was further expanded to the other residential contact centers and to the business service centers during 2011. Given the proprietary nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

Initiative 6: *Reduce overtime and occupancy targets*

The hiring of additional customer service agents (see response to Chapter II Recommendation 1) is expected to reduce overtime requirements and will allow management to align the occupancy targets with industry best practices.

Initiative 7: *Identify additional off-call activities for agents*

Residential Service Center and Business Service Center management are in the process of identifying additional off-call activities for agents.

Initiative 8: *Develop reward and recognition programs.*

The Residential Service Center has developed and implemented reward and recognition programs. On the next page is a description of those programs and frequency.

| | |
|----------------------------|------------------------------------|
| Event | Frequency Awarded |
| Monthly Recognition | Monthly (Depends on Performance) |
| Quarterly Recognition | Quarterly (Depends on Performance) |
| Year End Recognition | Year-End (Depends on Performance) |
| Ambassador Shirts | Once |
| Spontaniety Promotions | Various |
| Holidays | Frequency Awarded |
| Valentine's Day | Once |
| 4th of July | Once |
| Thanksgiving | Once |
| Halloween | Once |
| Year-End | Once |
| Special Events | Frequency Awarded |
| Picnic | Once per Location |
| Customer Service Week | Once Per Location |
| Special Week | Once Per Location |
| Retirement/Baby Showers | Various |
| Health Safety | Once |
| Performance | Frequency Awarded |
| Attendance Awards 2012 | End of 2012 |
| Adherence-Coaches | Monthly |
| Service Level | Monthly |
| Adherence- Representatives | Monthly |
| Top 25 Representatives | Quarterly |
| Managers | Yearly |

Initiative 9: *Develop additional training for Coach and CSR development*

Management has developed additional training for coaches and CSRs including “Soft Skills” training, leadership training for the Coaches, and additional training on rate tariff structures. Management also is pursuing training on analytical skills for this employee group.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU’s response and proposed implementation steps met the intention of Liberty Consulting’s recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

Initiative 6: *Reduce overtime and occupancy targets*

When training on all skills is completed for the additional customer service agents, the overtime needs and the occupancy target should be reduced. The status will be reported during the next progress report period.

Initiative 7: *Identify additional off-call activities for agents*

Management will identify additional off-call activity for agents. The status will be reported during the next progress report period.

Initiative 9: *Develop additional training for Coach and CSR development*

Management will execute additional training for Coach and CSR development. The status will be reported during the next project report period.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

The goal of this recommendation is to increase the retention of the Company's residential customer service agents. The Company invested over \$4 million on the following initiatives that focus on hiring practices and employee working environment. The initiatives are: increased customer service agent staffing level; hired a Staffing Specialist to lead the hiring of the incremental agents; moved away from "temp to hire" staffing strategy to a "direct hire" strategic model; developed and implemented a new employee referral program and pre-employment screening tool; increased employee training; and enhanced employee reward and recognition program.

B. Benefit Analysis

Improved hiring practices should result in lower employee turnover which would reduce the number of new employee training sessions. Reducing the number of new employee training sessions provides the trainers additional time to focus on refresher and enhanced skill training for the other employees.

C. Cost/Benefit Summary

To be completed once the recommendation is marked as completed.

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | | |
| Benefit | | |

D. Other Costs or Benefits

To be completed once the recommendation is marked as completed.

Employee referral program begins

News Category
Human Resources: Retail

Headline Date
2/6/2012

Know any great potential customer service employees? LG&E and KU want them to apply. Effective immediately, the company is launching its Employee Referral Program.

This program seeks to fill customer service positions in business service centers, residential service centers and business offices statewide. These positions require candidates with demonstrated customer service, problem-solving and decision-making experience.

Employees often are LG&E and KU's best recruiting ambassadors when it comes to understanding utility customer service, and if you know candidates who you believe would be a good fit for a customer service career at the company, please encourage them to apply for a position when they are posted and list you as the referring employee.

All regular full- or part-time LG&E and KU employees are eligible to participate in this referral program, excluding company officers, senior management, managers, HR employees, and supervisors in the business service centers, residential service centers and business offices.

If you refer an applicant for a posted customer service position, the applicant needs to apply online and list you as the referral source. You do not need to complete any forms or contact anyone about the candidate. If the candidate is hired and listed you as a referral, Human Resources will notify you.

Up to \$500 in lump sum payments

Two \$250 lump sum payments, less applicable taxes and withholdings, will be paid to the referring employee for each referred applicant who is hired. The first payment will take place after the new employee has completed six months of employment. If you and the employee are both active after 12 months of continuous employment by the new employee, the second payment will be made.

You may refer as many job candidates as you feel are qualified for customer service positions. However, this award does not apply for the referral of current company contractors or employees of contractors assigned to LG&E and KU.

For more information about the program, see the Q&A below or contact your HR generalist or manager.

Employee Referral Program Q & A

Q. Why is the company establishing an Employee Referral Program at this time?

A. The company is establishing this program to provide employees an opportunity to actively participate in and benefit from the LG&E and KU's recruiting efforts to employ qualified applicants for customer service positions in the business service centers, residential service centers and business offices.

Q. What positions qualify for the referral program?

A. The referral will apply to customer service positions in the business service centers, residential service centers and business offices.

Q. Why are only customer service positions included in this program?

A. Customer service positions are part of the critical link to ensuring a positive customer experience and require candidates with specific skill sets who may be difficult to identify through typical recruiting channels (i.e. web advertisements, classified ads, etc.)

Q. Who is eligible to participate in the program?

A. All regular full- or part-time KU or LG&E employees and their subsidiaries are eligible to participate, excluding company officers, senior managers, managers, HR employees, and supervisors in the business service centers, residential service centers and business offices.

Q. How do I make sure I am listed as the referral source for an applicant?

A. Inform the applicant that if he or she does not list you as a referral when applying for the position, you will not be given credit as the referral source. Applicants must apply for positions online in Kenexa and note your name in the system as the referring employee.

Q. How much will I be rewarded for the referral?

A. Two \$250 cash awards, less applicable taxes and withholdings, will be paid to you for the referral of an applicant who is hired. You will receive the first \$250 after the new employee has completed six months of employment, and the second \$250 after 12 months of continuous employment.

Q. Is the referral award applicable if I refer current contractors? A. No, employees who refer current contractors or employees of contractors assigned to LG&E and KU will not receive the lump sum award.

Q. Are my family members eligible to be referred?

A. Yes, subject to the company's policy on Employment of Relatives.

Q. When will I receive the bonus?

A. If you and the employee are both active after six months of the new employee's start date, you will receive the first payment on the closest paycheck following that date. If you and the employee are both active after 12 months of continuous employment by the new employee, the second payment will be made.

Q. Is there a limit as to how many candidates I can refer?

A. No. An employee can refer as many candidates they feel are qualified for customer service positions.

Q. How will I know if the person I referred is hired?

A. Human Resources will notify you if the person is hired, and will subsequently contact you if that person is employed after six months and when you should expect the first payment. HR will contact you again after the new hire completes 12 months of employment and indicate when you will receive the second payment.

Q. When does the program begin?

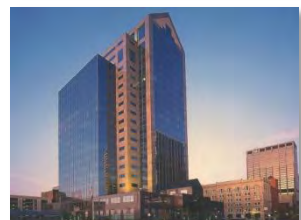
A. The program begins Feb. 1, 2012 and will continue until management deems it unnecessary. This program will be applicable to referred candidates who apply for a position on or after Feb. 1, 2012.



PPL companies

Retail Career Pathways

March 5-9, 2012



Retail business overview

- *Contact Centers*
- *Business Offices*
- *Billing Integrity*
- *Remittance & Collection*



Retail business overview

- *420 retail employees and contractors*
- *3.9 million customer contacts made to call centers*
- *Handled 2.5 million calls in 4 call center locations*
- *Processed 2.8 million walk in transactions in 26 business office locations*
- *Approximately 1 million bills processed monthly*

Retail Career Opportunities — Job Families

- *Customer Care Representative*
- *Customer Representative*
- *Billing Analysis Associate*
- *Rates and Tariffs Analysts*
- *Remittance Collection Associate*
- *Revenue Collection Associate/Investigator*

Job Family — Customer Care Representative

Primary responsibilities

- *Responsible for answering incoming customer calls and performing comprehensive account transactions in accordance with policies, procedures and regulations*
- *Works to exceed established productivity, schedule adherence, and quality standards*

Job Family — Customer Care Representative

Basic qualifications include:

- *High school diploma or equivalent is required; associate degree preferred*
- *One year of customer service experience analyzing and resolving customers problems in a customer call/contact center highly preferred*
- *Demonstrated ability to work cooperatively with customers*
- *Proficient with MS Office and with basic math skills*

Job Family — Customer Representative

Primary responsibilities

- *Responsible for handling front-line customer transactions handled in an efficient, professional and courteous manner in accordance with policies, regulations and procedures*

Job Family — Customer Representative

Basic qualifications include:

- *High school diploma or equivalent is required; associate degree preferred*
- *One year of customer service experience analyzing and resolving customers' problems in face-to-face customer service environment*
- *Demonstrated ability to work cooperatively with customers*
- *Experience cash handling and daily cash balancing*
- *Proficient with MS Office and basic math skills*

Job Family — Billing Analysis Associate

Primary responsibilities

- *Research billing exceptions identified by the customer billing system*
- *Perform customer billing adjustments when billing inaccuracies are identified*
- *Contact customers to discuss billing adjustments*

Job Family — Billing Analysis Associate

Basic qualifications include:

- *Bachelor's degree in accounting, finance or business-related major preferred; customer accounting/billing experience*
- *Working knowledge of Windows-based operating system, proficient Excel knowledge and experience a plus*
- *Able to work unassisted and with limited supervision*

Job Family — Billing Analysis Associate

Basic qualifications include:

- *Able to work unassisted and with limited supervision*
- *Possess excellent interpersonal skills with the ability to effectively deal with and solve problems for internal and external customers*
- *Perform complicated rate calculations with multiple components, analyze and interpret data to render accurate decisions, effective organizational skills, and maintain highest degree of accuracy and timeliness*

Job Family — Rates & Tariff Analyst

Primary responsibilities

- *Able to perform and effectively explain complex billing adjustments*
- *Calculate and explain complex rate structures to internal and external customers*
- *Serve as expert to resolve billing errors*
- *Research accounts and provide documentation to assist in the resolution of customer complaints*

Job Family — Rates & Tariff Analyst

Basic qualifications include:

- *Bachelor's degree in accounting, finance or business*
- *Five years of customer accounting/billing experience*
- *Working knowledge of PC systems; excellent Excel knowledge*
- *Effective communication skills to handle internal and external customers*
- *Excellent problem-solving skills are a must*

Job Family — Remittance Associate

Primary responsibilities

- *Responsible for customer payments posting and balancing process*
- *Involves making daily decisions on customer exception payments*

Job Family — Remittance Associate

Basic qualifications include:

- *Knowledge of established payment and cash reporting procedures and a high degree of proficiency in understanding the source of all payments and details*
- *Proficient in database applications, mail payment service provider web portals, cash management systems; demonstrated PC proficiency and MS Office software*
- *Possess excellent interpersonal skills*
- *Demonstrated ability to set priorities and manage multiple projects*

Job Family — Revenue Collection Associate

Primary responsibilities

- *Handle customer transactions and credit related activities (deposit billing and refunds, transfer of balances, negotiating and entering payment arrangements*
- *Able to explain billing and usage to customers, analyze account history, and resolve customer inquiries and disputes*
- *Support collection activities including skip tracing, ad hoc reporting, credit reviews*
- *Participate in the administration, processing, and reporting of bankruptcies and third-party collections*

Job Family — Revenue Collection Associate

Basic qualifications include:

- *High school diploma or GED required; excellent PC/computer skills*
- *Knowledge of basic mathematics and ability to organize statistical information and comprehend*
- *Good written and verbal communication skills and interpersonal skills*
- *Possess organizational and analytical ability with attention to detail*
- *Ability to handle and manage confidential information*

Job Family — Revenue Protection Associate/Investigator

Primary responsibilities

- *Investigate suspected theft or fraudulent use of service*
- *Documents findings, including interviewing customers/witnesses, obtaining written evidentiary statements, taking photographs, completing necessary forms, and recording other pertinent information*
- *Prepares reports suitable for review and action by prosecutorial authorities*

Job Family — Revenue Protection Associate/Investigator

Basic qualifications include:

- *Associate degree; able to understanding complex rules and regulations*
- *Excellent verbal and written communication skills*
- *Ability to handle substantial responsibility independently*
- *Possess a valid vehicle operator's license*
- *Moderate amount of walking with few occasions requiring lifting and/or climbing into areas which are difficult to navigate*

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: II-R5
Recommendation Statement: Enhance Customer Information System Usability.
Implementation Priority: High
LG&E Person Responsible: Cheryl Bruner

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)
 ONGOING (The implementation of this action plan is still in progress.)
 DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|---|---------|-------------------|
| | | Start | Complete |
| 1. | Discontinued request for social security numbers as a means of customer identification. | 09/2011 | Completed 09/2011 |
| 2. | Evaluate CSR usability and identify opportunities for system enhancements. | 06/2011 | Completed 12/2011 |
| 3. | Develop CTI screen-pop investment proposal and enter into contract. | 06/2011 | Completed 10/2011 |
| 4. | Implement new screen-pop and soft phone capabilities. | 10/2011 | 06/2012 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Discontinued request for social security numbers as a means of customer identification.*

Alternative customer identification methods were implemented starting in September 2011. A copy of a training guide delivered by Coaches in the RSC (called a “tailgate”) from September 22, 2011 is found below.

Customer Care System Searching and Verification-from Quality Assurance group-the processes listed below will be coaching opportunities for September calls and scoring off for October calls.

The preferred method of searching is as follows:

- *Account number*
- *Account name (Do not add any other search criteria such as city)*
- *Address (Do not add any other search criteria such as city)*
- *Phone number (Do not add any other search criteria such as city)*

Method of Verification of social security number:

- *Last 4 digits of the social security number only.*
- *Okay to verify full social security when the customer offers to provide it.*
- *Last resort is to ask for full social security number if unable to access the account using the preferred method listed above.*

Note: Educate our customers during the call to have their account number when customers make future calls to customer service.

Initiative 2: *Evaluate CSR usability and identify opportunities for system enhancements.*

SAP technical and business process experts were brought on site in September 2011 to conduct a detailed evaluation of Customer Service Representative (CSR) usability, including system processes and technical design. This review consisted of the SAP experts observing Residential Service Center and Business Service Center representatives to gain an understanding of current processes and agent concerns. The technical experts reviewed the business processes, technical architecture and actual code within SAP for conflicts or “less than optimal” use of the SAP application. As a result of this review, opportunities to enhance the usability of the system were identified. Source code changes were made to further optimize the technical design. Management is using established internal IT processes to prioritize the implementation of these enhancements.

Attachment to Response to LGE AG-1 Question No. 11
Page 69 of 281
Bruner

| Costs | Capital Investment | Cost of Removal/Retirement | Capital Cost Subtotal | Initial O&M Cost | Lifetime Maintenance Cost | O&M Cost Subtotal | TOTAL INVESTMENT |
|-------------------------|--------------------|----------------------------|-----------------------|------------------|---------------------------|-------------------|------------------|
| Company Labor | \$260,762.72 | \$0.00 | \$260,762.72 | \$0.00 | \$0.00 | \$0.00 | \$260,762.72 |
| Contract Labor | \$314,253.00 | \$0.00 | \$314,253.00 | \$0.00 | \$0.00 | \$0.00 | \$314,253.00 |
| Other | \$1,324,984.28 | \$0.00 | \$1,324,984.28 | \$0.00 | \$0.00 | \$0.00 | \$1,324,984.28 |
| Subtotal - GAAP | \$1,900,000.00 | \$0.00 | \$1,900,000.00 | \$0.00 | \$0.00 | \$0.00 | \$1,900,000.00 |
| Net Expenditures - GAAP | \$1,900,000.00 | \$0.00 | \$1,900,000.00 | \$0.00 | \$0.00 | \$0.00 | \$1,900,000.00 |
| 2011 Total | \$1,324,984.28 | \$0.00 | \$1,324,984.28 | \$0.00 | \$0.00 | \$0.00 | \$1,324,984.28 |
| 2012 Total | \$575,015.72 | \$0.00 | \$575,015.72 | \$0.00 | \$0.00 | \$0.00 | \$575,015.72 |

Approval Type: IT Projects

| Authorized by | Amount | Name | Date Approved | Req'd |
|----------------------------------|----------------|------------------------------------|---------------|-------|
| Supervisor | \$25,000.00 | | | N |
| Manager | \$100,000.00 | Troutman, Alpha | 10/7/2011 | Y |
| Budget Coordinator | \$0.00 | Goss, Brian | 10/7/2011 | Y |
| IT Finance and Admin | \$0.00 | Snowden, Hiram | 10/7/2011 | Y |
| Director | \$300,000.00 | Ferch, Joan | 10/7/2011 | Y |
| Vice President | \$750,000.00 | Slavinsky, Eric | 10/11/2011 | Y |
| Investment Committee Coordinator | \$0.00 | Smith, Richard Michael | 10/11/2011 | Y |
| Financial Planning Director | \$0.00 | Garrett, Christopher | 10/11/2011 | Y |
| Senior Officer | \$1,000,000.00 | | | N |
| CFO | \$1,000,001.00 | Arbough, Daniel for Rives, Stephen | 10/13/2011 | Y |
| CEO | \$1,000,002.00 | Staffieri, Victor | 10/13/2011 | Y |
| Property Accounting | \$0.00 | Clark, Lynda for Rose, Bruce | 10/14/2011 | Y |

INVESTMENT MATERIALS

| UOP # | Utility Account Id | | Quantity | Total Cost | |
|-------|--------------------|---------------------------|----------|----------------|--|
| 07238 | 330310 | COMPUTER SOFTWARE (07238) | 1 | \$1,900,000.00 | |

RETIRED EQUIPEMENT (OR MATERIALS)

| UOP # | Utility Account Id | | Quantity | Vintage Year | Original Project Number |
|-------|--------------------|--|----------|--------------|-------------------------|
| | | | | | |

Initiative 4: *Implement new screen-pop and soft phone capabilities.*

The CTI screen-pop project is on-going. SAP software enhancements, setup and installation of the CTI software and hardware are progressing on schedule.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response and proposed implementation steps met the intention of Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

Initiative 4: *Implement new screen-pop and soft phone capabilities.*

Management expects to complete the implement the screen-pop and soft phone capabilities. The status will be reported during the next progress report period.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

The CTI screen-pop and soft phone enablement project is expected to cost \$1,900,000.

B. Benefit Analysis

Improvements to customer service representative usability of the Customer Care System (CCS) would be focused on reducing the complexity of the system and improving call handling times. Implementing screen pop within the CCS system, in place of the current "pop" to a text box screen, should result in some time savings on the call; however, this savings cannot be quantified at this time.

C. Cost/Benefit Summary

To be completed once the recommendation is marked as completed.

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | | |
| Benefit | | |

D. Other Costs or Benefits

To be completed once the recommendation is marked as completed.

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: II-R6

Recommendation Statement: Implement actions to ensure that meter reading accuracy meets or exceeds targets.

Implementation Priority: Medium

LG&E Person Responsible: Butch Cockerill

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|---|---------|-------------------|
| | | Start | Complete |
| 1. | Conduct “all hands” meeting with all employees involved with the meter reading function along with the executives for our contract partners to communicate our new vision and commitment to improve our meter reading performance. | 08/2011 | Completed 08/2011 |
| 2. | Utilize benchmarking data to identify utilities that excel in meter reading accuracy and compare their processes and procedures to ours to seek improvement opportunities. <ul style="list-style-type: none"> a. Analyze and evaluate the benchmarking data to identify the comparable companies (i.e. Electric only, combo only with predominantly manual reading) b. Schedule discussions with comparable companies that have better performance and learn what they are doing differently and how the practice was implemented | 09/2011 | Completed 10/2011 |
| | | 11/2011 | Completed 01/2012 |
| 3. | Partner with internal customers to conduct comprehensive review of current processes and procedures to identify gaps. Develop and implement corrective actions. | 11/2011 | Completed 01/2012 |
| 4. | Utilize Companies’ personnel to institute field quality audits to spot check for meter read accuracy, condition of our facilities, etc. <ul style="list-style-type: none"> a. Develop process to monitor and report field audits b. Include an initiative for performing Quality Assurance Audits as part of company personnel’s Performance Excellence Process. | 12/2011 | Completed 01/2012 |
| | | 02/2012 | Completed 02/2012 |
| 5. | Change our meter reading parameters contained in our meter reading system to tighten the tolerances for increase/decrease consumption in monthly meter reads. <ul style="list-style-type: none"> a. Work with IT and Billing Integrity to determine tolerance parameters b. Change tolerance parameter in meter reading system. | 10/2011 | Completed 10/2011 |
| | | 11/2011 | Completed 11/2011 |

| | | | |
|----|--|---------|----------------------|
| 6. | <p>Re-evaluate our current Performance Scorecard to determine if any changes are warranted. If so, implement when current business partner contract expires in May 2012.</p> <p style="margin-left: 20px;">a. Discuss with comparable companies that utilize contract meter reader to learn what they are doing in relations to performance measures.</p> <p style="margin-left: 20px;">b. Determine what changes, if any, should be incorporated into upcoming contracts.</p> | 02/2012 | Completed 02/2012 |
| | | 02/2012 | Completed 02/2012 |
| 7. | <p>Enhance communications with all meter reading employees to inform them on meter reading performance. Create a “How are we Doing” bulletin board to post our monthly and YTD performance.</p> | 11/2011 | Completed 12/2011 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Conduct “all hands” meeting with all employees involved with the meter reading function.*

Management conducted a meeting in August 2011 with all Meter Reading employees to review the findings and recommendations from the Customer Service Audit and discuss the need to improve meter reading accuracy. Additionally, Management met with executives of our contract partners – Accuread and TruCheck - in September 2011. Below is the agenda.

- *Results of PSC Audit*
- *Key recommendation - improve meter reading accuracy*
 - *Discuss the changes to take place in order to improve accuracy:*
 - *Tighten parameters in the handheld*
 - *Capture types of verified reads and post in CCS*
 - *Deny quarterly incentive if it falls below accuracy target of 99.9%*
 - *Enhance meter reading training and follow up*
 - *Number of meters read consecutively without error*
 - *Documentation of results*
 - *Establish field audit process*
 - *Contractor to review all errors found on a weekly basis (use of cameras)*
 - *Increase employee accountability and adopt more stringent discipline measures if needed for continued performance issues*

- *Internal program implemented to also conduct Quality Field Audits on readers who miss monthly accuracy targets and all new hires*
- *Quality Audits objective will be added in 2012 PEP*
- *Posting results of key performance indicators in all locations on a monthly basis*
- *Importance of accuracy as it relates to how errors impact customer bill and the overall experience your service is for our customers*

Initiative 2a: *Analyze and evaluate the benchmarking data to identify the comparable companies.*

Management reviewed a proprietary benchmark data study during September 2011. Management selected, for comparison, those utilities that most closely matched our meter reading operation. The goal was to compare Company performance against those considered to be “peer” utilities. The comparison included a detailed review of errors, percent of meters missed, and the cost per meter read.

Initiative 2b: *Schedule discussions with comparable companies that perform well in meter reading accuracy.*

Management reviewed a proprietary benchmark data study to select utilities that performed well and contacted them for further discussions regarding their meter reading operations. Management discussions focused on meter reading accuracy, billing parameters, missed meters, inside meter access, and employee safety. Management also attended a workshop and participated in breakout sessions that provided direct interaction and discussion with other utilities regarding metrics and best practices in the meter reading area.

Initiative 3: *Conduct comprehensive review of current processes and procedures to identify gaps.*

Management reviewed all major processes and procedures in meter reading. Several changes were identified to streamline common practices across the two companies. These included: creating a single Business Intelligence reporting for errors, harmonizing monthly performance reporting, using existing software instead of emails for tracking new and changed meters, standardizing the process for requesting meter read send backs, and creating a single data repository site to access data from multiple systems to enhance reporting. A copy of the action items related to this initiative is found at Chapter II-R6-Attachment 1.

Initiative 4a: *Develop process to monitor and report field audits.*

Management developed a process to monitor and report field audits for meter readers. Meter readers who do not meet their monthly accuracy target will be subject to being randomly selected for an audit. Each month, meter reading management will randomly select a group of meter readers for field audits from those not meeting their accuracy target. Additionally, based upon meter reading accuracy reports, Management knows the first few weeks are critical for a new meter reader, so Management plans to conduct a field audit on all new meter readers during their first weeks on the job.

On the next page is a copy of the Meter Reading Field Quality Audit form.

METER READING FIELD QUALITY AUDIT

Meter Reader (print) _____ Date Evaluated _____

Evaluator (print) _____

1. Knows/understands/reports no read codes? Yes No
2. Knows/understands/ reports meter condition codes? Yes No
3. Knows/understands/reports changed meters? Yes No
4. Knows/understands process/reports new meters? Yes No
5. Knows meaning of each color seal? RED Yes No YELLOW Yes No GREEN Yes No
BLUE Yes No ORANGE Yes No BLACK Yes No
6. Checks meter numbers? Yes No
7. Follows safety procedures? Yes No
8. Interacts well with customers? Yes No
9. Leaves hang card on missed meters? Yes No

Observation Notes

Field Evaluation

Areas needing improvement

Follow up required on: _____

Meter Reader Signature _____

Evaluator Signature _____

Initiative 4b: *Include an initiative for performing Quality Assurance Audits as part of company personnel's Performance Excellence Process (PEP).*

Management has reviewed and discussed performing quality audits with each Contract Coordinator. An initiative to perform these audits has been added to each Contract Coordinator's 2012 PEP. Below is an excerpt of their PEP related to performing field quality audits.

Objective 1: Customer Experience Objective

Description: *Increase customer's satisfaction by enhancing the customer experience by offering timely solutions while maintaining a courteous and professional relationship with the customer.*

Measurement: *Work with contract meter readers to improve meter reading accuracy by conducting field quality audits on meter readers falling below accuracy target of 99.9% and on all new hires.*

Initiative 5a: *Work with IT and Billing Integrity to determine tolerance parameters*

Management completed research and made a decision to change our current meter reading consumption tolerance parameters. The research included contacting other utilities regarding their parameters and working with Billing and Information Technology to evaluate the impact of various tolerance parameters. A key concern was trying to determine the impact the tighter tolerance would initially have with the number of meters the readers would need to validate due to the tighter consumption tolerances. Management decided to take an aggressive approach with the tolerance parameters. A decision was made to tighten the parameters in the meter reading handhelds from 5 times high to 1.75 times time high on the upper consumption tolerance and from 99% to 50% for all rate classes except for residential gas which was changed to 75% for the lower consumption tolerance. Management expects moving to these much tighter tolerances to create an increase in the number of meter reads the reader will be required to verify for the first few months. However, the long-term benefits of improved accuracy will provide far greater benefits to customers, Billing Integrity and the Customer Contact Centers.

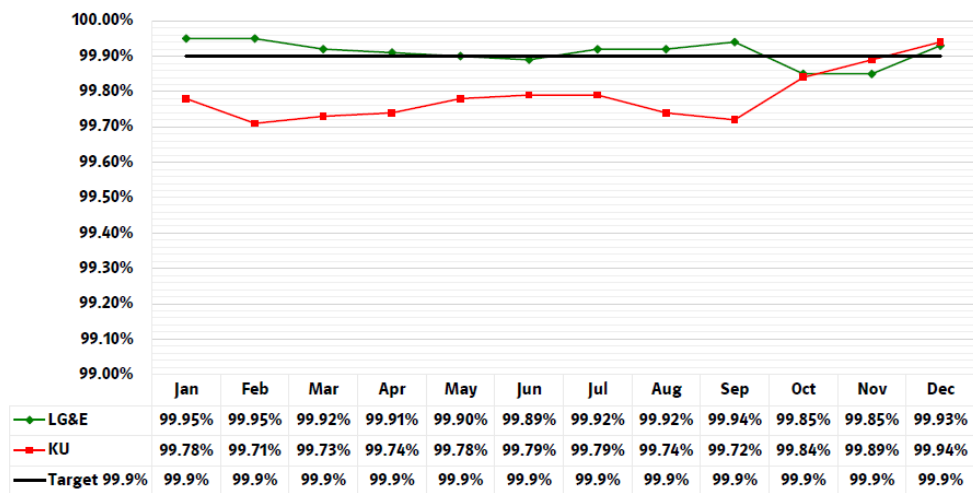
Initiative 5b: *Change tolerance parameters in meter reading system*

Management changed the consumption tolerance parameters in the meter reading system in November 2011. The tolerance parameter compares the customer's current month consumption to the same period in prior year. The new tolerance parameter changed the consumption upper limit from 4 times higher to 1.75 times higher and changed the consumption lower limit from 99% lower to 50% lower

except residential gas which is 75% lower. These tighter consumption limits resulted in improved meter read accuracy. Excerpt from the December 2011 Retail Operating Report reflect the improvement.

The full Retail Operating Report contains confidential information which is not available to the general public. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

Meter Reading Accuracy



Initiative 6a *Discuss with comparable companies that utilize contract meter readers to learn what they are doing in relations to performance measures for Business Partners.*

Management reviewed a proprietary benchmarking data study to identify utilities that use outside contractors to read their meters and performed well in the meter reading benchmarking study. Management contacted those utilities to discuss the performance standards contained in the contract with their Business Partners. Areas discussed regarding possible performance targets include accuracy, route completion, missed meters, and if those companies included incentives or penalties associated with performance targets.

Initiative 6b *Determine what changes, if any, should be incorporated into upcoming contracts.*

While the discussions did not yield any significant findings related to performance measures other utilities utilize with their contract partners, the discussions were beneficial in they confirmed Management was focusing on the correct performance areas in managing our Business Partner relationships. Since no significant findings were discovered, Management took advantage of the discussions with the other utilities to do some “brain storming.” From these discussions, Management was able to identify several potential ideas. Some are potential performance incentive opportunities and others are day to day operational opportunities. Management is reviewing each idea for possible inclusion in upcoming contract.

There are two ideas from the discussions that are likely to be included in the Scope of Work for the upcoming contract bid package. The first is a performance incentive measure. In an effort to continually improve our meter reading accuracy, Management is going to propose a two-tier incentive program for meter reading accuracy. Management currently has a risk/reward provision in our current contract for meter reading accuracy. This risk/reward incentive is tied to the Business Partner’s average meter reading accuracy. The Business Partner is penalized or rewarded based upon their average quarterly meter reading accuracy measured against our accuracy target. Management is going to propose keeping this program and introducing a new two-tier performance incentive program. Under this program, the incentive will be paid directly to each meter reader, based upon their meter reading accuracy. This will be a reward program only and will provide the opportunity for each meter reader to earn an incentive for exceeding our accuracy target. There will be two accuracy bands with incentives tied to each band. The higher the accuracy band the higher the incentive. Below are the details of the new program that are being proposed will be included in our upcoming Scope of Work for our contract negotiations.

Two-tier incentive program for exceeding accuracy rate of 99.9% paid directly to the reader on a quarterly basis:

- 99.91 – 99.95% \$50/month or \$250/quarter
- 99.96 – 100% \$100/month or \$500/quarter

The second idea from discussions likely to be included in upcoming Scope of Work is to leave a “Door Hanger” for every customer where an access issue prevented us from reading their meter. The Company would also leave a copy of the customer’s meter reading schedule which would inform them of when the meter readers will read their meter in the following months. If this program is successful, it should help reduce the number of meters the Company estimates.

Initiative 7: *Enhance communications with all meter reading employees and contractors to keep them informed of our current and year-to-date meter reading performance.*

Management purchased and installed bulletin boards at all locations where meter reading employees and contractors are assigned. Each month, the current month and year-to-date results of Meter Reading key performance goals are posted on the bulletin boards. The goals include: meter read accuracy on a macro and micro level, percent of meters estimated, customer satisfaction, and safety.

Below is a photograph of the Performance Metrics bulletin board at the LG&E Broadway Office Complex.



V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response and proposed implementation steps met the intention of Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

LG&E/KU considers this action plan complete and requests that it be closed.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

This exercise remains within the internal operating expenses of the Companies therefore minimal additional costs are envisioned.

B. Benefit Analysis

Benefits obtained from improved meter reads did transcend beyond Meter Reading into almost every area across the Retail Business. Not only has it improved the customer experience, it has also improved overall performance, and reduced customer call backs. This enhanced focus on quality has benefited customers by reducing billing errors and improving customer satisfaction.

C. Cost/Benefit Summary

| Category | One Time | Annual Recurring |
|----------|---|--|
| Cost | <ul style="list-style-type: none">• N/A | <ul style="list-style-type: none">• N/A |
| Benefit | <ul style="list-style-type: none">• N/A | <ul style="list-style-type: none">• Reduce errors and rework• Reduce field trips• Reduce customer call backs• Improve customer satisfaction |

D. Other Costs or Benefits

None identified.

Attachment to Response to LGE AG-1 Question No. 11

Bruner

| Action Plan Item # | Action Plan Item | Notes | Timeline Start, Duration and Completion | Findings/Status |
|--|---|---|---|--|
| <p>Meter Reading Accuracy Reporting: Purpose: Meter Reading accuracy metrics report performance to target in the monthly Retail Operating Report. S&OP recommendations are intended to harmonize and enhance consistency in preparation of accuracy reporting. Benefits: Enhance consistency and accuracy in data collection methodology and calculation of the accuracy percentage (harmonize LGE/KU tracking and reporting processes). Ensures audit trail of any adjustments in accuracy calculations. KPIs and individual accuracy reporting will be based on the number of errors found in a period divided by the number or reads for the period. Harmonize processes for TruCheck and AccuRead validation of preliminary error report. Contractors must provide support for the exclusion of errors from the accuracy calculation.</p> | | | | |
| 1 | In the short-term: Develop Microsoft Access database that integrates the 2 data sources for KPI reporting (CCS and Fieldnet) for Accuracy reporting | See Item # 2 for the long-term resolution: Allows for a single data source to produce meter reading accuracy reports and KPIs. Ensures that the detail and summary reports tie in totality and the data ties back in totality to the source creating a solid audit trail | | |
| 1.1 | Work with IT to gain access to Fieldnet data using Access | The initial approach by IT is impacting production performance. An alternative is to be researched and recommended by IT. | Start - 12/7/2011 Target date: | 3/7: COMPLETED. Access to Fieldnet tables completed 2/22/2012 |
| 1.2 | Work with IT and Clevest to modify Fieldnet "End of Day Summary" to include Device Type/Meter Type column | If 1.1 is accomplished this can be done in-house and not require Clevest | Start depends on completion of 1.1 Target date - 1/27/2012 | 3/7: Developed in-house. MR testing |
| 1.3 | Define requirements for and develop database and reports Limiting scope to 4 tables, 2 reports for initial implementation | KPIs and individual accuracy reporting will be based on the number of errors found in a period divided by the number of reads for a period. Reporting back to the period it occurred can still take place through this new database if required. Manager Meter Reading notifies Residential Service Center (RSC), Business Service Center (BSC), Billing Integrity and Business Offices if high errors found on any of the meter reader(s). | Depends on completion of Item #1.2 Duration - 4 weeks | 3/7: underway |
| 1.3.1 | Define requirements for database tables. Four tables have be defined to this point (SOP Meter Reading Accuracy Reporting V2 - Appendix A-D) | | Depends on completion of Item #1.2 | 3/7: Fieldnet data tables are defined. CCS data still to be defined. |
| 1.3.2 | Develop Access database tables and develop process to populate | | Depends on completion of Item #1.3.1 | 3/7: Fieldnet data tables are defined. CCS data still to be defined. |
| 1.3.3 | Define requirements for Meter Reading Accuracy Report (SOP Meter Reading Accuracy Reporting V2 - Appendix E) | Detail accuracy report by reader | Depends on completion of Item #1.1 | 3/7: Successfully duplicated the Fieldnet End of Day Summary report in Access. User menu set up in Access to simplify user reporting process. Weekly sessions scheduled with MR clerk to develop and enhance MR reporting from Access. Target date: 4/30/2012. (The S&OP role is not limited to development of an Access DB and reports, but also entails on-going maintenance and support.) |
| 1.3.4 | Define requirements for Meter Reading Monthly Report (SOP Meter Reading Accuracy Reporting V2 - Appendix F) | Summary accuracy report by area, by contractor group | Depends on completion of Item #1.1 | 3/7: Weekly sessions scheduled with MR clerk to develop and enhance MR reporting from Access. Target date: 4/30/2012. |
| 1.4 | Test Access database and reports and perform rework | | Depends on completion of Item #1.3.2; Duration - 1 week | 3/7: Testing the database and reports is on-going through the weekly sessions with MR clerk |
| 1.5 | Train users on Access database and reports | | Depends on completion of Item #1.4; Duration - 1 week | 3/7: Dependent on completion of 1.4 |
| 2 | Develop an IT-supported reporting platform | The participation and support of IT is required to execute the long-term solution. That target date is TBD. Meter Reading manager has submitted RFC | Depends on RFC 91826 assignment to IT | 3/7: Not started – RFC 91826 Priority = Medium. Requested B Cockerill help to escalate the RFC to the Prioritization Committee |

Attachment to Response to LGE AG-1 Question No. 11

Bruner

| Action Plan Item # | Action Plan Item | Notes | Timeline Start, Duration and Completion | Findings/Status |
|--------------------|--|--|--|--|
| 2.1 | Define requirements for reporting platform | The reports defined and developed for the Access database and reports will be the starting point for the long-term reporting | Depends on RFC 91826 assignment to IT | 3/7: Not started – RFC 91826 Priority = Medium. Requested B Cockerill help to escalate the RFC to the Prioritization Committee |
| 2.2 | Test reporting platform | | Depends on RFC 91826 assignment to IT | 3/7: Not started – RFC 91826 Priority = Medium. Requested B Cockerill help to escalate the RFC to the Prioritization Committee |
| 2.3 | Train users on reporting platform | | Depends on RFC 91826 assignment to IT | 3/7: Not started – RFC 91826 Priority = Medium. Requested B Cockerill help to escalate the RFC to the Prioritization Committee |
| 3 | Harmonize process for TruCheck and AccuRead validation of preliminary error report. | MR vendors must provide support for the exclusion of errors from the accuracy calculation | Jan-12 | 3/7: COMPLETED. Started for Accuread in January 2012 was already in place for TruCheck |
| 4 | Enhance CCS to route ZORR/ZRRR 'sendback' orders to Field Services rather than Meter Reading for LG&E | LG&E ZORR/ZRRR orders occurring within up to 2 days after portion close to automatically route to Field Services to be consistent with KU. This would eliminate a manual paper trail, but still an impact to Field Service and could impact the timing of getting bills out. | Depends on RFC 91825 assignment to IT | 3/7: IT development is underway |
| 5 | Develop method to communicate to Billing Integrity billing meter reading adjustments which should not have been made and were removed from meter reading accuracy calculation (either coming from AccuRead / TruCheck contesting an error or a customer complaint that is researched both after the fact) so that they can monitor and train their employees | Manager Meter Reading is okay with providing this via a manual process, but Manager Billing Integrity needs to determine the time frame (e.g. weekly, monthly). This should be reported out of the new database. In the interim, meter reading will send emails with documentation | Jan-12 | 3/7: COMPLETED. Started sending emails to BI with examples from BW error report back in February and send after each full month is completed |
| 6 | Enhance documentation of AccuRead and TruCheck remediation training on Meter Pro by readers falling below the established accuracy benchmark. This will be a part of the monthly reporting from the meter reading vendors. | Monthly written verification, field reports and outcomes that AccuRead and TruCheck are requiring their employees falling below our established benchmark are receiving remediation training on Meter Pro. This reporting will be added to their normal monthly reporting. It will include name, date, and number of meters read correctly on Meter Pro and the frequency of remedial training for that individual | Jan-12 | 3/7: COMPLETED. Requested vendors to include in monthly reporting but will include in language of the new contract effective June 1, 2012 |
| 7 | Manager Meter Reading performs an analysis on establishing a two tiered bonus system to better incentive employees for reinforcing accuracy | Once the budget impact can be calculated, Manager Meter Reading will make recommendations to upper management | Start - 1/3/2012 Completion - June 2012 | 3/7 in progress by MR manager |
| 8 | Begin implementing quality checks to independently check the field's meter read starting in Q1 2012. A calendar will be used to track the QC checks scheduled. Paperwork with documented results will be scanned and saved. | Manager Meter Reading has developed a checklist form to use for this QC function. Based on the accuracy rate performance for the prior month. All new hires and below performance targets will be audited and random audits of those meeting target if internal resources are able. Manager Meter Reading working on schedule and tracking based on November 2011 stats. It will be discussed with staff during December 2011 and will become part of auditors PEP in 2012. This information will also be posted monthly on all meter reading reporting location bulletin boards | Start - 1/1/2012. On-going | 3/7: COMPLETED 3/2012 |

Meter Reading Parameters:

Purpose: Understand and optimize the CCS functionality for meter reading tolerance limits and independent validations. Report on verified reads which are outside the Fieldnet parameters but within the CCS parameters, resulting in no CCS BPEN being created to Billing Integrity. This reporting reflects

Attachment to Response to LGE AG-1 Question No. 11

Bruner

| Action Plan Item # | Action Plan Item | Notes | Timeline Start, Duration and Completion | Findings/Status |
|---|--|--|--|---|
| 9 | Test new Meter Reading ABAP report of Verified reads | Testing of the report is on-hold until Item #9.2 is more fully defined | Start - 10/31/2011 | 3/7: Revisit with the MR manager the business value in pursuing the necessary modifications and testing to complete this report for production. On-hold until Billing Integrity parameter changes are stable, i.e., BI has a consistent BPEM caseload at a manageable level. Target Date: 3/17/2012 |
| 9.1 | Document the calculations of the CCS meter reading tolerances limits of independent validations functionality | Concepts to document include: expected consumption, degree day weighting, high and low factors, expected reading, maximum and minimum reading | Start - 1/13/2012; Duration - 2 weeks | 3/7: Develop business narrative document describing CCS functionality rules for validating meter readings. Target Date: 3/22/2012 Reformat document with all MR implausible case types. Target Date: 3/9/2012 |
| 9.2 | Billing Integrity working with IT to fine-tune CCS independent validations (IV) 'bands' and tolerance limits | BI is exploring establishing new, smaller consumption factor 'bands' to fine-tune the validation rules that result in IV06 BPEM cases for implausible readings. The goal is to safely modify the rules to reduce BPEM case creation. | Start - 1/5/2012 | 3/7: Current Billing Integrity bands and tolerance limits put into effect on 12/22/2011 |
| Meter Reading Exceptions (Found/changed meters): Purpose: A harmonized and automated (CCS-based) process facilitates timely and more transparent resolution of meter exception issues. Benefits: Eliminates duplicate work on the Exception report by multiple groups. Gets the exception identified, researched, and corrected in CCS using more consistent and timely processes - so the customer gets billed. Reduces service order volume and multiple tech visits to customer's premise | | | | |
| 10.1 | Enhance CCS with a new BPEM case for follow-up work assigned to the Field Services service order section when found/changed/new meter identified on the Meter Exception report | CCS BPEM cases will replace emails for workflow between MR and Field Services | Start: 1/4/12 | 2/23: COMPLETE. In production on 2/22/2012 |
| 10.2 | Enhance BW reports to include 3-character code used by Field Services to identify various meter conditions, i.e., STL(stolen), CGI (Can't Get In) | | Started but on-hold | 3/7: RFC 63863: This has been assigned to another BW developer and he's provided an estimated target date. Escalate this RFC to the BW prioritization committee with goal of improving the priority. Target Date: 3rd quarter |
| 10.3 | Develop recommendations for process improvements for new/found meters identified on the Exception report | Research As-Is processes and identify root causes and improvements. Based on historical data from the Retail Operating Report there are Distribution Operations touchpoints that need process improvements | Start: 1/10/12 | 3/7: COMPLETE. Process flowchart published on Sharepoint Friday 3/2/2012 |
| Benchmarking Review: Purpose: Compile data elements to identify peer utilities to confer with on meter reading best practices. Benefit: Discover processes that other utilities have employed within meter reading that have positively impacted accuracy. | | | | |
| 11 | Review/analyze Meter Reading benchmarking data to identify peer utilities and reveal conclusions related to accuracy processes. | J Renfrow had compiled some quartile calculations based on raw data but would like some additional analysis. Analysis completed on 2/1/12, but phone conference timeline TBD | Start:1/16/12; Duration: 2 weeks | 3/7:COMPLETE. MR manager conducted two teleconferences with peers for MR, to discuss accuracy measures. |

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: II-R7

Recommendation Statement: Develop and implement Service Order business processes consistent with effective workforce management planning, service order prioritization, and a high level of schedule adherence.

Implementation Priority: Medium

LG&E Person Responsible: Butch Cockerill

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|---|------------------------|--|
| | | Start | Complete |
| 1. | Conduct “all hands” meeting with all employees involved with the service order function along with the Companies’ contract partners to communicate the new vision and commitment to improve service order performance. | 10/2011 | Completed 11/2011 |
| 2. | Enhance communications with all service order employees to inform them on their performance. Create a “How are We Doing” bulletin boards at all Field Services locations to display monthly and YTD performance metrics. | 11/2011 | Completed 12/2011 |
| 3. | Utilize benchmarking data to identify utilities that provide superior customer service in field services and evaluate their processes and procedures to seek improvement opportunities. <ul style="list-style-type: none"> a. Analyze and evaluate benchmark data to identify comparable companies to align internal KPIs and other operational and performance results. b. Contact those companies to discuss their service metrics and operational processes to identify potential improvement opportunities. | 10/2011 11/2011 | Completed 12/2011 Completed 01/2012 |
| 4. | Partner with internal customers to conduct comprehensive review of current processes and procedures to identify gaps. Will develop and implement corrective actions. | 12/2011 | Completed 12/2011 |
| 5. | Institute field quality audit to spot check the customer experience and service order completion accuracy. Establish targets for appropriate company personnel and include in their Performance Management Plan. <ul style="list-style-type: none"> a. Develop process to monitor and report field audits. b. Include an initiative for performing Quality Assurance Audits as part of company personnel’s Performance Excellence Process | 12/2011 02/2012 | Completed 01/2012 Completed 02/2012 |

| | | | |
|----|---|---------|----------------------|
| 6. | Create specific service level goals for customer-requested orders, enhanced tracking of service level goals, establish processes to complete priority work orders within reduced timeframes, and identify opportunities to reduce the number of field visits. | | |
| | a. Reevaluate current process for classifying and prioritizing customer requested orders to ensure accuracy. | 12/2011 | Completed 03/2012 |
| | b. Develop reporting process to analyze customer requested service orders not completed by date requested. | 02/2012 | 06/2012 |
| | c. Develop reporting process to analyze assigned service orders that are re-dated for another day. | 02/2012 | 06/2012 |
| | d. Develop corrective actions to address causes identified in 6b and 6c above. | 04/2012 | 08/2012 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Conduct “all hands” meeting with all employees involved with the service order function.*

Management held meetings during October and November 2011 with all Field Service employees. Topics covered included: review of audit findings, process issues, data entry errors and the impact those errors have on customer service, and customer relations in the field. Management also reviewed the recommendations for Field Services identified in the Management Audit Action Plan as well as the timelines for completing the recommendations. Below is a copy of the agenda.

- *Relation between Management Audit Action Plan and Field Service Operations*
- *Relation between the Audit and our Customer Experience Strategy*
- *“Tools” used to measure performance*
- *Implementation Plan key points:*
 - *Accuracy of data entry on service orders (meter reads, meter numbers, notes)*
 - *Courtesy and helpfulness to customers in the field*
 - *Monthly posting of Field Services KPIs on bulletin boards at each location*

- *Importance and use of utility benchmarking data to measure performance*
- *Timely completion and tracking of customer-requested service orders to meet customer expectations.*
- *Implementation of the Quality Field Audit program to document customer feedback as well as technician abilities and performance*
- *Question and answer*

The dates of the “all hands” are shown in the table below.

| <u>Operational Area</u> | <u>Technicians</u> | <u>Date</u> | <u>Time</u> | <u>Meeting Place</u> | <u>Presenter</u> |
|---|---------------------------|-------------|---------------|-----------------------|------------------|
| LG&E Field Service | Employees and Contractors | 10/24/2011 | 8:30a-10:00a | BOC Annex | Dale Bielefeld |
| KU Lexington, Mt Sterling, Winchester, Georgetown, Versailles | Employees and Contractors | 11/14/2011 | 10:00a-11:30a | Loudon St Office | Dale Bielefeld |
| KU Greenville, Morganfield, Earlington, Eddyville, Barlow | Employees | 11/17/2011 | 3:30p-5:00p | Earlington Office | Dale Bielefeld |
| KU Elizabethtown | Employees and Contractors | 11/28/2011 | 8:30a-10:00a | Elizabethtown Office | Dale Bielefeld |
| KU Danville | Contractors | 11/29/2011 | 8:00a-9:30a | Danville Office | Troy Venables |
| KU Campbellsville | Contractors | 11/29/2011 | 10:00a-11:30 | Campbellsville Office | Troy Venables |
| KU Shelbyville | Contractors | 11/30/2011 | 9:00a-10:00a | Shelbyville Office | Troy Venables |
| KU Carrollton | Employees | 11/30/2011 | 11:00a-12:00 | Carrollton Office | Troy Venables |
| KU Paris | Employees | 12/2/2011 | 8:30a-9:30a | Paris Office | Troy Venables |
| KU Maysville | Employee and Contractors | 12/2/2011 | 10:30a-11:45a | Maysville Office | Troy Venables |
| KU London, Somerset | Employees and Contractors | 11/15/2011 | 9:00a -10:30a | London Office | David Marler |
| KU Pineville, Harlan, Middlesboro | Employees | 11/16/2011 | 9:00a -10:30a | Pineville OC | David Marler |
| ODP Norton, Pennington Gap | Employees | 11/17/2011 | 9:00a -10:30a | Norton Office | David Marler |
| KU Richmond | Employees and Contractors | 11/22/2011 | 8:00a - 9:30p | Richmond SC | David Marler |
| KU Morehead | Contractors | 11/22/2011 | 10:30a-12:30a | Morehead Office | David Marler |

Initiative 2: *Enhance communications with all service order employees to inform them on their performance.*

Management purchased and installed bulletin boards at all locations where field service employees are assigned. Each month, Management will post the results of Field Service’s key performance goals. The goals include: monthly and year-to-date service orders created and completed, current service order backlog, costs per order and average number of service orders completed daily per service technician.

Below is a photograph of the Performance Metrics bulletin board at the LG&E Broadway Office Complex.



Initiative 3a: *Analyze and evaluate the benchmarking data to identify the comparable companies to align internal KPIs and other operational and performance results.*

Management reviewed a proprietary benchmark data study to select utilities that most closely matched the Company's size and field service operation. The goal was to compare our performance against those considered to be a "peer" utility. Detailed reviews were conducted comparing our performance against the other utilities in the areas of service orders generated and completed annually, service orders completed per tech, and cost per service order completed.

Initiative 3b: *Contact those companies to discuss their service metrics and operational processes to identify potential improvement opportunities.*

Management reviewed a proprietary benchmark data study and selected comparable regional utilities that performed well and contacted them for further discussions regarding their field service operations. Field Service Management also attended a workshop and participated in breakout sessions that provided direct interaction and discussion with other utilities regarding metrics and best practices in the field services area. From these discussions, the Company was able to confirm the processes in place for addressing customer's request for service are very similar across all the utilities.

The following results were learned:

- *All of the companies dispatch and complete their service orders through mobile computing systems.*

- *Most of the companies utilize appointment scheduling in two-to-four hour timeframes; LG&E and KU schedules two-hour timeframes for customers who need appointments during the work week.*
- *Most of the other companies utilize field surveys to measure technician performance, safety and technical abilities.*
- *The peer group utilizes phone “call back” surveys to measure customer satisfaction. We are planning to utilize this approach as well as field audits as discussed in Initiative 5 under this Recommendation and in our response to Recommendation 10 Initiative 4.*

Initiative 4: *Conduct comprehensive review of current processes and procedures to identify gaps.*

Management conducted a review of field service processes and procedures to identify potential operational gaps. The review included an examination of internal service order processing procedures, Key Performance Initiatives, and Business Intelligence reports. Management also reviewed the electronic order handling processes between CCS and Ventyx Mobile system. From this review, a process gap was identified with after hour reconnects. Further analysis of the after hour reconnect process determined the main issue resulted from inadequate coverage in certain areas across the state during weekends and holidays. Working with Distribution Operations, this process has been streamlined and sufficient resources have been assigned during weekend and holiday periods.

Initiative 5a: *Develop process to monitor and report field audits.*

Quality monitoring for field service activities involves a two-tier approach: 1) management performing random audits in the field, and 2) phone surveying customers who have recently requested a service action. Field Services has developed criteria that will be used to randomly select service technicians for field audits. The Company already had an initiative that required management to conduct safety audits on field employees and complete a form documenting their findings. This form has been updated to include a section for customer feedback. While at the job site conducting the safety audit, management personnel will ask the customer questions regarding their satisfaction with the work performed by the field service technician. Audits are random and each technician will be audited (on average) twice annually. The customer’s feedback will be shared with the employee, reviewed by management and followed up as necessary. The phone survey process is explained in detail in our response for Chapter II-R10 Initiative No. 4. On the next page is a copy of the Field Service Audit Form.

Energy Delivery
Field Service Job Site & Safety Audit

1. Crew: KU: ___ LGE: ___ Contractor: _____
Crew Reporting Location or Name of Contractor

1a. If Contractor: Passported?: YES ___ NO ___ Passport shown on request: YES ___ NO ___

2. Name and class of employee directly in charge of work: _____

3. Name of immediate supervisor of employee directly in charge: _____

4. Location and brief description of work: _____

5. If a customer requested turn-off (gas/elec) or an electric turn-on, were proper procedures followed (correct seals and turn off/on method used, locks used or removed when necessary, order completed correctly in tablet)?
YES ___ NO ___

6. If a customer requested gas turn-on, were proper procedures followed (walkthrough procedure, leak tested house line, verified gas on in house, order completed correctly in tablet)? YES ___ NO ___

7. If auditing a customer requested order, was customer present? YES ___ NO ___
Was customer satisfied with technician's quality of work? YES ___ NO ___
Customer area clean of trash, tools, seals, etc.? YES ___ NO ___
Customer feedback on services provide: _____

8. Personal Protective Equipment (Hardhat, Gloves & Sleeves, Eyewear, etc.): All Proper YES ___ NO ___
Describe: _____

9. Other Equipment and Procedures: All Proper YES ___ NO ___ Describe: _____

10. Overall Safety Rating of Crew Good: ___ Fair: ___ Poor: ___

11. Recommendations or Suggestior _____

12. Are all safety devices in working order? YES ___ NO ___ _____

13. Audit results discussed with employee in charge: YES ___ NO ___ _____

Date of Audit _____
Time of Audit _____
Employee Performing Audit

Initiative 5b: *Include an initiative for performing Quality Assurance Audits as part of company personnel's Performance Excellence Process (PEP)*

Management has reviewed and discussed the audit process with team leaders and contract coordinators and this initiative has been included in their 2012 PEP.

Below is a copy of the objectives included in the 2012 PEPs:

Objective 4: Customer Satisfaction - Internal and External

Description: *Improve LG&E customer satisfaction ratings by offering timely field solutions and exceptional service as defined in the Customer Experience Strategy.*

Measurements:

- *Conduct customer satisfaction survey during field safety audits when possible/applicable (correct order type and customer is present)*
- *Investigate claims and issues impacting customer satisfaction and Field Service operations*
- *Average of two Job site/safety audits per tech annually*

Initiative 6a: *Reevaluate current process for classifying and prioritizing customer requested orders to ensure accuracy.*

Management conducted an evaluation to identify the key service orders that provide the greatest opportunity to improve customer satisfaction. Based upon this evaluation, Management concluded their greatest opportunity to enhance customer satisfaction was by ensuring the efficient completion of customer requests for the following three service types: Turn Service On; Turn Service Off; and Move In/Move Out.

Management also conducted a review of all service orders completed in 2011 and ranked them based upon the number of times a customer requested to have that type of service performed. This review determined that Field Services completed over 350,000 customer requests for service for the three above referenced service types representing over 48% of the service orders completed in 2011(see table below). These findings support Management's recommendation to focus on the above noted service order types.

Management has reviewed the processes associated with completing these order types and is making plans to move forward to develop a tracking and reporting mechanism to measure the percentage of these orders completed by the customer "need date." The "need date" is the date by which the customer requests the service order be completed. The "completion date" is the actual date the Technician completed the order in the field.

| | Jan-11 | Feb-11 | Mar-11 | Apr-11 | May-11 | Jun-11 | Jul-11 | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 | Grand Total-2011 | % of Total |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|-------------|
| Move In/Move Out | 13,899 | 15,317 | 16,888 | 14,030 | 16,023 | 19,449 | 18,230 | 23,207 | 16,896 | 15,142 | 14,675 | 14,490 | 198,246 | 27% |
| Turn On Service | 4,930 | 5,151 | 6,282 | 5,833 | 6,422 | 7,658 | 7,045 | 8,349 | 8,216 | 8,343 | 7,989 | 6,874 | 83,092 | 11% |
| Turn Off Service | 4,280 | 4,789 | 6,694 | 5,883 | 7,529 | 7,121 | 5,921 | 7,536 | 7,896 | 7,267 | 6,011 | 4,816 | 75,743 | 10% |
| 3 Service Orders Above | 23,109 | 25,257 | 29,864 | 25,746 | 29,974 | 34,228 | 31,196 | 39,092 | 33,008 | 30,752 | 28,675 | 26,180 | 357,081 | 48% |
| Other Service Orders | 30,646 | 30,600 | 37,612 | 32,898 | 32,847 | 28,265 | 21,414 | 37,336 | 35,005 | 36,169 | 31,115 | 30,149 | 384,056 | 52% |
| Total of All Service Orders | 53,755 | 55,857 | 67,476 | 58,644 | 62,821 | 62,493 | 52,610 | 76,428 | 68,013 | 66,921 | 59,790 | 56,329 | 741,137 | 100% |

Source: Business Intelligence Report 6620 Completed Service Orders for LG&E and KU for all of 2011

Initiative 6b: *Develop reporting process to analyze customer requested service orders not completed by date requested.*

Management is working with Information Technology to create reports to monitor service order completion dates. Once created, the reports will be generated from the Business Intelligence reporting function of the Customer Care System and sent to Field Service Management for review and analysis.

Initiative 6c: *Develop reporting process to analyze assigned service orders that are re-dated for another day.*

Management is working with Information Technology to create reports that will monitor re-dated service orders. Once created, the reports will be generated from the Business Intelligence reporting function of the Customer Care System and sent to Field Service Management for review and analysis.

Initiative 6d: *Develop corrective actions to address causes identified in 6b and 6c above.*

This initiative is scheduled to begin in April 2012.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response and proposed implementation steps met the intention of Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

Initiative 6b: *Develop reporting process to analyze customer requested service orders not completed by date requested.*

Management will develop reporting to analyze customer request service order not completed by date requested. The status will be reported during the next progress report period.

Initiative 6c: *Develop reporting process to analyze assigned service orders that are re-dated for another day.*

Management will develop a reporting process to analyze service orders that are re-dated. The status will be reported during the next progress report period.

Initiative 6d: *Develop corrective actions to address causes identified in 6b and 6c above.*

Initiative will begin once the reports required for 6b and 6c above are created. The status will be reported during the next progress report period.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

The projected annual recurring costs to add the six additional resources are approximately \$700,000 which includes salary and benefits. The additional resources are necessary to ensure adequate staffing to timely complete volume of service orders created across both companies. The costs to implement other recommendations are minimal. The development of the quality assurance process and quality performance reporting can be accomplished with existing staff.

B. Benefit Analysis

The additional resources will be utilized to work service orders affecting customer satisfaction, billing and revenue collection activities, and to develop and analyze operational data. Quality assurance monitoring refers to the process of observing an employee’s meter reads or spot-checking completed meter reads. This should help to reduce errors and rework, field visits, lower customer call backs, focus training efforts and create employee development opportunities, which should improve customer satisfaction.

C. Cost/Benefit Summary

To be completed once the recommendation is marked as completed.

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | | |
| Benefit | | |

D. Other Costs or Benefits

To be completed once the recommendation is marked as completed.

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: II-R8

Recommendation Statement: Standardize Billing Integrity business processes; review and address staffing levels, while establishing an environment of continuous improvement.

Implementation Priority: Medium

LG&E Person Responsible: Butch Cockerill

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|--|---|---|
| | | Start | Complete |
| 1. | Establish Business Continuity and Data Integrity functional group within Billing Integrity that is responsible for identifying and documenting key processes; developing training programs for key processes, monitoring employee adherence to key processes; implementing effective measures and targets to monitor departmental performance and effectiveness. | 10/2011 | Completed 02/2012 |
| 2. | <p>Establish Key Processes:</p> <p style="padding-left: 40px;">a. Continue to pursue process standardization and continuous improvement between companies by documenting key processes to improve employee accountability and quality of work.</p> <p>Develop Training and Change Management Program</p> <p style="padding-left: 40px;">b. Develop training and change management program to train Billing Integrity employees on key processes to ensure they have the knowledge necessary to resolve assigned billing exception cases.</p> <p>Monitor Employees</p> <p style="padding-left: 40px;">c. Develop a program to monitor employee adherence to key processes to improve employee accountability and quality of work.</p> <p>Implement Measures</p> <p style="padding-left: 40px;">d. Identify the key measures that determine departmental performance and establish targets for those measures.</p> | <p>03/2012</p> <p>04/2012</p> <p>04/2012</p> <p>04/2012</p> | <p>08/2012</p> <p>09/2012</p> <p>09/2012</p> <p>08/2012</p> |
| 3. | Staff Billing Integrity Rate and Tariff Analysts that are responsible for: ensuring billing adherence to approved tariffs; providing expertise in identifying customer impacts of proposed tariff changes; resolve customer billing complaints; and system testing for proposed billing changes. | 10/2011 | Completed 10/2011 |

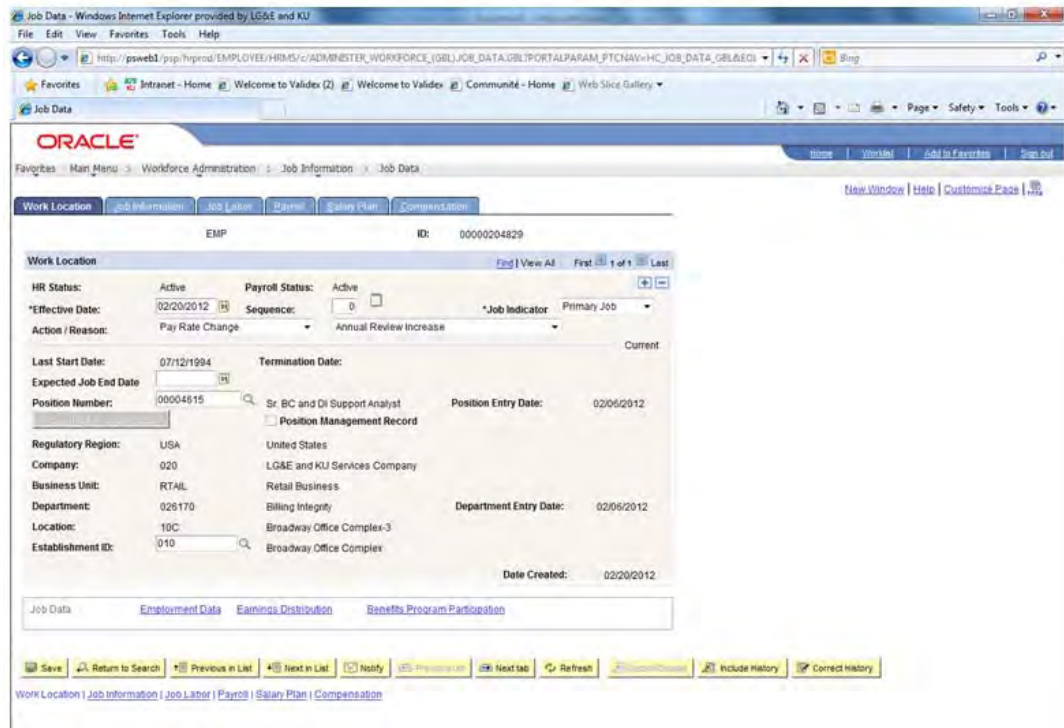
| | | | |
|----|--|---------------------------------------|--|
| | | | |
| 4. | Enhance hiring process to include pre-employment aptitude based testing and increased educational requirements for certain positions. | 06/2011 | Completed 09/2011 |
| 5. | Reduce Billing Exception resolution period: <ul style="list-style-type: none"> a. Re-examine current system tolerances in an effort to identify appropriate tolerance levels that result in quicker identification of valid customer data anomalies. b. Implement the new system tolerances levels based upon finding of above analysis and monitor impact of new tolerances and adjust if necessary. c. Develop a method to track the time required to successfully complete key billing exceptions from creation to resolution. | 10/2011 02/2012 04/2012 | Completed 01/2012 06/2012 08/2012 |
| 6. | Conduct evaluation of existing MV90 processes and system capabilities and recommend the most effective solution to address current requests to add more complex meters capable of capturing consumption over multiple time periods, support internal need for more detailed load utilization across entire service territory for enhanced forecasting capability, and prepare for future rate structure changes which will likely include more complex metering and billing structures. | 10/2011 | Completed 01/2012 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Establish Business Continuity and Data Integrity functional group*

Management developed job description for this newly created function. This new functional group will consist of five analysts that are responsible for developing process maps of the key processes within Billing Integrity that will aid in harmonizing the processes between LG&E and KU. In addition, these positions will conduct training as each process map is developed and establish and monitor quality standards for key billing exceptions.

Below is a screen shot from the Company's HR Information System providing information supporting the hiring date.



A copy of the job description is found at Chapter II-R8-Attachment 1.

Initiative 2a: *Establish Key Processes*

This initiative is scheduled to begin in March 2012. This date was set to allow time to establish the Business Continuity and Data Integrity group, which is responsible for completing this initiative.

Initiative 2b: *Develop training and change management program*

This initiative is scheduled to begin in April 2012. This date was set to allow time to establish the Business Continuity and Data Integrity group, which is responsible for completing this initiative.

Initiative 2c: *Monitor Employees*

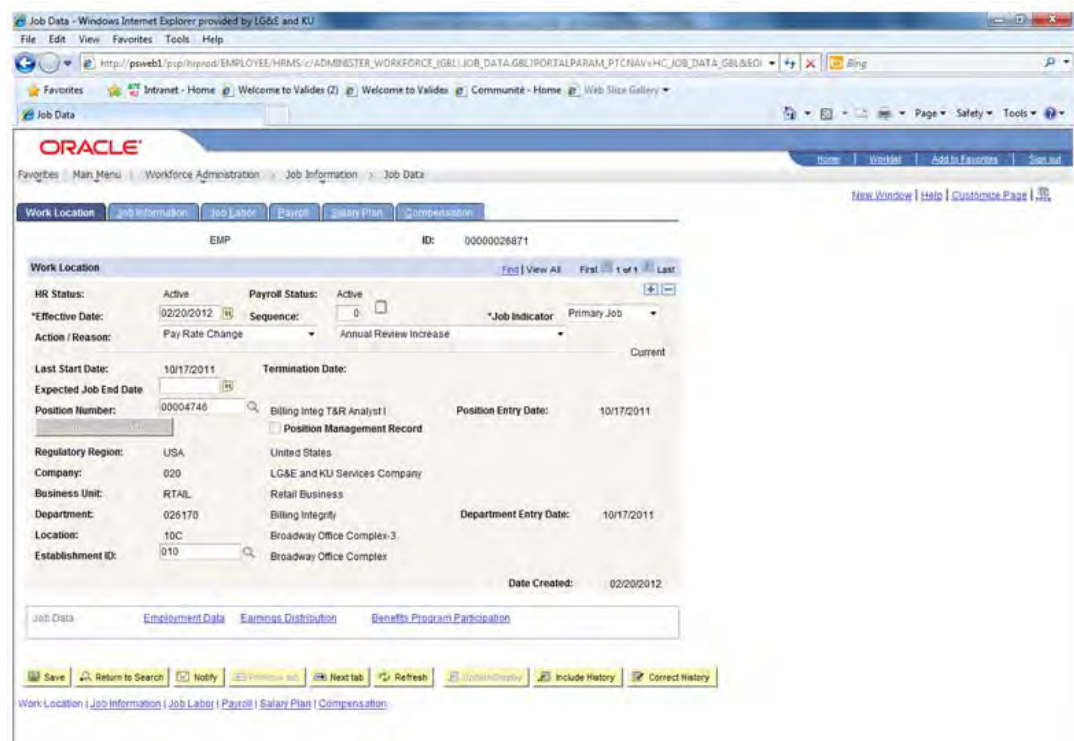
This initiative is scheduled to begin in April 2012. This date was set to allow time to establish the Business Continuity and Data Integrity group, which is responsible for completing this initiative.

Initiative 2d: *Implement measures*

This initiative is scheduled to begin in April 2012. This date was set to allow time to establish the Business Continuity and Data Integrity group, which is responsible for completing this initiative.

Initiative 3: *Staff Billing Integrity Rate and Tariff Analysts*

Management developed a job description for this newly created function. The new functional group consists of five analysts that are responsible for ensuring billing adherence to approved tariffs and to provide expertise in identifying customer impacts of proposed tariff changes. Billing Integrity has completed the hiring process and all five analysts started working during October 2011. Below is a screen shot from the Company's HR Information System providing information supporting the hiring date.



A copy of the job description is found at Chapter II-R8-Attachment 2.

Initiative 4: *Enhance hiring process to include pre-employment aptitude based testing.*

Management contacted various utilities to obtain information regarding their hiring and educational requirements for employees who perform their billing validation processes. Also, Management analyzed the current tariff structure and billing calculation complexity for some of their larger customers. Based upon these reviews, Management implemented the following changes to their recruitment process in an effort to enhance the employee recruitment process:

- Implemented a pre-employment aptitude test to enhance the selection process. Billing Integrity, along with other areas, developed a Customer Billing Exercise that is administered to potential applicants to evaluate their ability to analyze and process data. Depending on the position, examples include calculating a customer's bill, determining a customer's minimum payment, determining applicability of tariffs and writing an executive summary memo.
- Enhanced the educational requirement by requiring a college degree and/or numerous years of billing experience for the new Rate and Tariff Analyst and Business Continuity and Data Integrity positions. See Chapter II-R8-Attachment 1 & 2 for copies of the jobs descriptions.
- Modified current educational requirement for the Billing Analysts Associate positions by including language stating "A college degree was required or relative accounting/billing experience". See Chapter II-R8-Attachment 3 for a copy of the job description.

Initiative 5a: *Re-examine current system tolerances*

Management conducted several analyses of our meter reading and billing consumption tolerance parameters in an effort to find the most effective tolerance bands. Following these analyses, Management changed the meter reading consumption tolerance parameter in November 2011 (See response to Chapter II Recommendation No. 6). Management is continuing to monitor this change to evaluate the effect on meter read accuracy, meter reader workload, and customer billing prior to making any further tolerance changes.

Initiative 5b: *Implement new system tolerances*

Management will determine next steps toward tightening the current billing consumption tolerance bands after completing the evaluation of the recent changes made to the meter reading consumption tolerance changes. The current ongoing evaluation will provide information on the effect tightening the meter read tolerances had on meter read accuracy, meter reader workload, and provide a better understand the longer term impacts on customer billing.

Initiative 5c: *Develop a method to track the time required to complete key billing exceptions*

This initiative is scheduled to begin in April 2012. This date was set to allow time to establish the Business Continuity and Data Integrity group, which is responsible for completing this initiative.

Initiative 6: *Conduct evaluation of existing MV90 process and system capabilities*

A cross functional team was formed to conduct an analysis of our MV90 processes to determine how this system is used and by whom. The primary purpose of this analysis was to gain a better understanding of how Billing Integrity currently uses this system and provide recommendations to improve the efficient use of the system. The findings of this analysis provided recommendations to improve system reporting, system changes/enhancements, and made recommendations regarding the roles and responsibilities for the Billing Integrity employees that utilize this system. The team also recommended we engage the software designer to conduct a site visit to monitor our use of the system and provide user training. Management has reviewed the recommendation of the team and has agreed to bring the software designer onsite. A copy of the MV90 overview and conclusions is found at Chapter II-R8-Attachment 4.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response and proposed implementation steps met the intention of Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

Initiative 2a: *Establish Key Processes*

This initiative is scheduled to begin in March 2012. The status will be reported during the next progress report period.

Initiative 2b: *Develop training and change management program*

This initiative is scheduled to begin in April 2012. The status will be reported during the next progress report period.

Initiative 2c: *Monitor Employees*

This initiative is scheduled to begin in April 2012. The status will be reported during the next progress report period.

Initiative 2d: *Implement measures*

This initiative is scheduled to begin in April 2012. The status will be reported during the next progress report period.

Initiative 5b: *Implement new system tolerances*

Management continues to monitor the results of the recent changes to tighten the meter reading consumption tolerances. The status will be reported during the next progress report period.

Initiative 5c: *Develop a method to track the time required to complete key billing exceptions*

This initiative is scheduled to begin in April 2012. The status will be reported during the next progress report period.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

The projected annual recurring labor and benefits cost for the additional Billing Integrity analysts is approximately \$1.4 million.

B. Benefit Analysis

The Company's additional Billing Integrity resources and increased focus on process improvement for the key billing process should improve billing performance, address billing backlog issues, and improve customer satisfaction.

C. Cost/Benefit Summary

To be completed once the recommendation is marked as completed.

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | | |
| Benefit | | |

D. Other Costs or Benefits

To be completed once the recommendation is marked as completed.

**LG&E – KU Energy Services
EXEMPT POSITION DESCRIPTION**

Title: *Sr. Business Continuity and Data
Integrity Support Analyst*
Department: *Billing Integrity*
Location: *Louisville*
Reports to: *Manager-Billing Integrity*

For Compensation Department Use Only

| | |
|------------------------|-----------------|
| Job Code: | E6703 |
| EEO Category: | |
| Supervises: | |
| Approved by: | M Denham |
| Effective Date: | Oct 2011 |
| Revision Date: | |

Position Purpose

This position functions at the senior level responsible for assisting in the analysis of departmental policies and practices in an effort to identify departmental improvement opportunities and ensuring the adherence to departmental policies, practices, and Company Internal Controls. This position will also be responsible for assisting in the implementation, monitoring, and data analysis of the department's quality assurance/quality control programs and performance metrics.

Major Accountabilities

- Provides guidance, assistance and direction to analysts related to the analysis and determination of the impact of decisions that will affect the Billing Integrity department.
- Collects, analyzes, compiles and prepares data to formulate departmental recommendations for process improvements that assist in meeting Billing Integrity targets and objectives.
- Provides analytical-based problem solving in addressing functional inadequacies by analyzing, compiling data and utilizing root cause analysis to document and identify areas of improvement in the resolution of internal and external issues affecting Billing Integrity as it relates to the issuance of external customer bills.
- Responsible for the oversight, monitoring, and testing of internal controls to ensure adherence to Company Internal Control requirements.
- Responsible for the identification, development, documentation and implementation of best practice policies and practices as it relates to Billing Integrity processes and monitors adherence to such practices.
- Responsible for the evaluation of current billing processes and practices to identify opportunities for improvement and harmonization of such practices among all Billing Integrity applications.
- Identifies, analyzes, compiles and prepares data to complete monthly operational and statistical reports and provides support to the Manager, Billing Integrity and Billing Integrity Team Leader(s) in reporting of results and metric related to internal and external requests.
- Perform other duties as assigned by Manager, Billing Integrity.

Recommended Education/Experience

Bachelor degree in Business, Finance, or Accounting preferred or a work background indicating a

demonstrated ability to absorb information, apply conceptual skills in practical applications, achieve desired results in a highly technical, operating environment. Previous experience of 8 or more years in an analytical role is desired. Working knowledge of Six Sigma practices strongly desired. Must possess exceptional communication and people skills with the ability to deal effectively with internal and external customers. Problem solving and root cause analysis skills are a must.

Special Qualifications

Should be knowledgeable of different computer systems and corresponding applications to company activities. Primary computer skills should be with the Microsoft Office products (Excel, Word, PowerPoint, and Access). Advanced knowledge of Retail business operating systems and their application to Billing Integrity business processes (I.e. CCS, Mobile, SM etc.). An individual in this position must have the ability to multitask and take ownership of and resolve identified problems.

Attendance

Regular attendance is essential for satisfactory performance in this position.

Required Contacts

Communication and interpersonal skills are necessary for contact with internal customers for analytical inquiries with other department representatives.

Work Conditions

Normal office environment.

Physical Effort

Primarily sitting with optional standing or walking.

Job Hazards Or Danger

Low degree of danger or hazard associated with job.

EXEMPT POSITION DESCRIPTION

Title: Billing Integrity Tariff and Rate
Analyst Senior
Department: Billing Integrity
Location: Various
Reports to: Manager Billing Integrity

For Compensation Department Use Only

| | |
|------------------------|----------------|
| Job Code: | E3210 |
| EEO Category: | |
| Supervises: | |
| Approved by: | Melinda Denham |
| Effective Date: | April 2011 |
| Revision Date: | |

Position Purpose

This position will function at the advanced and senior level for Billing Integrity analyst and is expected to demonstrate and possess an in-depth knowledge in the analysis, resolution and documentation of complex customer billing issues. Incumbent performs assignments in accordance with Company procedures and guidelines, works under minimal supervision, and receives specific instructions as to required tasks and results expected. This position is responsible for assisting the Billing Integrity Associates, Team Leaders, and Manager in the cross-functional business processes that impact Billing Integrity.

Major Accountabilities

- Must be able to perform and effectively explain complex billing adjustments to both external customers and internal management.
- Calculates and explains complex rate structures to internal and external customers and serves as the expert for internal and external customers to resolve billing errors.
- Closely interacts with internal departments to research and correctly identified billing errors and works to resolve such errors.
- Researches accounts and obtains documentation necessary to assist in the company's response to PSC complaints.
- Understands and reviews electric and/or gas contracts; and updates and maintains the contract information in CCS.
- Assists in the review of new and proposed rate structures.
- Maintains expert working knowledge of Rates, Rules and Regulations for furnishing electric and gas service for the Company and be able to communicate such to internal departments.
- Works closely with rate and regulatory departments to test and institute new rates, ensuring the accurate billing occurs.
- Maintains expert working knowledge of the billing and account information contained in CCS.
- Must be able to provide exceptional customer service to all internal and external customers.
- May assist in the training of Billing Analysis Associates as requested by Team Leader or Manager.

- Maintains critical documentation on resolution of complex customer billing scenarios.
- May serve as temporary Team Leader in absence of Team Leader and Manager.
- Other duties as assigned.

Recommended Education/Experience

Bachelor's degree in accounting, finance or business-related area and over fifteen (15) years of customer accounting/billing experience in a regulated environment using SAP/CCS is required. Prior experience in other phases of the Billing Integrity Department or a related area is required. Working knowledge of PC systems including Word and Excel required; excellent Excel knowledge and skills a plus. Effective communication skills in dealing with fellow employees and external customers. Must be able to work limited supervision. Must possess exceptional people skills with the ability to deal effectively with internal and external customers. Excellent problem solving skills are a must.

Technical Skills

An individual in this position must have expert working knowledge of the rates and tariffs that affect the Companies (LGE and KU) billing and customer application processes. This position collaborates with other departments within the company to address customer complaints resulting from billing practices, reviews customer accounts to ensure accurate customer billing data and successfully performs complex billing adjustments as appropriate. This position also is responsible for performing root cause analysis and documentation of resolution of complex customer billing issues.

Excellent interpersonal skills for communicating complicated rate structure and billing explanations in both written and oral formats to others, both within and outside the corporation. Ability to use PC and mainframe based applications.

Must be able to effectively manage responsibilities and be able to successfully manage to meet deadlines and regulatory requirements to meet all departmental goals. Must have the ability to multitask and take ownership of identified problems with customer accounts.

Attendance

Regular attendance is essential for satisfactory performance in this position.

Required Contracts:

Frequent contact with co-workers in Billing Integrity, and throughout the Retail/Energy Delivery Line of Business (e.g., Field Services, Meter Reading, Review Protection, Electric and Gas Operations, Customer Service, etc.). May interact with company-wide leadership in the recommendation and resolution of complex customer issues that involve PSC-level complaints. May also interact with customer groups. Daily contact with outside customers related to account billing adjustments and corrections may be required.

Work Conditions

Normal office environment.

Physical Effort

Primarily sitting with optional standing and walking.

Job Hazards Or Danger

Low degree of danger or hazard associated with job.

**Louisville Gas and Electric Services Company
NON-EXEMPT POSITION DESCRIPTION**

Title: *Billing Analysis Associate II*
Department: *Billing Integrity*
Location: *Lexington or Louisville*
Reports to: *Billing Integrity Team Leader*

For Compensation Use Only

| | |
|------------------------|-------------------|
| Salary Grade: | Job Code: |
| | <i>N2003</i> |
| EEO Category: | Emp. Code: |
| Supervises: | |
| Approved by: | |
| Effective Date: | |
| Revision Date: | June 2009 |

Position Purpose

This position is responsible for ensuring the accuracy of customer billing records contained in the Company's (LGE and/or KU) internal customer care system(s) ("CCS") by analyzing identified customer billing exceptions and researching customer billing complaints. Must be able to correct customer accounts and adjust customer bills as necessary in accordance with state regulations governing the furnishing of electric and gas service for the Company. An individual in this position must have an understanding of the rates, tariffs, and regulations that affect the Company's billing processes. This position will also analyze bills to verify correctness and coordinate meter rereads and meter change out requests when needed. This position collaborates with other departments within the company to address customer inquiries regarding their account and reviews customer accounts to ensure accurate customer billing. An individual in this position must have the ability to take ownership of identified problems with customer accounts and must be able to resolve the problems in a timely manner. It is anticipated that a person would spend a minimum of three years in this position before becoming eligible for promotion.

Major Accountabilities

- Must be able to work well as a team member, to develop and manage internal relationships, and exercise professional judgement.
- Researches and corrects errors on service orders and customer accounts in CCS.
- Maintains accurate, auditable customer billing records in CCS.
- Helps prepare monthly statistical reports.
- Processes various daily reports in a timely manner.
- Coordinates the completion of pending service orders, which includes meter changes, removals, installs, new accounts, customer changes, turn ons and offs .
- Analyze customer account information to calculate and processes billing corrections including rebills and billing adjustments.
- Correct or estimate usage necessary to render an accurate bill.
- Provide accurate information necessary to explain CCS account information to internal and external customers
- Researches accounts and obtains documentation necessary to assist in the company's response to PSC complaints.
- Closely interacts with internal departments to research and correct identified billing errors.
- Assumes responsibilities as directed by Team Leader to meet all departmental goals and deadlines for work group.

- Maintains a working knowledge of Rates, Rules and Regulations for furnishing electric and gas service for the Company.
- Maintains proficient knowledge of the billing and account information contained in CCS.
- Problem solving skills.
- Other duties as assigned.

Recommended Education/Experience

Bachelor's degree in finance, accounting or business-related degree is required or three (3) years of customer accounting/billing experience in a regulated environment utilizing SAP/CCS or transferable experience and skills which result in equivalent job knowledge is required. Working knowledge of PC systems using a Windows based operating system, including Word and Excel required; proficient Excel knowledge and experience a plus. Works with assistance and moderate supervision. Must possess effective communication skills and good people skills with the ability to deal effectively with internal and external customers.

Technical Skills

Must possess the ability to perform complicated rate calculations with multiple components. Must be able to analyze and interpret data to render accurate decisions. Must have effective communication and organizational skills. The highest degree of accuracy and timeliness is mandatory. Errors will result in incorrect bills being mailed to customers; must be able to multitask and take ownership of and resolve problems. Problem solving skills are a must. Must be able to work with limited assistance and moderate supervision.

Attendance

Regular attendance is essential and required for successful performance in this position.

Work Conditions

Works with supervision and specific instruction. Requires ability to manage multiple tasks and handle stress. Undetected errors would normally result in an adverse effect on employee's work unit.

Required Contacts

Frequent contact with employees in other departments to exchange information, answer billing questions, etc. Contact with outside customers related to basic questions may occur.

Energy Delivery – Retail Business

MV90 Overview and Recommendations February 15, 2012

Overview:

Billing Integrity recently completed a review of the MV90 system, documenting the processes completed by the system and reviewed how the two Billing Integrity (BI) employees operate and utilize the system. The purpose of the review was to gain greater understanding of how we use the system, increase our understanding of the system's capabilities, and identify improvement opportunities. The MV90 system captures meter pulse consumption data and translates the pulse data into numeric data. This system is a vital tool for BI as the data maintained in the system is used to bill many of our largest customers. Additionally, this system provides consumption data for other areas of the company aiding them with performing many of their tasks.

The MV90 system is monitored and operated by two BI analysts working in Lexington. The primary responsibilities of these analysts are meter setup, data maintenance, and data integrity. A large portion of this study was to monitor how these employees perform their work to gain a better understanding of their processes and challenges. Within the LGE/KU service territory numerous customers have been set up with meters programmed to capture load profile meter pulse data. These meters register pulse interval data in response to the customer's usage. MV90 collects this meter pulse data received from load profile programmed meters and converts or "translates" this data into customer consumption data. The MV90 system also converts this consumption data into numeric meter read data that can be entered in the Customer Care System (CCS) and billing purposes. The majority of load profile meters used in the LGE/KU service territory capture pulse data in 15 minute intervals. There are a few meters, however, that have been programmed to capture pulse data in 5 minute intervals.

Depending upon the method used to collect the data determines the amount of interaction the Billing Integrity employees have with the data. The two primary methods for collecting consumption data is by manually probing the meter or by remote interrogation. Load profile data is acquired either manually or remotely. Manually interrogated meter data is obtained by a meter reader who probes the meter with a hand held or lap top device. Remotely interrogated meter data is obtained through one of several MV90 remote interrogation processes (electronically via Transmission Control Protocol Internet Protocol (TCP/IP)/internet connection, modem or telephone line).

A nightly batch process uploads the meter reads and usage data probed by the meter reader. Most of our larger customer's meters are remotely interrogated. With this process, the meters are remotely called once a week and on the periodic read date of the particular meter. Because of the quantity of consumption these customers consume, BI analyses the usage weekly in an effort to identify and resolve potential issues prior to the end of the billing window. The weekly reviews allow the MV90 personnel to quickly identify and respond to any informational gaps in

the pulse data. If the remote call fails, MV90 personnel attempt to manually call the meter. If no connection is made with the meter, Meter Shop personnel are sent to the sight to investigate.

Once all the data has been collected, the data must be translated into useful billing data. This could include “splitting files”, combining files, and aggregating or totalizing meters. All of these functions in addition to generating reports that are sent to some customers providing them with detailed Time of Day information about their operation are performed by the two MV90 analysts.

In addition to the billing data generated by MV90 and utilized by the Billing Integrity group, other internal departments also utilize the data maintained in the MV90 system. These groups include: Load Research, System Analysis and Planning, Engineering, Sales Analysis and Forecasting, and Major Accounts.

Conclusions:

Billing Integrity's MV90 Analysts perform a variety of duties. They have responsibility not only for acquiring consumption data from meter pulse information; but, they are also responsible for ensuring that the meter data housed in MV90 is accurate and up to date. Since the move to CCS, the MV90 translators have taken on added responsibility for ensuring the MV90 data is correctly entered into CCS. A large portion of the MV90 personnel's time is spent validating and revalidating information to ensure that all meter data necessary for billing is obtained and entered correctly. However, we learned that the MV90 analysts no longer have to review and interact with each piece of data processed through the system. With some recent system upgrades and review of current operational processes, improvements were made that reduced the amount manual manipulation of data.

Since the implementation of CCS, the companies' have introduced new complex, 3 tier time of day (TOD) structured rates; acquired redundant capacity customers; revamped its curtailable service riders; and redefined LGE's method for calculating Power Factor. Each of these items has brought new meter programming challenges, introduced the need for more specific rate understanding, and created more time consuming process steps. More and frequent interaction with the meter asset group has also resulted, to address challenges related to the newly implemented rate tariff structures. In addition, the introduction of CCS and more complex rate structures has created a need for more interaction between the MV90 and the Major Accounts/Economic Development groups.

The recent merger of LKE with PPL has also placed more emphasis on revenue forecasting. This renewed emphasis has created the need for more real time consumption data from our largest customers. As a result, there has been an increased interaction between MV90, the Load Research, and the Sales and Forecasting groups.

Each of these changes has placed more responsibility on MV90 personnel and introduced more process changes to their daily work. Very little MV90 specific training outside of "On the Job" training has been provided to these individuals to address these new challenges. Most of the training has been handed down from one analyst to the other based upon the way they were trained. The lack of training and the lack of process change management have led to overworked individuals who are unsure of their responsibilities. In addition, the MV90 data needs of other groups outside of Billing Integrity continue to increase and we have concerns about our current ability to fully address their needs. These other groups look to the BI MV90 analysts as the MV90 experts.

Recommendations:

1. Enhanced Vendor Support: Engage Itron in addressing such items as:
 - File Maintenance to alleviate the cumbersome processes associated with splitting and combining files.
 - Total period data acquisition to more efficiently obtain daily peaks without the need to run each day as a separate report
 - Exception reporting to eliminate the need to maintain external "checklists"
 - Data calculations to eliminate the need for manual calculations in external spreadsheets
 - Automated report creation and customer data "push" capabilities to automate the emailing of the customer's meter data reports
 - System upgrade benefits and liabilities that include a full explanation of the pros, cons and customer experiences related to system upgrades.
 - Evaluate skill sets of our MV90 analysts and make training recommendations.
 - Meet with internal users to gain understanding of their MV90 needs and recommend corrective actions to address their issues.
 - Projected costs for a week long onsite engagement is approximately \$20K

2. Training: Provide MV90 specific training to those individuals who have primary responsibility for maintaining and utilizing the data in the MV90 system. Evaluate the recommended training programs based upon Itron's observation of our analysts. Funds are available in BI current budget to provide the recommended training. Itron offers the following specific MV90xi training courses:
 - MV90xi Basic Operational Training
 - MV90xi Advanced Operational Training
 - MV90xi Administrator Training
 - MV90xi IT Training

3. Internal Operations Support: Utilize the information obtained from Itron's discussion with our internal users to evaluate the best way to meet their needs. The evaluation should include the need to create "In-house" expertise to help business operations by:
 - Creating new customized reports to eliminate the need to manually enter data into external spreadsheets
 - Creating exception reporting to eliminate the need to maintain external "checklists"

- Providing easier and consistent communication between business and IT operations
 - Being a conduit for information and system capabilities for groups external to BI
 - Identifying process improvements and enhancement opportunities
4. Other systems: Evaluate enhancements to Non-Mv90 systems to include
- Provide MV90/CCS data reporting capabilities utilizing BW
 - Allow "Combined" files to be automatically exported from MV90 to CCS
5. Process mapping and review: Review current processes to determine if:
- The roles and responsibilities MV90 personnel have for CCS data maintenance should remain as is or transition to Billing Associates/Analysts
 - Current criteria for the inclusion of a meter in MV90 are sufficient or determine if visual meter reading is more appropriate.
 - The responsibilities MV90 personnel have for load survey metering data and non-billing report generation should transition to other non-billing groups.
 - The current status of meter reprogramming for meters set in the field is adequate. Many kVA billed meters have not been reprogrammed to capture kVA, which has to be derived from MV90 data.
6. Upgrade MV90 2.0 to version 3.0
- Just learned that need to move to 3.0 by year end to meet new internal IT Corporate mandate.
 - No system should be running on Window XP by end of year.
 - All systems need to run on Window 7.
 - Itron has stated will be able to assist us with this conversion while down conducting their operational review.
 - Need to work with IT on cost analysis

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: II-R9

Recommendation Statement: Carefully plan and deploy full-balance dunning changes in a manner that is sympathetic to customer need.

Implementation Priority: High

LG&E Person Responsible: Butch Cockerill

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|---|---------|----------------------|
| | | Start | Complete |
| 1. | Meet with KPSC in informal conference to discuss planned changes to dunning process | 07/2011 | Completed 07/2011 |
| 2. | Implement full account balance dunning over the course of four months to control operational impact | 08/2011 | Completed 11/2011 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Meet with KPSC in informal conference to discuss planned changes to dunning process*

Management met with representatives from the KPSC and the Office of the Attorney General for an Informal Conference on July 18, 2011. The purpose of the meeting was to review the Company's plan for implementing Full Account Dunning. Management also reviewed its customer communication plan and plan for working with customers who may have difficulty paying their entire past due balance. See Chapter II-R9 – Attachment 1 for copy of the Company's presentation reviewed during the Informal Conference.

Initiative 2: *Implement full account balance dunning over the course of four months to control operational impact*

The Company was aware that during the initial implementation of its Full Account Dunning program, some customers may experience financial hardships. Therefore, as part of the process to introduce the program, the Company developed a comprehensive communication strategy and enhanced its financial offering for customers. Additionally, the Company decided to phase in the new program to minimize its affect on customers and ensure its employees were available to efficiently respond to customer inquiries. Full Account Dunning began being phased into operation starting on August 1, 2011 in accordance with the Implementation Plan discussed during the Informal Conference. Starting with customer billing in December 2011, the transition to Full Account Dunning was completed and remains in effect today. Over 23,000 customers received past due bill notices during the four months the Company transitioned Full Account Dunning into operations. Because of the Informal Conference with the KPSC and Attorney General's office along with the advanced planning by the Company, no customer complaints were received as part of the implementation of this program.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response and proposed implementation steps met the intention of Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

LG&E/KU considers this action plan complete and requests that it be closed.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

The cost for the system development required to implement this change was approximately \$165,000.

B. Benefit Analysis

This change improved the management of collection's performances.

C. Cost/Benefit Summary

| Category | One Time | Annual Recurring |
|----------|---|--|
| Cost | <ul style="list-style-type: none">• Cost of implementing change (\$165,000) | <ul style="list-style-type: none">• N/A |
| Benefit | <ul style="list-style-type: none">• N/A | <ul style="list-style-type: none">• Improved the management of collection's performance. |

D. Other Costs or Benefits

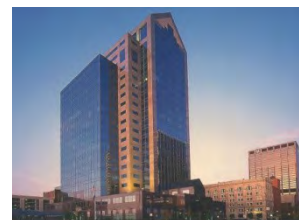
None identified.



PPL companies

PSC Informal Conference Changes to Dunning (Collection) Process

July 18, 2011



Purpose of Presentation

- *Overview of dunning (collection) process (in place since April 2009).*
- *Review planned changes to the dunning process.*
- *Review customer impact assessment.*
- *Review implementation plan.*

Overview of Dunning Process

- *Current Process*
 - *Evaluate accounts based upon past due balance of "current bill only" to determine whether to issue a disconnect notice ("brown bill") to customer.*
- *Planned Process*
 - *Evaluate accounts based upon "total past due balance" to determine whether to issue a disconnect notice to customer.*

Customer Impact Assessment

- *Number of customers eligible for full account balance dunning on June 27 was approx. 23,000*
 - *Residential customers are 90% of total*
- *Average balance*
 - *Overall = \$204*
 - *Residential = \$198*
 - *Non-Residential = \$277*
- *Highest balance*
 - *Residential = \$2,598*
 - *Non-Residential = \$2,492*

Customer Impact Assessment

- *Customers should be aware of the amount they owe as it appears on each regular monthly invoice under the Billing Summary section and is included in the "Pay This Amount" section.*
- *Approximately 60% of the 23,000 customers have received a disconnect notice at least one time since April 2009.*

LGE
a PPL company

Customer Service: 1-502-589-1444 (M-F, 7 a.m. to 7 p.m. ET)
Telephone Payments: 1-502-589-1444; press 1-2-2-3 (24 hours a day; \$2.95 fee)
Walk-In Center: Open Mon-Fri 9 a.m. to 5 p.m. ET
Online Customer Self-Service: www.lge-ku.com (24 hours a day)

| DUE DATE | Pay This Amount |
|----------|-----------------|
| 06/27/11 | \$2,646.41 |

ACCOUNT INFORMATION

Account Number: 3000-4
Account Name:
Service Address:
Next Read Will Occur: LOUISVILLE KY 07/12/11 - 07/14/11
Date Bill Mailed: 06/15/11 (Meter Read Portion 09)

BILLING SUMMARY

| | |
|---------------------------------------|-----------------|
| Previous Balance | 179.54 |
| Payment(s) Received 5/17 - 6/15 | 0.00 |
| Balance as of 6/15 | 179.54 |
| Current Electric Charges | 27.67 |
| Current Gas Charges | 20.69 |
| Current Charges as of 6/15 | 48.36 |
| Other Charges (see Other Charges Box) | 2,418.51 |
| Total Amount Due | 2,646.41 |

ELECTRIC CHARGES

| | | | |
|--|----------------|-----------------------------|-------|
| Rate Type: Residential Electric Service | | Meter Reading Information | |
| Basic Service Charge | 8.50 | Meter # | |
| Energy Charge (\$0.07068 x 241.00 kwh) | 17.03 | Actual Reading on 6/13/11 | 99222 |
| Other Charges For Above Rates | | Previous Reading on 5/11/11 | 88881 |
| Electric Fuel Adjustment (\$0.00418 x 241 kwh) | 1.01 | Current kwh Usage | 241 |
| Electric DSM (\$0.00244 x 241.00 kwh) | 0.59 | Meter Multiplier | 1 |
| Environmental Surcharge (1.4339% x \$27.13) | 0.39 | Metered kwh Usage | 241 |
| Home Energy Assistance Fund Charge | 0.15 | | |
| Total Electric Charges | \$27.67 | | |

Please see reverse side for additional charges.
Customer Service 1-502-589-1444

PLEASE RETURN THIS PORTION WITH YOUR PAYMENT

| Account Number | Payment Due Date | Pay This Amount | Pay This Amount 3 Days After Due Date | Winter Help Donation | Amount Enclosed |
|----------------|------------------|-----------------|---------------------------------------|----------------------|-----------------|
| 3000-4 | 06/27/11 | \$2,646.41 | \$2,646.41 | | \$ |

Check here if plan(s) requested on back of stub

OFFICE USE ONLY: IO
MRU09822051, G000000
P179.54
PFY eBP

#116500110 68

LGE

PO BOX 538612
ATLANTA, GA 30353-8612

LOUISVILLE KY 40212-1352

Service Address:

01030000



Implementation Plan

- *Modified language in "Important Information About Disconnection" brochure included with disconnect notice.*
- *Establish thresholds to phase-in change beginning with August billing cycle and work through different \$ threshold levels by end of November.*

| | Threshold | # of Accounts | Acct Balances |
|------------------------|----------------------------|----------------------|-----------------------|
| <i>August</i> | <i>\$225</i> | <i>5,951</i> | <i>\$2.4 M</i> |
| <i>September</i> | <i>\$150 - \$224</i> | <i>5,456</i> | <i>\$997 k</i> |
| <i>October</i> | <i>\$105 - \$149</i> | <i>5,957</i> | <i>\$754 k</i> |
| <i><u>December</u></i> | <i><u>\$75 - \$104</u></i> | <i><u>5,198</u></i> | <i><u>\$460 k</u></i> |
| Total | | 22,562 | \$4.6 M |

* *Table above reflects snapshot of customers on June 27; numbers change daily.*

Implementation Plan

- *Modified CCS to make it easy for Customer Service Representatives to identify customers impacted.*
- *Offer generous payment arrangements to these customers who owe for many months but who have not been disconnected (i.e., up to one year if customer requests).*
- *If customer is disconnected for non-pay, full past due balance must be paid prior to reconnection (as is the policy today).*
- *If customer is required to pay a deposit following disconnection (because customer does not have one on file), allow customer to pay over 4 months as required by tariff.*

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: II-R10
Recommendation Statement: Improve the focus on Quality.
Implementation Priority: Medium
LG&E Person Responsible: Cheryl Bruner

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)
 ONGOING (The implementation of this action plan is still in progress.)
 DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|--|---------|-------------------|
| | | Start | Complete |
| 1. | Evaluate efficiency (Average Handle Time) in relation to effectiveness (quality and first contact resolution) in completing customer calls. Develop metrics that reflect this balance. | 10/2011 | Completed 10/2011 |
| 2. | Re-evaluate policies and practices in call centers to minimize the transfer of customers. | 10/2011 | Completed 01/2012 |
| 3. | Develop "Soft Skills" training for management team and all front office and field personnel. | 01/2012 | Completed 01/2012 |
| 4. | Expand "Quality Monitoring" by developing and implementing transactional surveys in the Field Services group. | 10/2011 | Completed 03/2012 |
| 5. | Increase calibration sessions for management team and training group for RSC and BSC QA | 08/2011 | Completed 01/2012 |
| 6. | Conduct random transactional monitoring/review of billing transactions. | 03/2012 | 09/2012 |
| 7. | Perform route audits / field spot checks of meter readings and field orders. | 12/2011 | Completed 02/2012 |
| 8. | Develop and implement a process to perform side-by-side quality monitoring of Business Office transactions. | 10/2011 | Completed 01/2012 |
| 9. | Perform random transactional monitoring of collections activities. | 03/2012 | Completed 03/2012 |
| 10. | Add to monitoring process, some calls that have been surveyed for customer satisfaction. | 08/2011 | Completed 01/2012 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Evaluate efficiency (Average Handle Time) in relation to effectiveness (quality and first contact resolution) in completing customer calls. Develop metrics that reflect this balance.*

The Residential Service Center raised their Average Handle Time (AHT) target in October 2011 while placing more emphasis on the quality of the customer experience. The Residential Service Center and Business Service Center modified their Customer Service Representative (CSR) evaluation placing more weight on quality monitored through monthly call sampling and less emphasis on average handle time. The table below highlights the new AHT goals.

| Skill | December 2010 - September 2011 | | Effective October 2011 | |
|------------------|--------------------------------|---------|------------------------|---------|
| | Seconds | Minutes | Seconds | Minutes |
| Outage- Electric | | | 90 | 1:30 |
| Billing | 315 | 5:15 | 375 | 6:15 |
| Credit | 249 | 4:09 | 309 | 5:09 |
| Moves | 374 | 6:14 | 434 | 7:14 |
| Reconnect | 249 | 4:09 | 309 | 5:09 |

Initiative 2: *Re-evaluate policies and practices in call centers to minimize the transfer of customers.*

Management’s re-evaluation of policies and practices for transferred calls resulted in additional training plans and updates to the automated call response system. Below is an email sent to Quality Assurance emphasizing customer service representatives are to take the call (and not transfer it) if they have the needed knowledge, even if the call is of a type not assigned to the representative at that time. The section below highlights the communication with Operations Managers and Quality Assurance employees:

If a representative gets a call not related to a skill that comes in and the representative has the skill, the representative can go ahead and take the call. Do not score them off. For example, if the call comes in on Billing and the customer needs to make an installment plan and the representative has credit skill as well, the representative can help the customer install of transferring the call. This will apply for all skills.

Initiative 3: *Develop “Soft Skills” training for management team and all front office and field personnel.*

A Retail Service Trainer was hired and has developed soft skills curriculum for customer facing and related management personnel. The “Soft Skills” training was added to new hire training curriculum beginning in January 2012. Given the proprietary nature of the information, LG&E and KU will provide the information for visual inspection at the Companies’ offices.

Initiative 4: *Expand “Quality Monitoring” by developing and implementing transactional surveys in the Field Services group.*

Management developed a two-tier approach to expand their quality monitoring of the activities of the field technicians. The two approaches are: 1) management performing random audits in the field; and 2) phone surveying customers who have recently requested a field service action. The random field audit processed was explained in detail in our response to Chapter II Recommendation No. 7. Besides the random field audits, customers who contact the Residential Service Center to request a field service activity, will be randomly surveyed (by phone) to

provide feedback on their customer experience with the work performed by Field Services. This survey was implemented in March 2012 and will be conducted by the same third party vendor that conducts our other transactional studies. The data will be tabulated and reported to Field Service management for review and follow up as needed. Given the proprietary nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

Initiative 5: *Increase calibration sessions for management team and training group for RSC and BSC QA*

The Residential Service Center and Business Service Center calls are monitored by the Quality Assurance Team. Customer Service Representatives are rated on the soft skills and technical aspects. Internal ratings are calibrated on a weekly basis and the Management team calibrates on a monthly basis. This helps to ensure consistency across the Quality Assurance rating. The monthly calibration sessions were scheduled on January 9, 2012 for the full year. Attendees at these recurring meetings include RSC Operations Managers, Coaches, Quality Assurance, Resource Management personnel, Retail Trainers, BSC Manager, BSC Specialist, and Business Office representatives. The Quality Assurance team calibration occurs weekly.

Initiative 6: *Conduct random transactional monitoring/review of billing transactions.*

A responsibility of the newly created Business Continuity and Data Integrity functional group is to establish and monitor quality standards for key billing exceptions. Additional details of the responsibilities of this group are explained in our response under Chapter II Recommendation No. 8 Initiative 1.

Initiative 7: *Perform route audits / field spot checks of meter readings and field orders.*

Meter Reading and Field Service management has developed processes to monitor the activities of their field personnel. Each month, management will randomly audit the performance of the field service employees by obtaining feedback from the customers they visited and by conducting random field audits to inspect how they are performing their work. The meter reading field audits began in January 2012 and field service audits began in late February 2012. On the next two pages are copies of the Field Audit Forms for Meter Reading and Field Services. Additional details about the two field audits are contained under Chapter II Recommendation No. 6 Initiative 4 for Meter Reading and Recommendation No. 7 Initiative 5 for Field Services.

METER READING FIELD QUALITY AUDIT

Meter Reader (print) _____ Date Evaluated _____

Evaluator (print) _____

1. Knows/understands/reports no read codes? Yes No
2. Knows/understands/ reports meter condition codes? Yes No
3. Knows/understands/reports changed meters? Yes No
4. Knows/understands process/reports new meters? Yes No
5. Knows meaning of each color seal? RED Yes No YELLOW Yes No GREEN Yes No
BLUE Yes No ORANGE Yes No BLACK Yes No
6. Checks meter numbers? Yes No
7. Follows safety procedures? Yes No
8. Interacts well with customers? Yes No
9. Leaves hang card on missed meters? Yes No

Observation Notes

Field Evaluation

Areas needing improvement

Follow up required on: _____

Meter Reader Signature _____

Evaluator Signature _____

| Energy Delivery Field Service Job Site & Safety Audit | | |
|--|--|---|
| 1. Crew: | KU: _____ LGE: _____ Contractor: _____ | Crew Reporting Location or Name of Contractor _____ |
| 1a. If Contractor: Passported?: | YES _____ NO _____ | Passport shown on request: YES _____ NO _____ |
| 2. Name and class of employee directly in charge of work: | _____ | |
| 3. Name of immediate supervisor of employee directly in charge: | _____ | |
| 4. Location and brief description of work: | _____ | |
| 5. If a customer requested turn-off (gas/elec) or an electric turn-on, were proper procedures followed (correct seals and turn off/on method used, locks used or removed when necessary, order completed correctly in tablet)? | YES _____ | NO _____ |
| 6. If a customer requested gas turn-on, were proper procedures followed (walkthrough procedure, leak tested house line, verified gas on in house, order completed correctly in tablet)? | YES _____ | NO _____ |
| 7. If auditing a customer requested order, was customer present? | YES _____ | NO _____ |
| Was customer satisfied with technician's quality of work? | YES _____ | NO _____ |
| Customer area clean of trash, tools, seals, etc.? | YES _____ | NO _____ |
| Customer feedback on services provide: | _____ | |
| 8. Personal Protective Equipment (Hardhat, Gloves & Sleeves, Eyewear, etc.): All Proper | YES _____ | NO _____ |
| Describe: | _____ | |
| 9. Other Equipment and Procedures: All Proper | YES _____ | NO _____ Describe: _____ |
| 10. Overall Safety Rating of Crew | Good: _____ | Fair: _____ Poor: _____ |
| 11. Recommendations or Suggestion | _____ | |
| 12. Are all safety devices in working order? | YES _____ | NO _____ |
| 13. Audit results discussed with employee in charge: | YES _____ | NO _____ |
| _____ | _____ | _____ |
| Date of Audit | Time of Audit | Employee Performing Audit |

Initiative 8: *Develop and implement a process to perform side-by-side quality monitoring of Business Office transactions.*

A monitoring process described below has been implemented where Management conducts routine side-by-side reviews to ensure quality performance.

- *Regular side-by-side observations are conducted by the lead/manager with Customer Service Representatives (CSR) to review procedure adherence and appropriate utilization of customer service skills*

- *Lead/manager provides immediate feedback regarding performance*
- *If necessary, lead/manager conducts a 1-1 to discuss findings and make recommendations*
- *If additional training is recommended, the Retail Services Trainer is contacted to conduct refresher training*

Initiative 9: *Perform random transactional monitoring of collections activities.*

A collections activity identified as key to affecting customer satisfaction is prompt posting of customer payments to their account. Mailed payments and electronic payments represent two methods used by many customers to pay their bill. The electronic payments are entered by the customer into their bank website, Quicken, or some other electronic provider. Unfortunately, errors made by the customer in entering these payments prevent the Company from posting the payment to their account. Since the customer is not present when these payments are received, correcting these errors can be difficult. However, if the customer's payment is not posted to the customer's account, the account is at risk for disconnection of service due to non-payment.

Because of the potential impact this issue has on customer satisfaction, the Company has processes in place to attempt to correct errors made by customer's when remitting their payment. Examples of mail payment errors include failure to include the payment stub or account number, single payment for several accounts but amount of payment does not equal the amounts for the enclosed customer bills, and unable to read the check or other documents included with payment. The error most often encountered with respect to electronic payments initiated by the customer is when the customer enters an incorrect account number. The Company receives a list of payment exceptions daily and Company employees research each exception in an attempt to resolve the issue.

Management began in March 2012 to conduct random reviews of the payment exception lists and monitor the actions taken by Company personnel. Management will also monitor the exception list for possible process improvement opportunities.

Since the payment exception list is worked daily, the dollar balance total and quantity total remain low. The table from the Customer Care System below shows the 33 payment exception items across LG&E and KU as of March 1, 2012 for a total of \$3,550.

Attachment to Response to LGE AG-1 Question No. 11
Page 133 of 281
Bruner

| Lot | Item | Selection Value 1 | Payment amount | Bank clearing acct | CompNT |
|-------------------|------|-------------------|-----------------|--------------------|--------|
| REG030212546 | 1213 | 999999999999 | \$ 64 | 131204 | KU |
| REG030112524 | 33 | 999999999999 | \$ 20 | 131204 | KU |
| REG022912527 | 359 | 999999999999 | \$ 260 | 131204 | KU |
| REG022712488 | 767 | 999999999999 | \$ 110 | 131204 | KU |
| REG022212418 | 2 | 999999999999 | \$ 20 | 131204 | KU |
| REG022212418 | 76 | 999999999999 | \$ 105 | 131204 | KU |
| REG022012367 | 1473 | 999999999999 | \$ 21 | 131204 | KU |
| KDH021712CKS | 5 | 999999999999 | \$ 636 | 131217 | KU |
| REG021712352 | 1433 | 999999999999 | \$ 132 | 131204 | KU |
| REG021512276 | 2420 | 999999999999 | \$ 57 | 131204 | KU |
| REG021312250 | 1457 | 999999999999 | \$ 122 | 131204 | KU |
| REG020912198 | 694 | 999999999999 | \$ 691 | 131204 | KU |
| REG020912198 | 696 | 999999999999 | \$ 24 | 131204 | KU |
| REG020812153 | 3319 | 999999999999 | \$ 49 | 131204 | KU |
| REG020812153 | 3330 | 999999999999 | \$ 35 | 131204 | KU |
| REG020812153 | 3332 | 999999999999 | \$ 10 | 131204 | KU |
| REG020812153 | 3361 | 999999999999 | \$ 70 | 131204 | KU |
| REG020612118 | 1243 | 999999999999 | \$ 35 | 131204 | KU |
| REG012412922 | 696 | 999999999999 | \$ 15 | 131204 | KU |
| REG012312906 | 303 | 999999999999 | \$ 32 | 131204 | KU |
| REG022712502 | 107 | 999999999999 | \$ 50 | 131080 | LG&E |
| REG022412476 | 39 | 999999999999 | \$ 9 | 131080 | LG&E |
| REG022012368 | 487 | 999999999999 | \$ 96 | 131080 | LG&E |
| REG021612337 | 353 | 999999999999 | \$ 9 | 131080 | LG&E |
| REG021412244 | 360 | 999999999999 | \$ 21 | 131080 | LG&E |
| REG021312258 | 1093 | 999999999999 | \$ 97 | 131080 | LG&E |
| REG020912199 | 533 | 999999999999 | \$ 117 | 131080 | LG&E |
| REG020812154 | 529 | 999999999999 | \$ 60 | 131080 | LG&E |
| REG020612119 | 610 | 999999999999 | \$ 145 | 131080 | LG&E |
| REG012312907 | 57 | 999999999999 | \$ 70 | 131080 | LG&E |
| REG012312914 | 68 | 999999999999 | \$ 76 | 131080 | LG&E |
| REG010312540 | 73 | 999999999999 | \$ 53 | 131080 | LG&E |
| REG121311307 | 416 | 300099999999 | \$ 239 | 131080 | LG&E |
| Total LG&E and KU | | | \$ 3,550 | | |

Initiative 10: *Add to monitoring process, some calls that have been surveyed for customer satisfaction.*

This has been added to the monitoring process. The section below highlights the communication with Quality Assurance employees:

If you have a survey call for the month it will be part of your Quality Assurance scoring.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response and proposed implementation steps met the intention of Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

Initiative 6: *Conduct random transactional monitoring/review of billing transactions.*

The status will be reported during the next progress report period.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

The costs identified in this recommendation represent those incremental costs outside the costs of previously stated recommendations. The transactional study in Field Services area is estimated at \$75,000 annually.

B. Benefit Analysis

Quality monitoring should improve accuracy in billing and meter reads and is expected to provide the benefit of fewer calls on these subjects and increased customer satisfaction. Monitoring calls from customers who have been surveyed in our transactional studies provides the benefit of information on how the customer viewed the experience and the opportunity to discuss their experience with the agent. Information received from additional transactional studies will provide the management team with meaningful information on the customer’s view of the experience, which will be used to enhance processes and staff performance.

C. Cost/Benefit Summary

To be completed once the recommendation is marked as completed.

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | | |
| Benefit | | |

D. Other Costs or Benefits

To be completed once the recommendation is marked as completed.

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: IV-R1

Recommendation Statement: Take a holistic view and address the cultural and management aspects of customer service, recognizing that mechanical fixes are no longer likely to be sufficient.

Implementation Priority: High

LG&E/KU Person Responsible: John P. Malloy

II. RECOMMENDATION STATUS

 X COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

 ONGOING (The implementation of this action plan is still in progress.)

 DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|--|----------------|------------------------------------|
| | | Start | Complete |
| 1a | Revamp the Customer Experience Strategic (CES) Plan <i>Note: Actions included in the CES are continuing while this exercise occurs. The longer timeline is to ensure the new aspects of the strategy are properly disseminated across the corporation.</i> | See Rec. IV-9 | Completed 03/2012 |
| 1b | Implementation of the CES <i>Note: Implementation of specific actions in the CES are well underway and/or have varying timelines depending on the specific nature of the action. Therefore, the CES has a perpetual timeline given that tactics are completed and new tactics come into the plan.</i> | See Rec. IV-9 | Completed 03/2012 |
| 1c | Integrate the CES in planning and budget process | See Rec. IV-8 | Completed 10/2011 |
| 1d | Set credible targets for metrics included in Retail Operating Report and incorporate into day-to-day decision making. | See Rec. IV-4 | Completed 10/2011 |
| 1e | Evaluate / implement TIA measures and determine recommended approach | See Rec. IV-10 | 01/2013 <i>(Moved to IV-10)</i> |
| 1f | Inclusion of Customer Service priorities in strategic planning and budgeting process. | See Rec. IV-5 | Completed 10/2011 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1a: *Revamp the Customer Experience Strategic (CES) Plan*

The Customer Experience Strategy has been revised to reflect ongoing efforts to improve overall operational performance. The implementation is fully funded in the Energy Delivery 2012-2016 Mid Term Plan. A detailed review is included in response to section IV-R9 and also shown on Chapter IV-R1 – Attachment 1.

Initiative 1b: *Implementation of the CES*

Implementation of the Customer Experience Strategy is well underway and fully funded in the Energy Delivery 2012-2016 Mid Term Plan. A detailed review is included in response to section IV-R9 and also shown on Chapter IV-R1 – Attachment 1.

Initiative 1c: *Integrate the CES in planning and budget process*

The Corporate planning process effectively reflects the customer facing initiatives as well as the implementation of the Customer Experience Strategy. Excerpts from the LGE – KU 2012 – 2016 Plan summary are referenced below.

The full plan contains confidential, market-sensitive, forward-looking information which is not available to the general public or to the investment community. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

1.1 Vision and Mission

The Company's vision is to empower economic vitality and quality of life, and our mission is to provide reliable, safe, competitively priced energy to customers and best-in-sector returns to our shareowners. The Company is guided by six core values which are essential to fulfilling our vision and represent the expectations of our customers, employees, and shareowners: safety and health, customer focus, employee commitment and diversity, integrity and openness, performance excellence, and corporate citizenship. The following examples demonstrate actions taken in 2011 which are consistent with our vision, mission, and set of values:

- *The Company maintained a solid position in the most recent J.D. Power residential survey, with KU and LG&E ranking 5th and 6th among their peers in the Midwest region. In the 2011 J.D. Power Electric Utility Business Customer Satisfaction Study, KU and LG&E ranked 3rd and 10th (tied with Indianapolis Power & Light) respectively, among 22 utilities in the Midwest region.*
- *The Company has renewed its commitment to superior customer service and satisfaction and has launched "The Customer Experience", a corporate-wide initiative, designed to raise awareness among all employees and business partners about how they impact customers and how they can influence customer satisfaction. We are also implementing the recommendations of the KPSC customer service audit. Many of the recommendations were already underway as part of our "Customer Experience" strategy.*

2.4 Customer Service

Customer satisfaction is a core value of the Company illustrated by a strong record of providing exceptional customer service, while keeping rates among the lowest in the country. As a result of the Company's efforts in this area, the Company has received several J.D. Power awards over the years for residential and business customer satisfaction.

However, customer satisfaction across the utility industry began to decline in recent years as customers have been confronted with many external challenges, including severe weather events, an economic recession, and rising rates. The Company is not immune to these factors and has experienced a decline in customer satisfaction due to the 2008 wind and 2009 ice storms; financial hardships on customers created by the failing economy; rate and tariff adjustments; and changes related to the implementation of a new customer information system. Furthermore, the Company's filing of a Kentucky rate case in July 2008, negatively impacted customer satisfaction as significant changes to harmonize LG&E and KU tariffs went into effect, including late payment fees and modifications to the billing cycle. In the order settling that rate case, the KPSC initiated a focused management audit of LG&E and KU's customer service areas, citing customer complaints as the driver, the majority of which were related to the rate case. The audit was conducted by Liberty Consulting and the report was issued on September 14, 2011.

Well before the KPSC initiated the audit, the Company made significant investments in technology and initiated plans for the construction of a new call center to provide space for additional customer service representatives. Some of the technology investments included online self-service options with additional enhancements to serve visually impaired and Spanish-speaking customers; web portals to serve low-income customers and property managers; a new automated phone system for customer service; an online outage map including estimated restoration times and Smartphone apps for easy access; and mobile Geographic Information System (GIS) and dispatch capabilities to improve communication and efficiency among field crews.

The audit report states that the Company went too far in containing costs, rather than improving service. Liberty concluded the Company should have been willing to spend more in the interest of customers. The Company's focus always has been and will continue to be to hold down costs for customers, while enhancing service. The audit report consists of 56 key recommendations – 50 of which the Company submitted to Liberty for inclusion in the report. The Company is working with the KPSC to develop detailed action plans and has committed to making the necessary improvements. As part of the effort, the Company has planned for the incremental expenditures necessary to implement the recommendations which include the new \$5 million Morganfield center and the hiring of more than 100 incremental customer service employees, to enhance service. The Company has also initiated CEO and officer daily customer inquiry tracking to enhance awareness and transparency.

Additionally, the Energy Delivery plan presentation contains more specific and targeted areas of customer facing objectives and metrics. The abridged Energy Delivery 2012 – 2016 Mid Term Plan is included in this report (Chapter IV-R1 – Attachment 2).

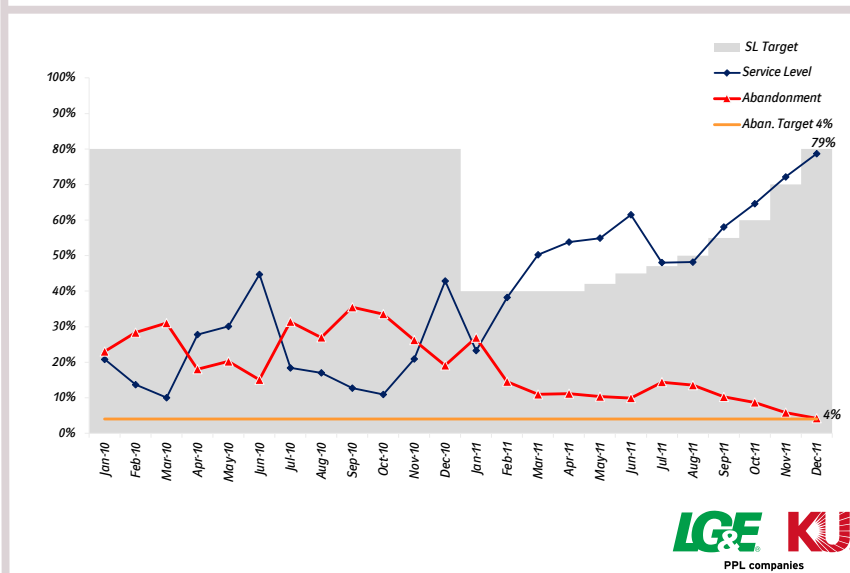
The full plan contains confidential, market-sensitive, forward-looking information which is not available to the general public or to the investment community. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies’ offices.

Initiative 1d: *Set credible targets for metrics included in Retail Operating Report and incorporate into day-to-day decision making.*

Residential Retail Service

Retail metrics have been revised to include credible targets to achieve industry first quartile metrics. The Residential Service Level has steadily improved over the course of the 2010 and 2011. By December 2011, the Residential Call Center achieved 79% of all calls answered in 30 seconds or less. The graph below depicts the “stair stepped” monthly targets and associated performance against these targets. Additionally, the Residential customer Abandonment Rate stabilized throughout 2011 and met the target level at or below 4% in December 2011.

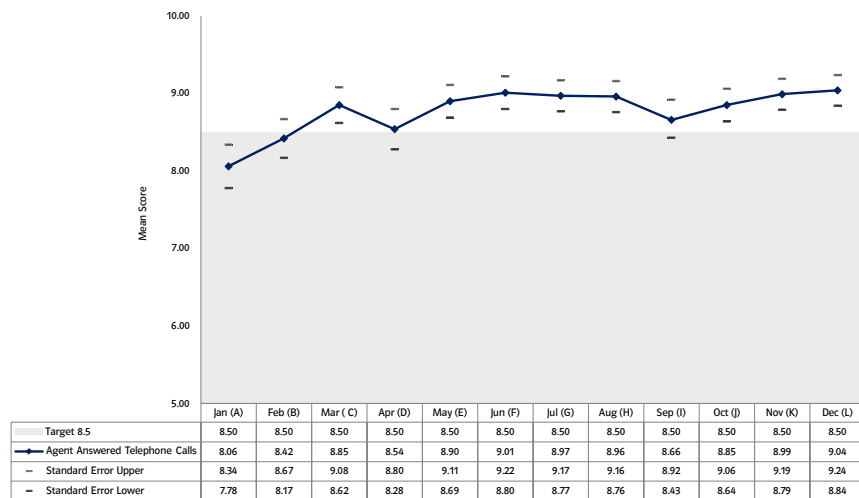
RSC Service Level (calls answered within 30 seconds)
and Abandonment Rate (calls abandoned after queued to an agent)



Bellomy Research* completes Residential Call Center surveys of customers who have recently contacted the center. Residential customer's satisfaction continued to improve throughout 2011 exceeding the target of 8.5 on a scale of one to ten. The graph below depicts the overall customer experience. These surveys will be continued into the future.

**Bellomy Research is an experienced market research firm that conducts multi-channel transaction-based customer satisfaction surveys for LG&E/KU. Current studies include residential transactions (phone call, IVR, email, web and walk-in transactions), business transactions (phone call, IVR, web) and field transactions (tree trimming and field services metering work). The overall objective is to measure customer perceptions regarding their interaction. Results of the research are used to assess effectiveness of the handling of the contact and resolution of the issue.*

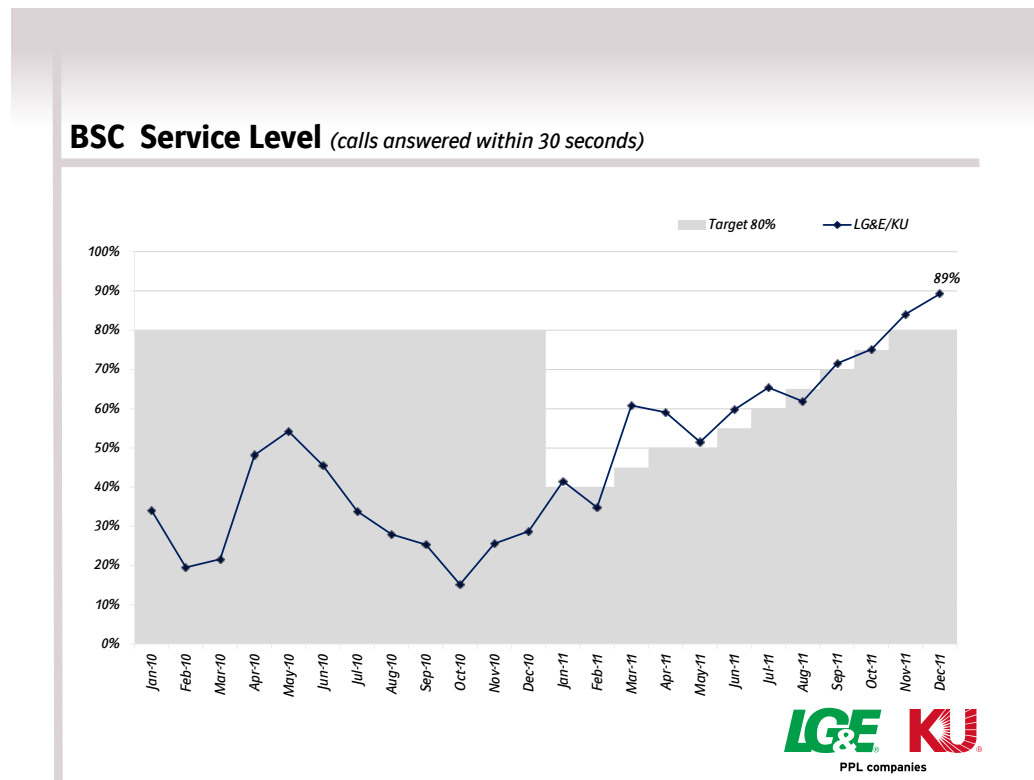
Residential Customer Experience Agent Answered Telephone Calls



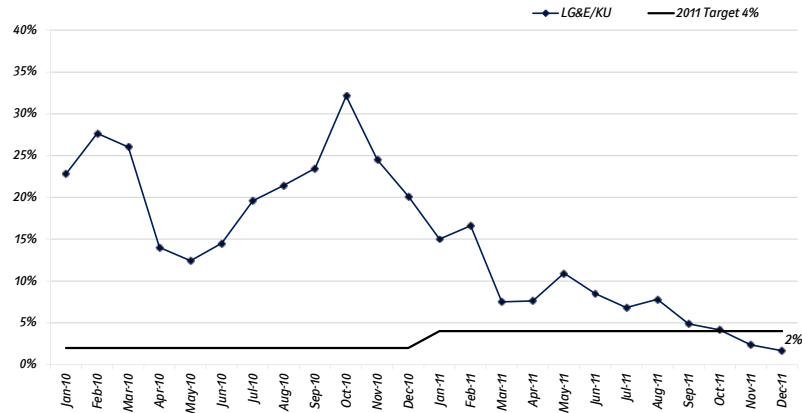
Business Retail Service

By December 2011, the Business Service Center (Business customer call center) achieved 89% of all calls answered in 30 seconds or less. The graph below depicts the “stair stepped” monthly targets and associated performance against these targets. On the following graph, the Business Customer Abandonment Rate stabilized throughout 2011 and met the target level of at or below 2% in November 2011.

Also, the Business Service Center can and routinely does assist with residential customer calls during periods of high volume.

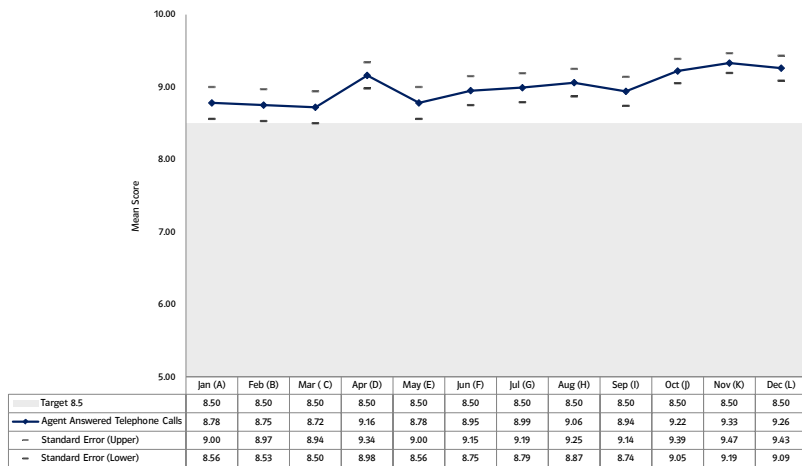


BSC Abandonment Rate *(calls abandoned after queued to an agent)*



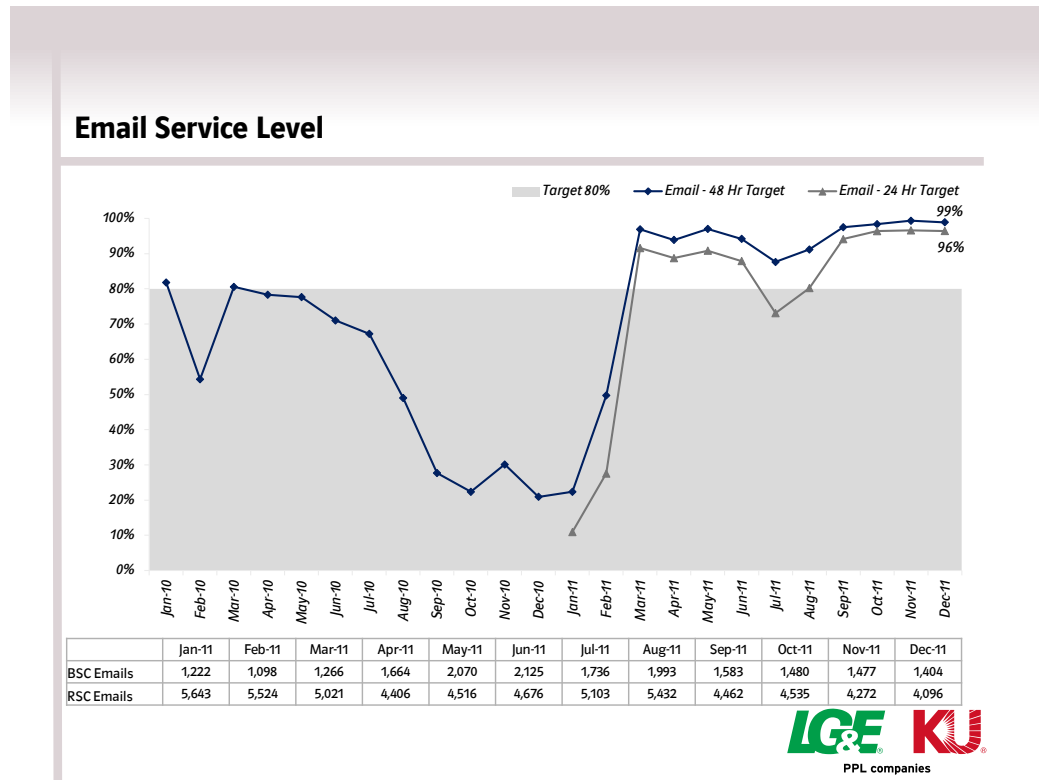
The transaction-based customer satisfaction surveys for the Business area continued to improve month over month throughout 2011. By December of 2011, average business customer satisfaction ratings were 9.26 on a ten point scale.

Business Customer Experience Agent Answered Telephone Calls



Email Service – Business and Residential

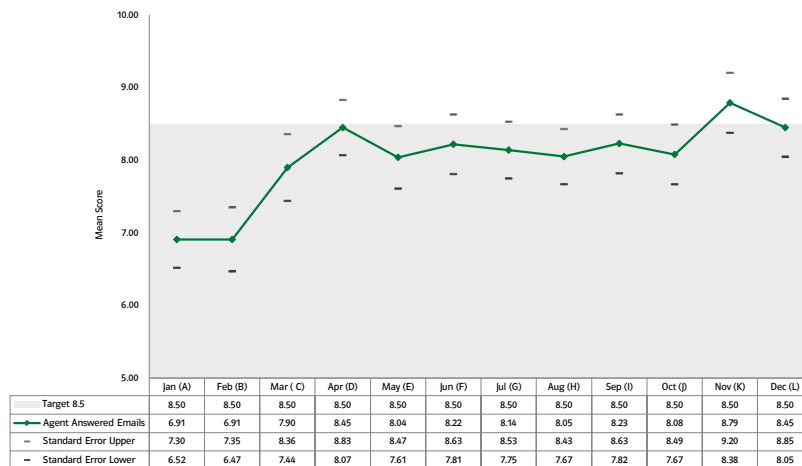
Email service levels for both business and residential customers improved during 2011. Two separate targets are managed against; the internal 24 hour response time and the associated industry 48 hour response target. Both service level targets were achieved and sustained by year end 2011 with performance of 96% against the 24 hour target and 99% against the 48 hour target. The graph below reflects overall performance.



Email service levels and associated customer satisfaction levels dramatically improved upon the implementation of a dedicated email response team.

Customers responded favorably through the email transaction-based surveys with a December 2011 score of 8.45 on a ten point scale as depicted on the graph below.

Residential & Business Customer Experience Agent Answered Emails



The balance of Retail customer service metrics and transactional survey scores for IVRU, Web Self-Service and agent Assisted Walk-in (Business Offices) customer contact channels can be reviewed in the abridged December 2011 Retail Operating Report as Chapter IV-R1 – Attachment 3.

The full Retail Operating Report contains confidential information which is not available to the general public. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies’ offices.

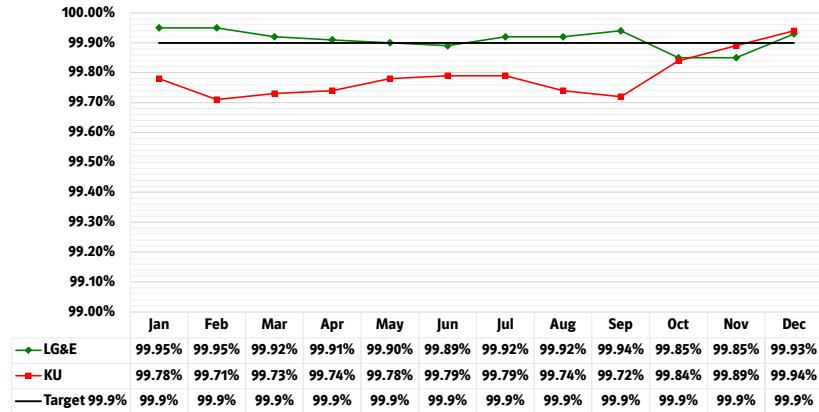
Meter Reading

Meter reading business process changes and associated quality control and quality assurance measures implemented from August through December of 2011 led to improved overall performance. By December 2011, both LG&E and KU meter reading business partners’ accuracy improved to 99.93% and 99.94% respectively against a target of 99.9%.

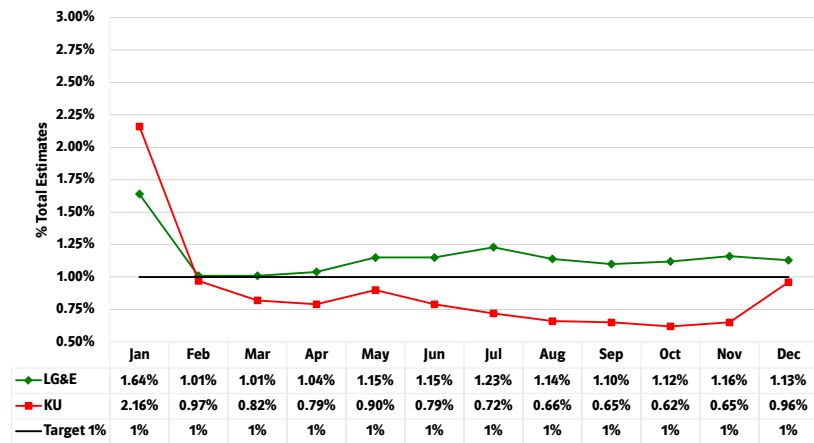
Additionally, the percentages of meter reading estimates are in line with expectations 1.13% for LG&E and 0.96% for KU. Note: Meter Reading estimates are impacted by other non-performance related causes such as storms and customer allowed access.

The following graphs reflect performance across both accuracy and meter reading estimates.

Meter Reading Accuracy

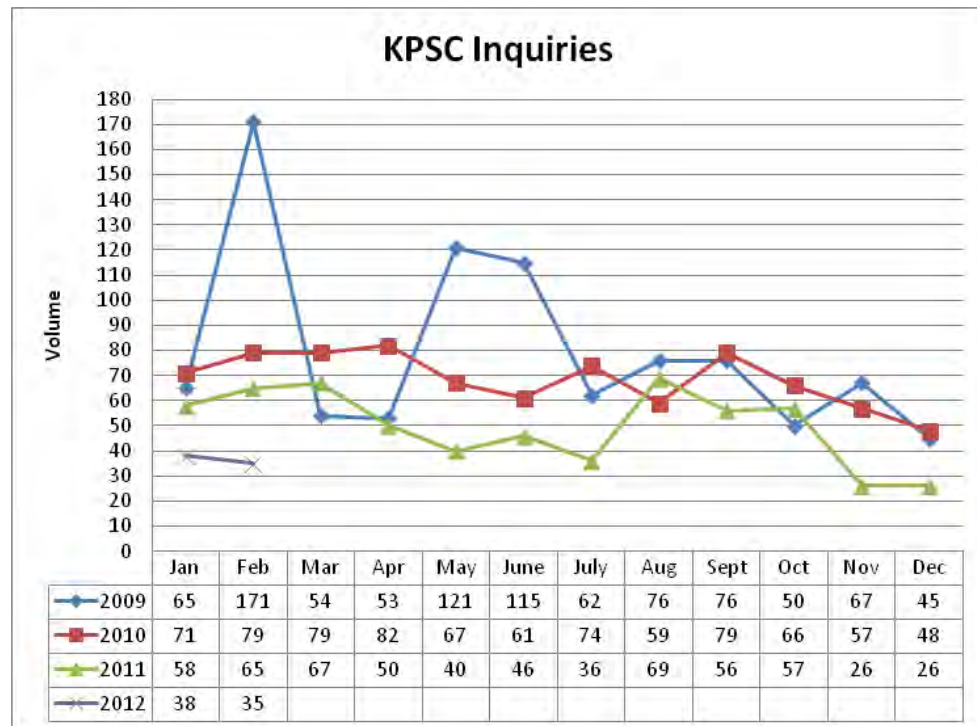


Percentage Meter Reading Estimates



Kentucky Public Service Commission Inquires

The graph below provides a month over month reflection of KPSC inquiries from 2009 through full year 2011.



In late 2009, the Commission inquiries began to stabilize. The trend continued and began to improve during 2010. In 2011, 11 of 12 months were below the prior year – prior month and the total of 2011 inquiries was the lowest in several years.

Lastly, the Energy Delivery Balanced Scorecard indicates 2011 year end operational performance. Below is an excerpt from the Energy Delivery Balanced Scorecard.

| KPI | YTD Actuals | YTD Target | Full Year Target |
|---|---|---|--|
| Residential Service Level | 79% December | December Target 80% of Calls Answered in 30 Seconds | End of Year Target 80% of Calls Answered in 30 Seconds |
| Business Service Level | 89% December | December Target 80% of Calls Answered in 30 Seconds | End of Year Target 80% of Calls Answered in 30 Seconds |
| TIA Customer Satisfaction (points) (RCCS Study Results) | Q1 Results - 0 Points Q2 Results - 3 Points Q3 Results - 6 Points Q4 Results - 3 Points YTD Results - 12 Points | N/A | 18 Points (of possible 32 Points) |

The complete Energy Delivery Balanced Scorecard contains confidential and market-sensitive information which is not available to the general public. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

Initiative 1e: *Evaluate / implement TIA measures and determine recommended approach*

A new customer service index score has been developed to run in conjunction with the existing team incentive award as measured by the Residential Competitive Customer Satisfaction study (RCCS). The RCCS covers many areas of customers' opinions about their utility. An overall index of critical satisfaction factors has been constructed to simplify the review of the information. The resultant Customer Satisfaction Index (CSI) provides a single objective measure by which employees can compare LG&E and KU residential customers' perceptions relative to the competitive group. A total of 28 attributes are used to obtain the overall index and factors for residential customers. The grouping of these attributes into five factors is confirmed using factor analysis. The relative importance associated with each of the 28 attributes and five factors is determined using regression analysis. Together they represent a balanced synthesis of the overall residential customer perceptions. The CSI is comprised of five related factors. These factors are as follows:

- Power Quality & Reliability
- Price
- Billing & Payment
- Corporate Citizenship
- Communications

The target for all attributes and the overall CSI score is a mean score of 8.5 on a 10 point scale.

The CSI model contains proprietary information which is not available to the general public. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

Management continued parallel tracking of this index along with the current "top two box" score method and will evaluate the effectiveness of an indexing method.

Initiative 1f: *Inclusion of Customer Service priorities in strategic planning and budgeting process.*

The Corporate planning process effectively reflects the customer facing initiatives as well as the implementation of the Customer Experience Strategy. Excerpts from the LGE – KU 2012 – 2016 Plan summary are referenced below.

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- *The Company maintained a solid position in the most recent J.D. Power residential survey, with KU and LG&E ranking 5th and 6th among their peers in the Midwest region. In the 2011 J.D. Power Electric Utility Business Customer Satisfaction Study, KU and LG&E ranked 3rd and 10th (tied with Indianapolis Power & Light) respectively, among 22 utilities in the Midwest region.*
- *The Company has renewed its commitment to superior customer service and satisfaction and has launched “The Customer Experience”, a corporate-wide initiative, designed to raise awareness among all employees and business partners about how they impact customers and how they can influence customer satisfaction. We are also implementing the recommendations of the KPSC customer service audit. Many of the recommendations were already underway as part of our “Customer Experience” strategy.*

2.4 Customer Service

Customer satisfaction is a core value of the Company illustrated by a strong record of providing exceptional customer service, while keeping rates among the lowest in the country. As a result of the Company’s efforts in this area, the Company has received several J.D. Power awards over the years for residential and business customer satisfaction.

However, customer satisfaction across the utility industry began to decline in recent years as customers have been confronted with many external challenges, including severe weather events, an economic recession, and rising rates. The Company is not immune to these factors and has experienced a decline in customer satisfaction due to the 2008 wind and 2009 ice storms; financial hardships on customers created by the failing economy; rate and tariff adjustments; and changes related to the implementation of a new customer information system. Furthermore, the Company’s filing of a Kentucky rate case in July 2008, negatively impacted customer satisfaction as significant changes to harmonize LG&E and KU tariffs went into effect, including late payment fees and modifications to the billing cycle. In the order settling that rate case, the KPSC initiated a focused management audit of LG&E and KU’s customer service areas, citing customer complaints as the driver, the majority of which were related to the rate case. The audit was conducted by Liberty Consulting and the report was issued on September 14, 2011.

Well before the KPSC initiated the audit, the Company made significant investments in technology and initiated plans for the construction of a new call center to provide space for additional customer service representatives. Some of the technology investments included online self-service options with additional enhancements to serve visually impaired and Spanish-speaking customers; web portals to serve low-income customers and property managers; a new automated phone system for customer service; an online outage map including estimated restoration times and Smartphone apps for easy access; and mobile Geographic Information System (GIS) and dispatch capabilities to improve communication and efficiency among field crews.

The audit report states that the Company went too far in containing costs, rather than improving service. Liberty concluded the Company should have been willing to spend more in the interest of customers. The Company's focus always has been and will continue to be to hold down costs for customers, while enhancing service. The audit report consists of 56 key recommendations – 50 of which the Company submitted to Liberty for inclusion in the report. The Company is working with the KPSC to develop detailed action plans and has committed to making the necessary improvements. As part of the effort, the Company has planned for the incremental expenditures necessary to implement the recommendations which include the new \$5 million Morganfield center and the hiring of more than 100 incremental customer service employees, to enhance service. The Company has also initiated CEO and officer daily customer inquiry tracking to enhance awareness and transparency.

Additionally, the Energy Delivery plan presentation contains more specific and targeted areas of customer facing objectives and metrics. The abridged Energy Delivery 2012 – 2016 Mid Term Plan is included in this report (Chapter IV –R1 Attachment 2).

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V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

Liberty Consulting believes the implementation plan developed by LG&E and KU is appropriate.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

LG&E/KU considers this action plan complete and requests that it be closed.

Please note that initiative *Evaluate / implement TIA measures and determine recommended approach* will carry on until January 2013, however future reporting will occur in Section IV-10.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

These recommendations remain within the internal operating expenses of the Companies', therefore no additional "explicit" costs are envisioned. However, costs associated with the individual objectives or tactical plans are already included in the corporate budget and included in the cost analysis in other sections of this report.

B. Benefit Analysis

Improvement in organizational attitudes and priorities regarding the corporate objective to advance the customer service culture.

C. Cost/Benefit Summary

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | N/A | N/A |
| Benefit | N/A | N/A |

D. Other Costs or Benefits

None identified.

Customer Experience Strategy

2012 Tactical Plan

OUR VISION

LG&E and KU will be superior utility providers of innovative customer experiences.

OUR MISSION

To expand our relationships with all stakeholders by delivering outstanding customer experiences that create value and build trust.

OUR VALUES

- Safety and Health
- Customer Focus
- Employee Commitment and Diversity
- Integrity and Openness
- Performance Excellence
- Corporate Citizenship

TOP PRIORITIES

While the Vision and Mission provide the long-term objectives, a review of current circumstances in the form of ‘Top Priorities’ illustrate the immediate objectives. The Strategic Plan addresses these priorities.

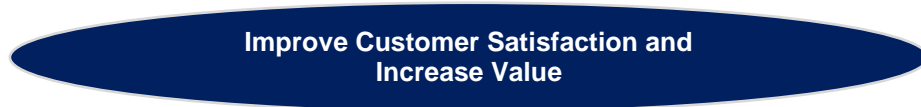
- Continue commitment to workforce and public safety.
- Expand our relationships with customers by delivering positive customer experiences that create value and build trust.
- Continue commitment to corporate citizenship and community involvement.
- Align the organization, operations and processes of the business around the needs of customers.
- Create collaborative relationships that promote employee engagement.

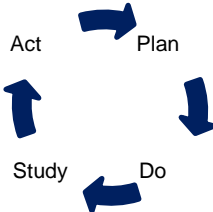
In addition to the top priorities above, the following issues of importance have been identified and are included in the Customer Experience Strategy as areas of focus:

- Develop strategies, process models and information technology to design, manage and optimize the end-to-end customer experience process.
- Build metrics to comprehensively manage customers’ end-to-end experience with the company.
- Continue being effective stewards of financial, administrative and organizational resources.
- Create tariffs that competitively position the company and respect the overall impact on customers.
- Meet customer needs by advancing economic development and other customer products and services.

CUSTOMER EXPERIENCE STRATEGY

Our strategic theme is “Making a Connection” with our customers. The essence of the strategy is to increase LG&E and KU customers’ satisfaction by enhancing the customer experience through respectful relationships, timely solutions and exceptional service.



| | | | |
|--|---|---|--|
| Customer Perspective | <p>Respectful Relationships</p> <p><i>Positive Experiences, Satisfaction, Trustworthiness and Advocacy</i></p> | <p>Timely Solutions</p> <p><i>Innovative Communications, Tools, Products and Services</i></p> | <p>Exceptional Service</p> <p><i>Safety, Reliability, Accuracy and Speed</i></p> |
| Financial Perspective | <p>Maximize Resources</p> <p><i>Connect New Customers Economic Development Products and Services</i></p> | <p>Create Value</p> <p><i>Technology Advancement Infrastructure Investment Cost Management</i></p> | <p>Grow Revenues</p> <p><i>Tariffs and Regulations Customer and Operational Impact Cost Recovery and Earnings Growth Compliance Standards</i></p> |
| Internal Perspective |  <p>Deming PDSA Cycle®</p> <p>Plan <i>Plan ahead for change. Analyze and predict the results.</i></p> <p>Do <i>Implement the plan. Small scale if possible.</i></p> <p>Study <i>Measure the new processes and compare the results against the expected results to ascertain any differences.</i></p> <p>Act <i>Take action to improve the process.</i></p> | | |
| Learning & Growth Perspective | <p>“Communicate”</p> <p><i>Organizational Flexibility and Alignment</i></p> <p><i>Cross Organization Customer Commitments</i></p> <p><i>Sharing Knowledge and Information</i></p> | <p>“Involve”</p> <p><i>Change Management</i></p> <p><i>Cross Organizational Decision Making and Metrics</i></p> <p><i>Accountability</i></p> <p><i>Employee Growth & Development</i></p> | <p>“Inform”</p> <p><i>Transform data into customer information</i></p> <p><i>Optimize Technology</i></p> |

2012 TACTICAL PLANS

CUSTOMER PERSPECTIVE

| | |
|---------------------|---|
| Strategy | (1) Respectful Relationships |
| Department | Energy Delivery |
| Tactical Initiative | (1.1) Enhance relationships with trade allies |
| Objectives | Improve the quality of trade allies' work as it relates to compliance with Company Operating Guidelines and Customer Experience Strategy when performing service work such as the initial establishment of service (concentration in multi-premise connection objects). |
| Tactics: | <p>Establish a partnership with trade allies that promotes adherence to our processes and guidelines (e.g. multi-meter repairs, meter base repairs, etc.). Additionally, create a process, similar to our Safety Passport Training. Once certified, the trade allies will be listed as "Recommended Provider" for various programs (e.g. DSM).</p> <ul style="list-style-type: none"> A. Identify and prioritize key adherence issues (e.g. cross meters, new installations, etc.). B. Develop a business plan for promoting adherence to processes and guidelines. C. Develop a process to monitor trade allies' compliance with company Operating Guidelines and Customer Experience Strategy. D. Develop training plan. E. Develop marketing and sales plan. F. Execute. |
| Owner | <p>Butch Cockerill, Director Revenue Collections Dale Bielefeld, Manager Field Services David Huff, Director Customer Energy Efficiency Mike Hornung, Manager Energy Efficiency Plan and Development</p> |
| Timeline | Q2 2012 |
| Budget | |
| Metrics | TBD |

| | |
|---------------------|---|
| Strategy | (2) Timely Solutions |
| Department | Customer Energy Efficiency |
| Tactical Initiative | (2.2) Execute cost-effective energy efficiency campaigns. |
| Objectives | Implement cost-effective energy efficiency mass marketing and direct marketing campaigns that meet the individual 2012 participation and energy savings goals. |
| Tactics: | <p>Expand Energy Efficiency programs to create additional company and consumer value and achieve program goals.</p> <ul style="list-style-type: none"> A. New Residential Programs <ul style="list-style-type: none"> a. Refrigerator and Freezer Recycling (April 2012) b. Rebates (May 2012) c. Smart Energy Profile (May 2012) B. New Commercial Programs <ul style="list-style-type: none"> a. Customized Rebates (April 2012) b. Direct Load Control (May 2012) <p>Develop and implement mass media and communication plans to support all programs – specifically focusing on programs that do not include direct marketing campaigns (e.g. Customer Education, Residential Appliance Rebate, Refrigerator and Freezer Recycling, etc.).</p> |
| Owner | David Huff, Director Customer Energy Efficiency Lisa Keels, Manager Energy Efficiency Operations Chris Whelan, Director Communications and Brand Management Brian Phillips, Manager External Communications Cheryl Bruner, Director Customer Service & Marketing Wendy Wagoner, Manager Performance and Marketing |
| Timeline | Q1 – Q4 2012 |
| Budget | CAP: \$ 3,208,000 OPEX: \$26,883,000 |
| Metrics | 49 MW Savings 151,000 kWh Energy Savings |

| | |
|---------------------|---|
| Strategy | (2) Timely Solutions |
| Department | Field Services Customer Service |
| Tactical Initiative | (2.3) Advance Field Order Processing |
| Objectives | Process customer service order requests within the timeframes and specification recommended in Management Audit Action Plan (#7). |
| Tactics: | <p>Reduce service order fulfillment times by establishing service level requirements.</p> <ul style="list-style-type: none"> A. Evaluate current processes for classifying and prioritizing customer requested service orders (Q1 2012). B. Develop reporting process to analyze customer requested service orders no completed by the requested date (Q2 2012). C. Develop reporting process to analyze assigned service orders that are rescheduled (Q2 2012). |
| Owner | Butch Cockerill, Director Revenue Collections Dale Bielefeld, Manager Field Services |
| Timeline | Q2 2012 |
| Budget | Fully Funded OPEX |
| Metrics | TBD |

| | |
|---------------------|--|
| Strategy | (2) Timely Solutions |
| Department | Distribution Operations |
| Tactical Initiative | (2.4) Implement Electric Mobile Dispatch |
| Objectives | Implement mobile dispatch for electric distribution operations to enhance customer communications and improve the efficiency of system response throughout the service area. |
| Tactics: | <ul style="list-style-type: none"> A. Adopt and implement standard mobile dispatch solution (2012-2013). B. Assess and integrate business processes around new technology (2012-2013). C. Deploy to metropolitan area first responders. D. Deploy to rural area first responders. E. Develop integrated business processes around new mobile technologies (2012-2013). <ul style="list-style-type: none"> a. Damage Assessment b. Resource Planning and Allocation c. Estimated Restoration Time (ERT) Communications |
| Owner | Tom Jessee, Director Asset Management David Guy, Director System Restoration John Wolfe, Director Distribution Operations |
| Timeline | 2012 – 2013 |
| Budget | Fully Funded CAP |
| Metrics | Customer Satisfaction Survey Results |

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|---------------------|---|
| Strategy | (3) Exceptional Service |
| Department | Reliability |
| Tactical Initiative | (3.2) Enhance the Hazard Tree Program |
| Objectives | Implement new processes and procedures to enhance the execution of the new Hazardous Tree Program (implemented in 2011). |
| Tactics: | A. Evaluate the potential development of a website to communicate information about tree trimming routes (e.g. current crew locations, trimming schedules, etc.). |
| Owner | Nelson Maynard, Director Reliability |
| Timeline | 2012 |
| Budget | Fully Funded OPEX |
| Metrics | TBD |
| Revisions | Update of Original Tactic 3.2 |

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|---------------------|---|
| Strategy | (3) Exceptional Service |
| Department | Distribution Operations |
| Tactical Initiative | (3.3) Implement Underground Service Pilot |
| Objectives | Measure the value of undergrounding 500 existing overhead residential services (reference 2009 Storm Report Recommendations). |
| Tactics: | A. Complete the installation of the underground services (Q4 2012) B. Assess the effectiveness of underground services (2012 – 2014) |
| Owner | John Wolfe, Director Distribution Operations |
| Timeline | 2012 |
| Budget | Fully Funded CAP \$1,000,000 |
| Metrics | TBD |

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|---------------------|---|
| Strategy | (3) Exceptional Service |
| Department | Billing Integrity |
| Tactical Initiative | (3.4) Improve customer billing performance to ensure accurately and timely delivery of customer bills. |
| Objectives | Enhance the effectiveness and efficiency of operational processes and procedures to reduce “billing backlog” (reference Management Audit Action Plan #8). |
| Tactics: | <ul style="list-style-type: none"> A. Establish “Business Continuity and Data Integrity” functional group (Q1 2012). B. Determine and implement appropriate consumption tolerance levels (Q2 2012). C. Develop training and change management program (Q3 2012). D. Reduce billing exception resolution period Q3 2012). E. Identify and establish key measurements that determine department performance (Q3 2012). |
| Owner | Butch Cockerill, Director Revenue Collections |
| Timeline | 2012 |
| Budget | Fully Funded OPEX |
| Metrics | Improvement over current monthly KPIs |

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| Strategy | (3) Exceptional Service |
| Department | Meter Reading |
| Tactical Initiative | (3.5) Implement actions to ensure accurate meter reads. |
| Objectives | Improve meter reading processes to ensure meter reading accuracy (reference Management Audit Action Plan #6 and 10.7). |
| Tactics: | <ul style="list-style-type: none"> A. Conduct comprehensive review of current processes and procedures to identify gaps (Q1 2012). B. Institute field quality audits to spot check for meter read accuracy (Q1 2012) (Audit Item 10.7). C. Determine and implement appropriate consumption tolerance levels (Q1 2012). D. Evaluate current contract and performance scorecard used to monitor meter reading business partners and identify potential changes to include in upcoming contract renewal (Q2 2012). |
| Owner | Butch Cockerill, Director Revenue Collections |
| Timeline | 2012 |
| Budget | Fully Funded OPEX |
| Metrics | Improvement over current monthly KPIs |

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| Strategy | (3) Exceptional Service |
| Department | Distribution Operations and Customer Commitment |
| Tactical Initiative | (3.6) Improve processes for resolving customer inquiries and claims for damages. |
| Objectives | Improve the customer experience by effectively resolving customer complaints and damage claims. |
| Tactics: | <ul style="list-style-type: none"> A. Evaluate current processes. B. Develop an improved customer communications and resolution process. C. Establish consistent guidelines for resolution of claims. D. Educate and train employees and contractors. E. Establish role of Company employee to be responsible for customer communications and appropriate resolution of the issue. |
| Owner | David Guy, Director System Restoration Tim Melton, Manager Customer Commitment John Wolfe, Director Distribution Operations Butch Cockerill, Director Revenue Collections Denise Simon, Director Distribution Operations Barry Walker, Director Gas Control, Storage, and Compliance Nelson Maynard, Director Reliability |
| Timeline | 2012 |
| Budget | Fully Funded OPEX |
| Metrics | Improvement over current monthly KPIs |

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| Strategy | (3) Exceptional Service |
| Department | Gas Storage, Control, and Regulatory Compliance |
| Tactical Initiative | (3.7) Improve Gas Safety and Regulatory Compliance Customer Processes and Communications |
| Objectives | Identify opportunities and implement enhancements to work processes, customer communications, and customer interactions that contribute to a positive customer experience. |
| Tactics: | <ul style="list-style-type: none"> A. Evaluate current work processes and customer interactions to identify opportunities for improvement. B. Review customer communications and identify opportunities to enhance or improve the customer experience. C. Ensure employees and contractors receive customer service training. |
| Owner | Barry Walker, Director Gas Storage, Control, and Compliance |
| Timeline | 2012 |
| Budget | Fully Funded OPEX |
| Metrics | Reduction in KYPSC and Executive Complaints |

INTERNAL PERSPECTIVE

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|---------------------|--|
| Strategy | (7) Plan, Do, Study and Act |
| Department | Revenue Collections |
| Tactical Initiative | (7.1) Evaluate Customer Payment Processes and Options |
| Objectives | Implement changes to our operational processes that improve customer interaction, payment processes and structure additional payment options that makes it easier for customers to conduct business with the company and retain service. |
| Tactics: | Enhance existing payment methods and evaluate new service offerings. A. Late Payment Charge (LPC) and Deposit Requirements (Q2 2012) B. Expand credit card types offered through Bill Matrix (Q4 2012) |
| Owner | Butch Cockerill, Director Revenue Collections |
| Timeline | 2012 |
| Budget | Evaluation Fully Funded OPEX CAP Investment Unknown Revenue Impact Unknown |
| Metrics | TBD |

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|---------------------|--|
| Strategy | (7) Plan, Do, Study and Act |
| Department | Asset Management |
| Tactical Initiative | (7.2) Harmonize Outdoor Lights Process |
| Objectives | Enhance internal coordination of "Outdoor Lights" to improve efficiency |
| Tactics: | <p>Coordinate and consolidate aspects relating to Outdoor Lights to alleviate the difficulty of tracking lights from department-to-department and improve availability of information.</p> <ul style="list-style-type: none"> A. Develop and maintain schedule of improvements and process changes related to lighting (Q1 2012). B. Harmonize processes for private outdoor lights and contracts. Partially dependent on tariff revisions (2012). |
| Owner | Tom Jessee, Director Asset Management |
| Timeline | 2012 |
| Budget | Fully Funded |
| Metrics | Reconciliation numbers between billing and mapping of Outdoor Lights. Monthly comparison between numbers of lights set, removed, billed and mapped to ensure that all systems are synchronized. |

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| Strategy | (7) Plan, Do, Study and Act |
| Department | Strategic and Operational Performance |
| Tactical Initiative | (7.3) Advance Performance Reporting |
| Objectives | To develop and implement tools for monitoring operational performance and measuring actual versus forecasted results. |
| Tactics: | <ul style="list-style-type: none"> A. Evaluate effectiveness of the Retail Operating Report and Distribution Operations Balanced Scorecard measures, ensuring that performance metrics align with and measure operating results toward the Customer Experience Strategy, Tactical Plans, and the Focused Management and Operations (Customer Service) Audit Action Plan. B. Support Retail and Distribution Operations benchmarking initiatives through data collection and validation, promoting the use and application of results/findings in Energy Delivery planning processes (MTP). |
| Owner | Tony Ruckriegel, Manager Strategic & Operational Performance |
| Timeline | 2012 |
| Budget | Fully Funded |
| Metrics | TBD (Vice President Approval Required) |

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| Strategy | (7) Plan, Do, Study and Act |
| Department | Energy Delivery – Retail |
| Tactical Initiative | (7.4) Build Marketing & Sales Organization |
| Objectives | Create a corporate architecture to steer, navigate, and gain alignment among all marketing efforts to meet cross organizational objectives and goals. |
| Tactics: | A. Present organization design recommendation to applicable officers. |
| Owner | Cheryl Bruner, Director Customer Service & Marketing David Huff, Director Customer Energy Efficiency Chris Whelan, Director Corporate Communications |
| Timeline | Q2 2012 |
| Budget | Fully Funded |
| Metrics | |

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| Strategy | (7) Plan, Do, Study and Act |
| Department | Performance & Marketing |
| Tactical Initiative | (7.5) Advance Customer Experience Research |
| Objectives | Evaluate pre- and post-customer experiences through the detailed evaluation of high-impact interactions. |
| Tactics: | <p>Construct and operate a customer online panel to evaluate customer impacts and acceptance of products, services and communications.</p> <ul style="list-style-type: none"> A. Execute Request for Proposal (Q2 2012) B. Assign Contract (Q3 2012) C. Build Online Panel (Q3 2012) D. Begin Testing (Q4 2012) <p>Expand customer experience transaction-based studies:</p> <ul style="list-style-type: none"> A. Outage Communication <ul style="list-style-type: none"> a. Focus Groups (Q1 2012) b. Execute Request for Proposal (Q3 2012) c. Assign Contract and Begin Study (Q4 2012) B. Field Service Orders <ul style="list-style-type: none"> a. Design customer satisfaction study using existing multi-channel sample <ul style="list-style-type: none"> - Design (Q1 2012) - Fully Implemented by March 31, 2012 (Audit Item 10.4) b. Develop Field Service Specific Sample Design (Q2 2012) c. Execute Request for Proposal (Q3 2012) d. Assign Contract and Begin Study (Q3 2012) |
| Owner | Wendy Wagoner, Manager Performance & Marketing |
| Timeline | 2012 |
| Budget | Fully Funded |
| Metrics | <p>On time implementation of each product.</p> <p>Targeted 8.5 Mean Score for each transaction study overall customer experience score.</p> |

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|---------------------|---|
| Strategy | (7) Plan, Do, Study and Act |
| Department | Customer Service & Marketing |
| Tactical Initiative | (7.7) Advance Contact Center Performance |
| Objectives | Increase overall contact center performance through the use of technology, process improvements, agent development and staffing. |
| Tactics: | <ul style="list-style-type: none"> A. Equip Resource Planning and Management Group (Audit Item #2) <ul style="list-style-type: none"> a. Train New Analyst and RPM Staff (Audit Item 2.2 - June 2012) b. Further define roles, processes, and communications to support forecasting, scheduling and intra-day adjustments to maintain service levels (Audit Item 2.3 - June 2012). B. Improve Agent Retention (Audit Item #4) <ul style="list-style-type: none"> a. Reduce overtime and occupancy targets (Audit Item 4.6 - June 2012). b. Identify additional off-call activities for agents (Audit Item 4.7 - June 2012). C. Focus on Quality (Audit Item #10) <ul style="list-style-type: none"> a. Re-evaluate policies and practices in call centers to minimize the transfer of customers (Audit Item 10.2 - January 2012). b. Increase calibration sessions for management team and training group for RSC and BSC Quality Assurance (Audit Item 10.5 - January 2012). c. Develop and implement a process to perform side-by-side quality monitoring of Business Office transactions (Audit Item 10.8 – January 2012). d. Add to monitoring process, some calls that have been surveyed for customer satisfaction (Audit Item 10.10 - January 2012). |
| Owner | Cheryl Bruner, Director Customer Service & Marketing Jean Ann Pfisterer, Manager Residential Service Center David Daniel, Manager Business Service Center |
| Timeline | 2012 |
| Budget | Fully Funded |
| Metrics | Channel Specific Service Levels Customer Experience Scores – Target 8.5 |

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| Strategy | (7) Plan, Do, Study and Act |
| Department | Smart Grid |
| Tactical Initiative | (7.9) Advance Smart Grid and Smart Meter technology deployment at LG&E and KU (formerly tactics 5.6 and 5.7) |
| Objectives | Advance Smart Grid and Smart Meter technology deployment at LG&E and KU. |
| Tactics: | <ul style="list-style-type: none"> A. Investigate and evaluate benefits of Smart Meter technology deployments. B. Evaluate the benefits of expanding the use of SCADA. C. Support value-added distribution and transmission automation projects. D. Continue to investigate, evaluate, and propose providing customers with tools to conserve energy (including display devices, better access to usage information, and partnerships for industrial and large commercial customers that integrate access to process information with energy usage). E. Evaluate customers' value of smart technologies, alternate rate structures and tools to conserve energy. F. Evaluate partnerships which can provide customer and company value from direct load control. |
| Owner | David Huff, Director Customer Energy Efficiency Jeff Myers, Manager Smart Grid Development |
| Timeline | 2012 |
| Budget | TBD |
| Metrics | TBD |

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| Strategy | (7) Plan, Do, Study and Act |
| Department | Corporate Communications |
| Tactical Initiative | (7.10) Leverage Social Media |
| Objectives | Strategically introduce new external and internal social media channels to reach and engage key stakeholders. |
| Tactics: | <p>The company's use of social media will be determined and managed by LG&E and KU's Corporate Communications Department. Further develop the company's social media strategy.</p> <ul style="list-style-type: none"> A. Evaluate internal and external social media channels (e.g. SharePoint, Face book, Google+, Foursquare, etc.) and develop a recommendation that enhances current offerings. B. Create and lead a Social Media Advisory Council (SMAC) to manage all external and internal social media deployment and utilization. Activities include but are not limited to: <ul style="list-style-type: none"> a. Benchmark Utility Best Practices b. Risk Mitigation c. Metrics |
| Owner | Chris Whelan, Director Communications and Brand Management Brian Phillips, Manager External Communications Cheryl Williams, Senior Communications Specialist Jennifer Whelan, Senior Communications Specialist Annalee Worthington, Senior Communications Specialist Darin Carr, Senior Web Specialist |
| Timeline | 2012 |
| Budget | TBD |
| Metrics | TBD |

LEARNING AND GROWTH PERSPECTIVE

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|---------------------|--|
| Strategy | (9) Involve |
| Department | Human Resources |
| Tactical Initiative | (9.1) Expand a customer-focused culture. |
| Objectives | Foster a culture of thinking about all areas of delivery and service from the perspective of the customer. |
| Tactics: | <p>Identify and implement activities and training associated with the promotion of a customer-focused culture.</p> <ul style="list-style-type: none"> A. Establish Management Focus Group to identify CE opportunities and messaging B. Develop 2012 CE communications plan C. Establish “Get to Know You” sessions between Distribution Operations and Retail D. Establish Job Shadowing between Distribution Operations and Retail E. Develop and deliver CE training for Business Partners F. Develop and deliver CE education for Energy Delivery and applicable areas companywide G. Identify measurable goals to determine progress and success |
| Owner | Sharon Johnson, Director Human Resources – Energy Delivery |
| Timeline | 2012 |
| Budget | Fully Funded OPEX |
| Metrics | <p>Employee Opinion Surveys</p> <p>Residential Competitive Customer Satisfaction Study (TIA Points)</p> <p>Completion of Training and Education</p> |

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| Strategy | (9) Involve |
| Department | Human Resources |
| Tactical Initiative | (9.2) Support Change Management |
| Objectives | Promote a culture where management and employees embrace the value of change and adaptability to meet customer needs and welcome the responsibility for delivery of customer service. |
| Tactics: | <ul style="list-style-type: none"> A. Provide education across Energy Delivery on the Customer Experience Strategy B. Partner with Line of Business management throughout Energy Delivery to create employee engagement C. Advance employee ownership of customer service across all Energy Delivery D. Coach management team to become champions of change to meet every-changing customer needs and expectations E. Partner with Organizational Development, Corporate Communications and Energy Delivery in the development, delivery, and evaluation of change management initiatives |
| Owner | Sharon Johnson, Director Human Resources – Energy Delivery |
| Timeline | 2012 |
| Budget | Fully Funded OPEX |
| Metrics | Employee Opinion Survey Performance Excellence Process (PEP) |

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|---------------------|---|
| Strategy | (9) Involve |
| Department | Human Resources |
| Tactical Initiative | (9.3) Recruit and retain talented people |
| Objectives | Attract and retain talented people for Energy Delivery – <i>Right People in Right Positions</i> |
| Tactics: | Identify and recruit qualified and skilled talent for openings within Energy Delivery <ul style="list-style-type: none"> A. Develop and utilize assessment tools in the hiring process B. Identify recruiting resources to broaden candidate pools C. Advance the awareness of the utility brand as a “great” place to work D. Enhance the use of technology and social media in attraction of candidates E. Enhance the hiring and on-boarding processes to provide positive entrance into the company F. Conduct exit interviews and analysis of company departures |
| Owner | Sharon Johnson, Director Human Resources – Energy Delivery |
| Timeline | 2012 |
| Budget | Fully Funded OPEX |
| Metrics | Satisfaction of Line of Business Management in quality of hires and the staffing process Turnover Rates On-boarding Feedback New Hire Survey Feedback |

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| Strategy | (9) Involve |
| Department | Strategic and Operational Performance |
| Tactical Initiative | (9.4) Improve Business Processes |
| Objectives | Analyze business processes, prepare and evaluate analytics (historic, current and forecasted), consider options and alternatives, and collaboratively develop process improvement recommendations which promote financial and operational discipline, continuous improvement, and enhance the Customer Experience. |
| Tactics: | <ul style="list-style-type: none"> A. Realign the S&OP Process Analyst to better optimize the resources for quick, responsive, and meaningful improvements to the Retail business (Q1 2012). B. Implement a Steering Committee to identify and prioritize Energy Delivery Process Improvement initiatives based on Customer Experience Strategy objectives and the Focused Management and Operations (Customer Service) Audit Action Plan (Q1 2012). C. As determined, by the Steering Committee, conduct cross-functional business process analytics and root cause assessment – making recommendations for process improvements and process harmonization. The Process Improvement initiatives shall foster operational excellence, achieved through a disciplined approach in which all parties follow the same process, find flaws in the process, change the process to eliminate flaws, and continue to force transactions into the process to identify additional opportunities. D. Document (process mapping) Energy Delivery cross-functional business processes. |
| Owner | Tony Ruckriegel, Manager Strategic & Operational Performance |
| Timeline | 2012 |
| Budget | Fully Funded OPEX |
| Metrics | TBD |

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|---------------------|--|
| Strategy | (9) Involve |
| Department | Customer Service & Marketing |
| Tactical Initiative | (9.6) Advance Customer Service Employee Hiring, Growth and Development |
| Objectives | To improve hiring practices and employee development. |
| Tactics: | <ul style="list-style-type: none"> A. Staff Contact Centers (Audit Item #1) <ul style="list-style-type: none"> a. Recruit and hire Residential Service Center employees for Morganfield facility (Audit Item 1.2 - June 2012). b. Add employee agents in Residential and Business Service Centers (Audit Item 1.3 - March 2012). B. Equip Resource Planning and Management Group (Audit Item #2) <ul style="list-style-type: none"> a. Hire Analyst (Audit Item 2.12 - January 2012) C. Improve Hiring Practices and Retention (Audit Item #4) <ul style="list-style-type: none"> a. Develop and implement pilot to promote employee referrals (Audit Item 4.3 - January 2012). b. Further define career progression paths for Customer Service Representatives (Audit Item 4.4 - February 2012). c. Develop additional training for Coach and Customer Service Representative Development (Audit Item 4.9 - July 2012). D. Focus on Quality (Audit Item #10) <ul style="list-style-type: none"> a. Develop "Soft Skills" training for management team and all front office and field personnel (Audit Item 10.3 - April 2012). |
| Owner | Cheryl Bruner, Director Customer Service & Marketing Jean Ann Pfisterer, Manager Residential Service Center David Daniel, Manager Business Service Center Irv Hurst, Manager CCS Retail Business Readiness Paul Weis, Senior Human Resource Manager |
| Timeline | 2012 |
| Budget | Fully Funded |
| Metrics | TBD |

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| Strategy | (10) Inform |
| Department | Customer Energy Efficiency |
| Tactical Initiative | (10.1) Build an Energy Efficiency Operations and Marketing Database |
| Objectives | Implement an integrated data management system for managing and controlling all aspects of Energy Efficiency program operations, marketing and sales. |
| Tactics: | <p>Integrated Data Management System*:</p> <ul style="list-style-type: none"> A. Integrated with Energy Efficiency Vendors and CCS Systems. B. Near real-time updates on program installation status C. Operational and marketing campaign performance measures D. Customer segmentation <p>Vendor Hosted Marketing Database:</p> <ul style="list-style-type: none"> A. Data Feeds include: CCS, PVA and Bluegrass Mailing B. Data Enhancements provided by Datamentors "Pin Point" C. Data Analytics include segmentation, profiling and modeling D. Interdepartmental Product used by Sales & Forecasting, Energy Efficiency and Performance & Marketing |
| Owner | *David Huff, Director Customer Energy Efficiency Cheryl Bruner, Direct Customer Service and Marketing Chuck Schram, Director Energy Planning Analysis and Forecasting |
| Timeline | Integrated Data Management System (Huff) – Q2 2012 Marketing Database – Q1 2012 |
| Budget | Fully Funded |
| Metrics | TBD |

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|---------------------|---|
| Strategy | (10) Inform |
| Department | Asset Management and Information Technology |
| Tactical Initiative | (10.2) Advance and exploit the use of technologies throughout the organization. |
| Objectives | Enhance business operations through the discovery and implementation of new technologies. |
| Tactics: | <p>My Account Enhancements</p> <ul style="list-style-type: none"> A. Implement Budget Billing (Q1 2012) B. Enable CSRs to enroll customers in CSS and paperless billing (Q2 2012) C. Design and Develop "What's New" layout (2012) |
| Owner | Tom Jessee, Director Asset Management |
| Timeline | 2012 |
| Budget | Fully Funded |
| Metrics | TBD |

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|----------|-------------|
| Strategy | (10) Inform |
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| Department | Customer Service & Marketing |
| Tactical Initiative | (10.3) Advance Contact Center Technology |
| Objectives | Increase overall contact center performance through the advancement of technology. |
| Tactics: | <ul style="list-style-type: none"> A. Equip Resource Planning & Management Group (Audit Item #2.5) <ul style="list-style-type: none"> a. Evaluate and upgrade call center software to allow for balancing between virtual call centers and to support queue-level forecasting, scheduling and service level management (December 2012). B. Customer Information Systems Usability (Audit Item 5.4) <ul style="list-style-type: none"> a. Implement new Computer Telephony Integration (CTI) and SAP Enhancements to provide “screen-pop” and “soft phone” capabilities (Audit Item 5.4 - June 2012). b. Evaluate Customer Service Representative (CSR) usability and identify opportunities for system enhancements (Audit Item 5.2 - June 2012). |
| Owner | Cheryl Bruner, Director Customer Service & Marketing Jean Ann Pfisterer, Manager Residential Service Center Irv Hurst, Manager CCS Retail Business Readiness |
| Timeline | 2012 |
| Budget | TBD |
| Metrics | TBD |

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|----------|-------------|
| Strategy | (10) Inform |
|----------|-------------|

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|---------------------|---|
| Department | Customer Service & Marketing |
| Tactical Initiative | (10.4) Expand the use of external telecom reports (Audit Item #3) |
| Objectives | Increase overall contact center performance through the management of external and internal telecom resources and reports. |
| Tactics: | <ul style="list-style-type: none"> A. Track Telecom Network Activity (Audit Item #3) <ul style="list-style-type: none"> a. Produce monthly reports for all trunks (Audit Item 3.1 - April 2012). b. Request and track traffic information for local and long distance services (Audit Item 3.2 - July 2012). c. Develop process to review trunk utilization reports and information from telecom providers for storm operations (Audit Item 3.3 - July 2012). d. Develop process with telecom providers to leverage available carrier tools and services to route calls to third party providers during major unplanned events (e.g. storms) (Audit Item 3.4 - July 2012). e. Evaluate costs associated with capacity improvements identified in monthly trunk and traffic reports. Incorporate cost effective improvements into the next budget cycle (Audit Item 3.5 - January 2013). f. Investigate methods (e.g. tools, services, models, etc.) to more accurately predict high volume conditions and their impact on the telecom network (Audit Item 3.6 - July 2012). g. Evaluate "Virtual Hold" capability in next generation contact center architecture solution (Audit Item 3.7 - January 2013). |
| Owner | Cheryl Bruner, Director Customer Service & Marketing Dan Reffett, Manager Network Infrastructure |
| Timeline | January 2012 – January 2013 |
| Budget | TBD |
| Metrics | Telecom Utilization Reports |



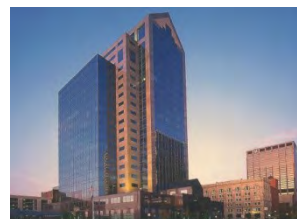
PPL companies

Energy Delivery

Abridged

2012 - 2016

October 14, 2011



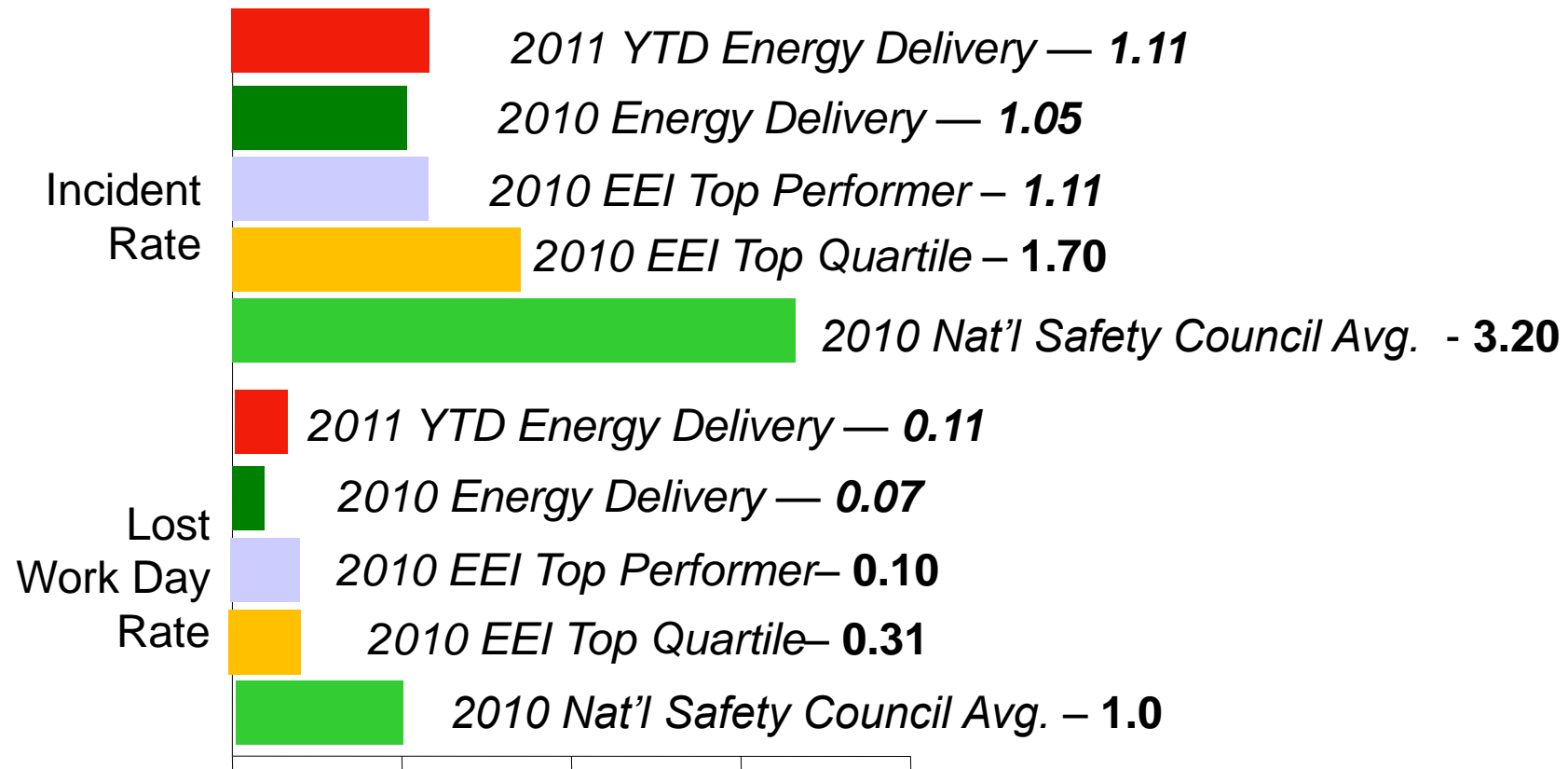
Plan Highlights

Customer satisfaction is a core value at LG&E and KU. Energy Delivery strives to provide safe, reliable, and low cost service to our customers, enhancing the quality of life in the areas we serve. We are committed to enhancing our relationship with our customers by delivering positive experiences that create value and build trust.

- Funding levels within the proposed plan are established with the following priorities in mind:
 - Employee and public safety including compliance with industry regulatory requirements
 - Performance improvement in all customer facing areas
 - Improvement in gas and electric service reliability
 - Asset replacement to address aging infrastructure
 - Increased system capacity to meet forecasted customer demand
 - Significant increases in OPEX are proposed to:
 - Improve responsiveness to customer needs, in particular in the contact centers and billing

Plan Highlights

Energy Delivery Safety Performance Data – EEI Data



Plan Highlights

- Customer Experience

- *Advance the “Customer Experience” strategy/initiative*
- *Continue investments in enhanced customer contact channels and the migration to a Corporate “Unified Communications” platform*
- *Continue progress on enhancements to Customer Care System functionality*
- *Enhance our “Customer Advocacy” role through partnerships with customer focus groups*
- *Continue commitment to corporate citizenship and community involvement*
- *Create tariffs and regulations that competitively position the company and respect the overall impact on customers*
- *Continue to expand the portfolio of customer energy efficiency programs, including customer education on the need for energy efficiency*
- *Advance our understanding of customer behavior while gaining insight into customer needs*
- *Develop and pilot an overall Customer Experience index*

Plan Highlights

- OPEX
 - *Major Initiatives:*
 - Customer Experience Strategy
 - Reliability - Hazard Tree Program
 - Industry Regulatory Compliance
 - *Major Financial Risks:*
 - Storm Restoration
 - Customer Hardship and Uncollectible Accounts (uncertainty with LIHEAP)
 - Industry Regulatory Compliance

Plan Highlights

- Capital

- *Major Customer Initiatives:*

- Energy Efficiency Programs and Services
- Circuit Hardening / Reliability / Asset Replacement
- Pole Inspection and Treatment Program
- Distribution Automation
- Substation Enhancements
- Mobile Technology / Work Management Replacement
- Gas Leak Mitigation
- Magnolia Gas Compressor Addition
- Gas Compressor Station and System Enhancements
- Pipeline Integrity

Major Assumptions

- Energy Delivery improves our position in the residential J.D. Power and RCCS surveys with a continued focus on the Customer Experience.
- Customer expectations regarding levels of service and availability of information will continue to increase.
- Energy Efficiency projects and education will increase and continue to be an area of focus.
- Storm budgets are based on 5 year average.
- The plan includes no significant changes to industry regulation.



PPL companies

Retail Operating Report

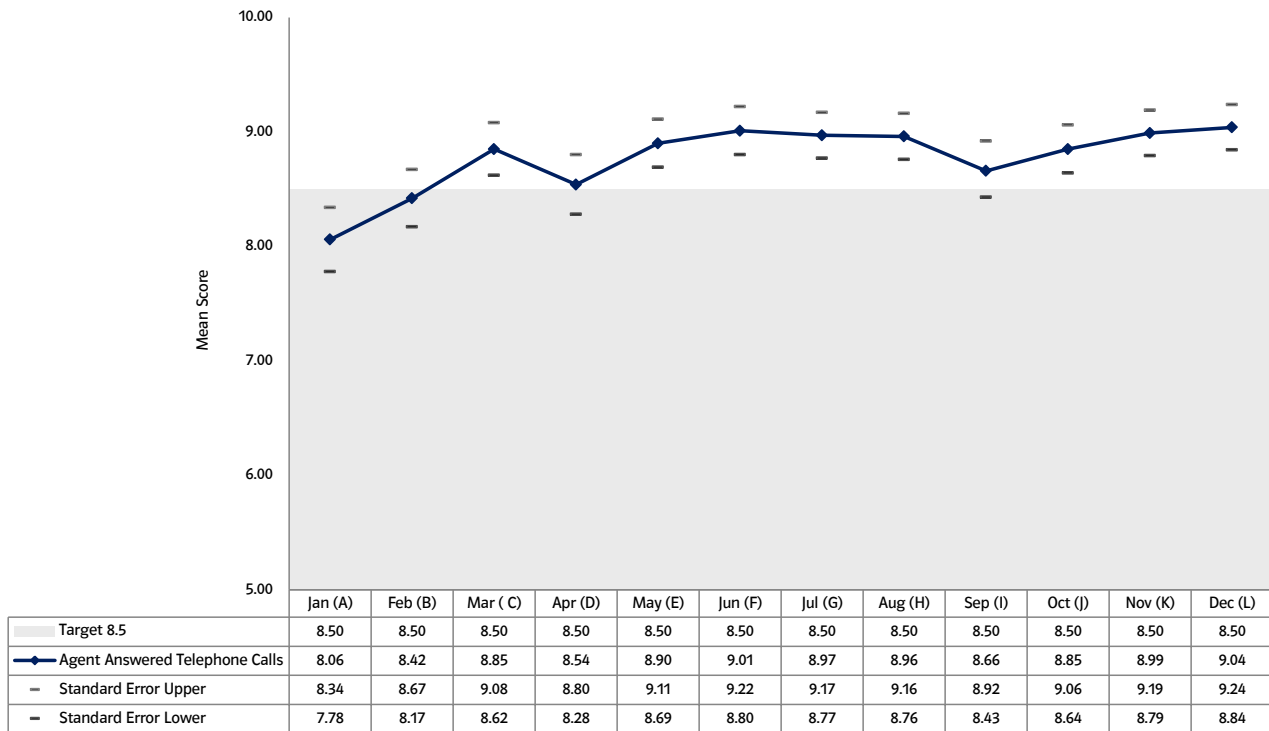
December 2011

Abridged

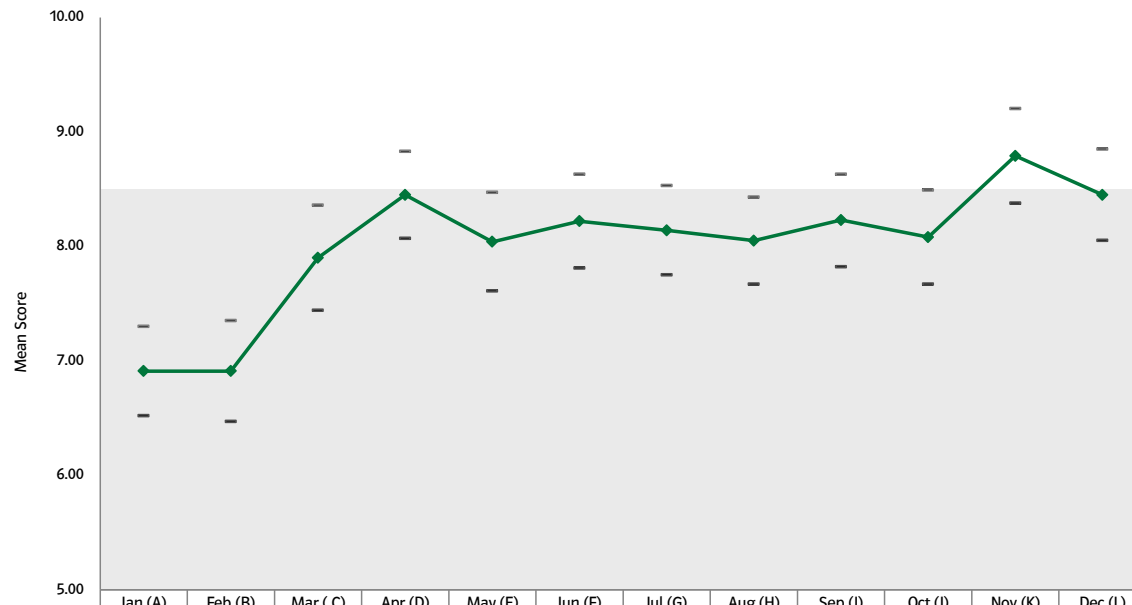
FINAL – January 12, 2012



Residential Customer Experience Agent Answered Telephone Calls

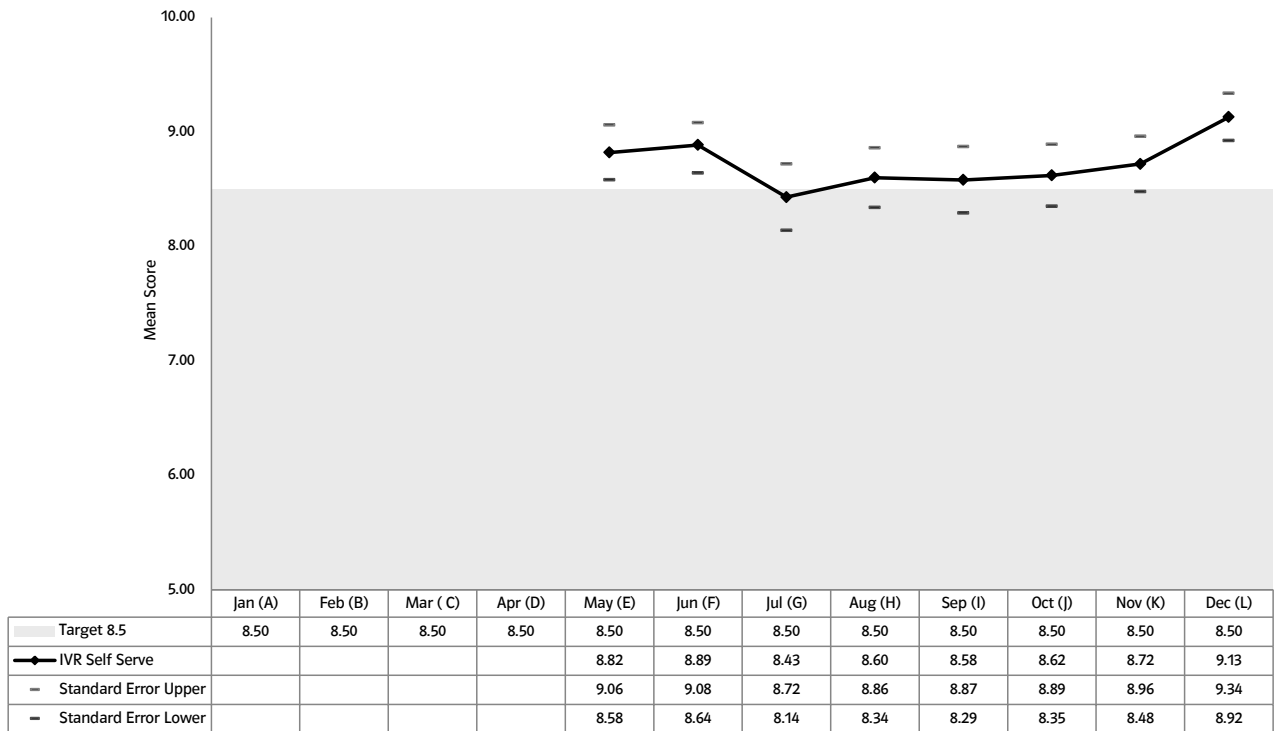


Residential & Business Customer Experience Agent Answered Emails

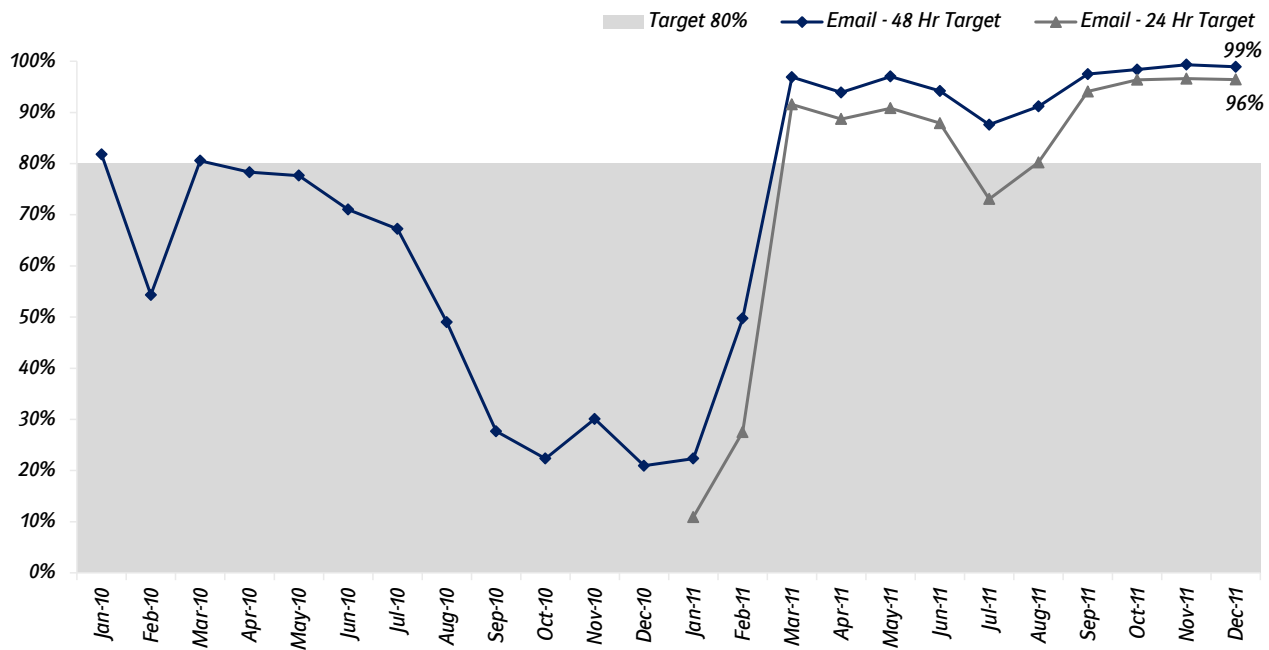


| | Jan (A) | Feb (B) | Mar (C) | Apr (D) | May (E) | Jun (F) | Jul (G) | Aug (H) | Sep (I) | Oct (J) | Nov (K) | Dec (L) |
|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Target 8.5 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 |
| Agent Answered Emails | 6.91 | 6.91 | 7.90 | 8.45 | 8.04 | 8.22 | 8.14 | 8.05 | 8.23 | 8.08 | 8.79 | 8.45 |
| Standard Error Upper | 7.30 | 7.35 | 8.36 | 8.83 | 8.47 | 8.63 | 8.53 | 8.43 | 8.63 | 8.49 | 9.20 | 8.85 |
| Standard Error Lower | 6.52 | 6.47 | 7.44 | 8.07 | 7.61 | 7.81 | 7.75 | 7.67 | 7.82 | 7.67 | 8.38 | 8.05 |

Residential Customer Experience IVR Self Serve

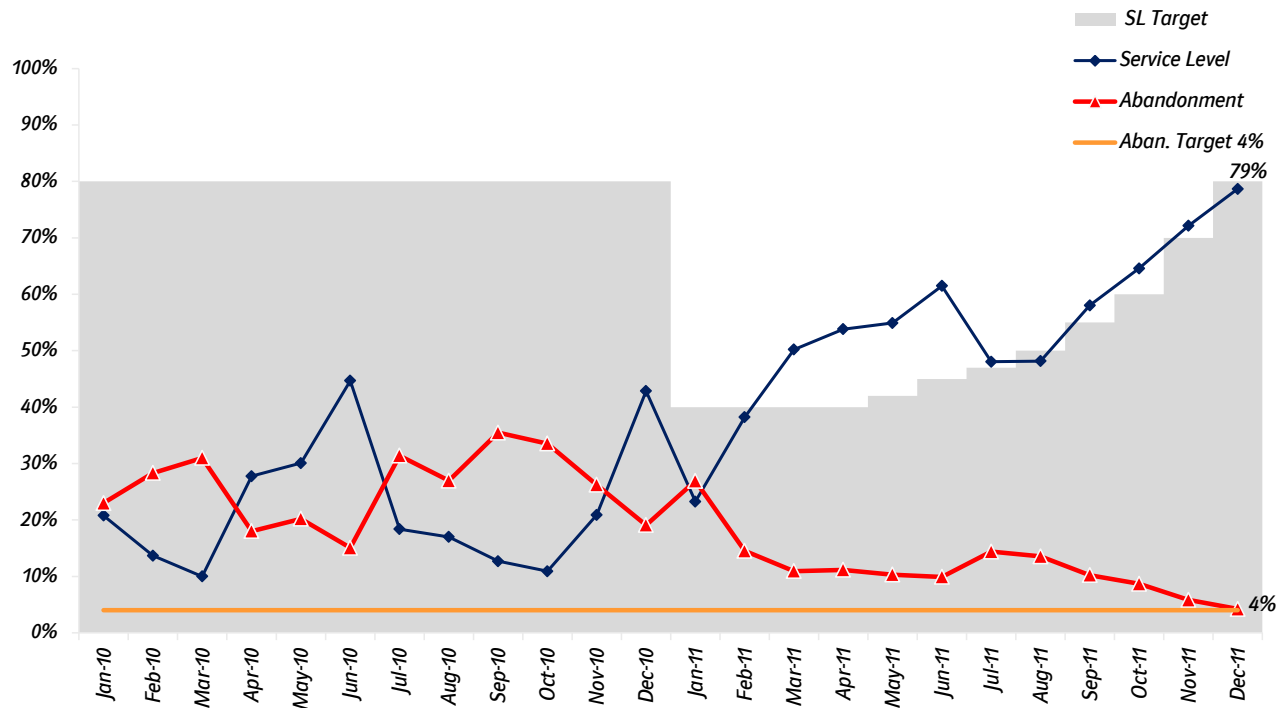


Email Service Level

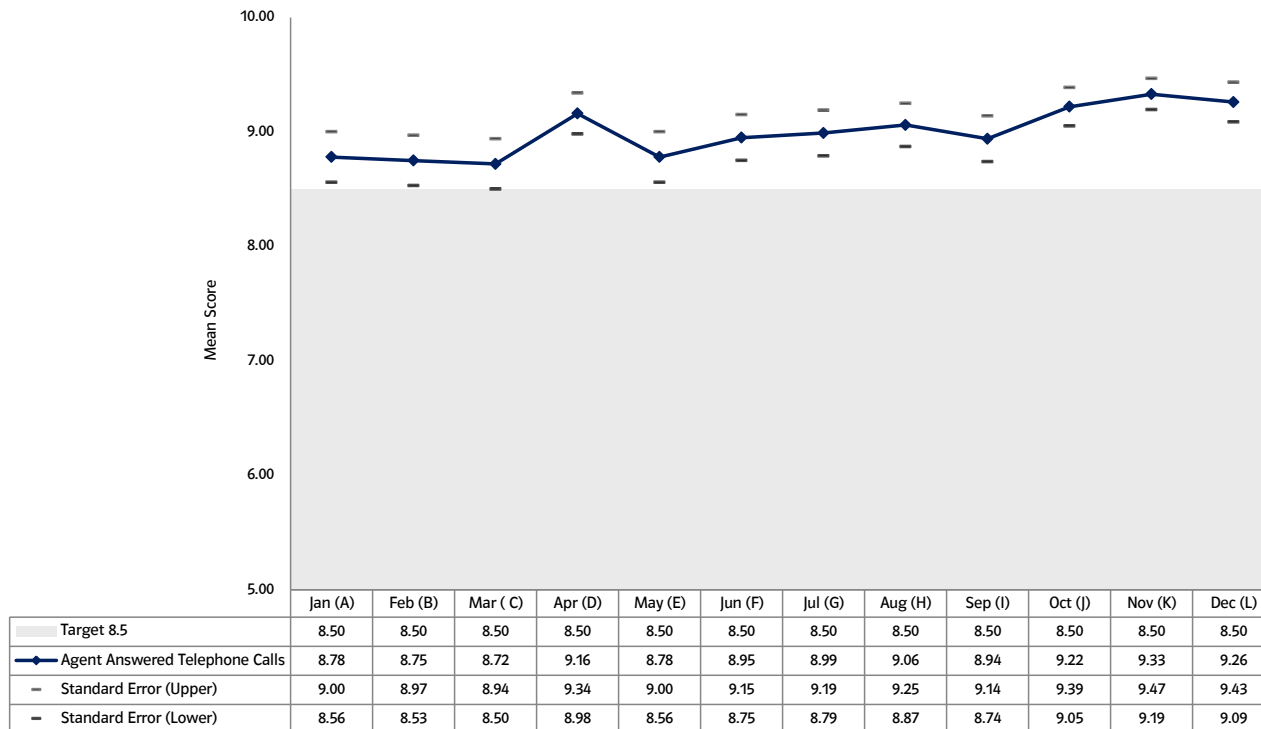


| | Jan-11 | Feb-11 | Mar-11 | Apr-11 | May-11 | Jun-11 | Jul-11 | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| BSC Emails | 1,222 | 1,098 | 1,266 | 1,664 | 2,070 | 2,125 | 1,736 | 1,993 | 1,583 | 1,480 | 1,477 | 1,404 |
| RSC Emails | 5,643 | 5,524 | 5,021 | 4,406 | 4,516 | 4,676 | 5,103 | 5,432 | 4,462 | 4,535 | 4,272 | 4,096 |

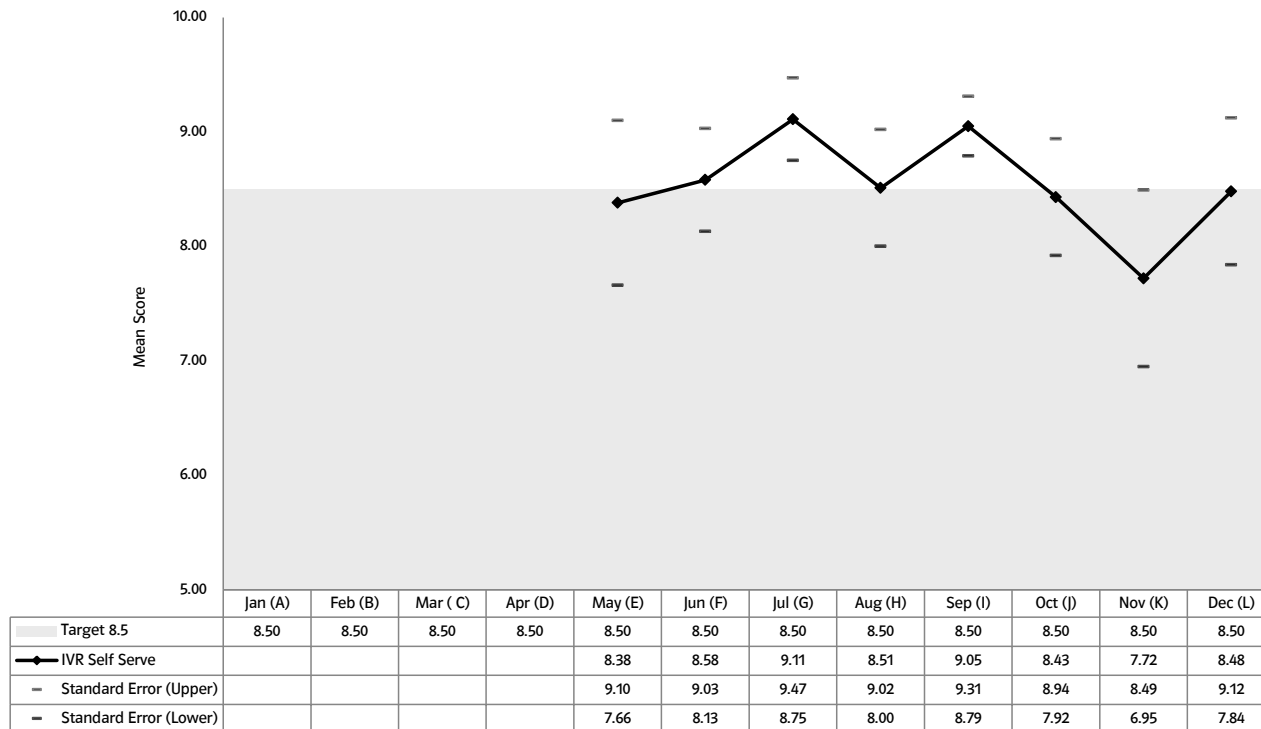
RSC Service Level (*calls answered within 30 seconds*)
and Abandonment Rate (*calls abandoned after queued to an agent*)



Business Customer Experience Agent Answered Telephone Calls

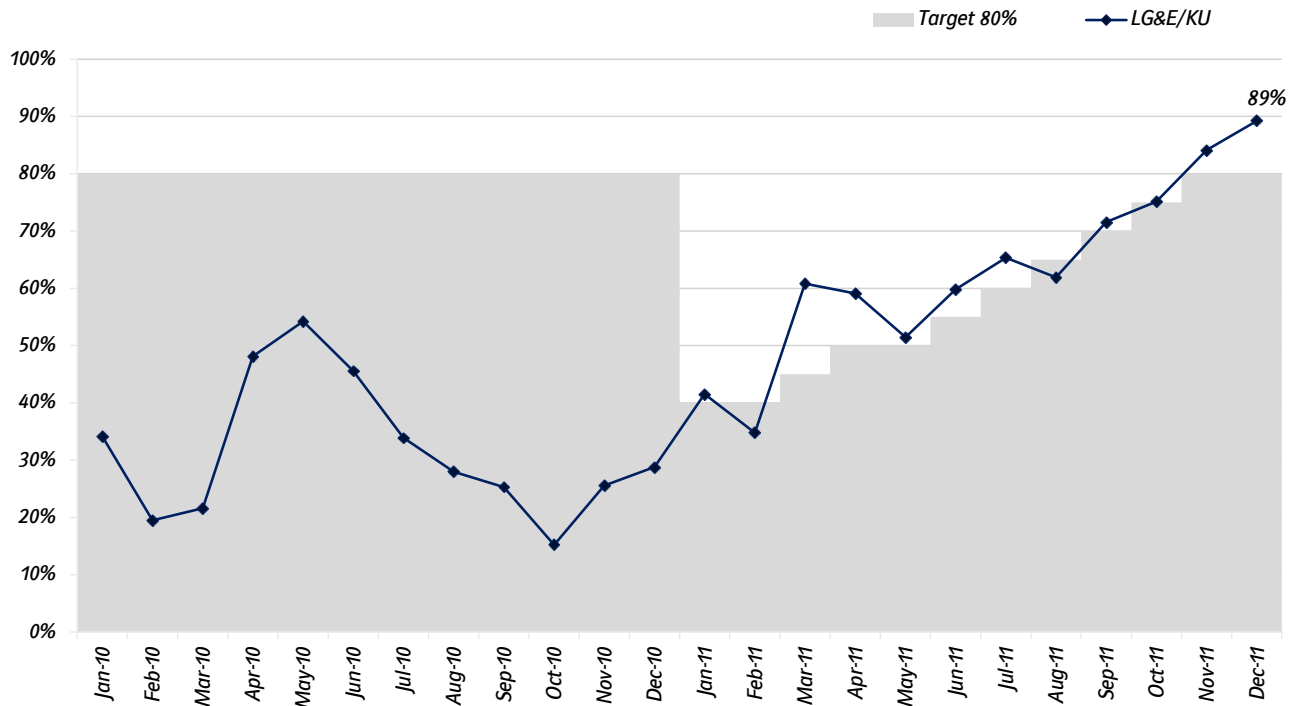


Business Customer Experience IVR Self Serve

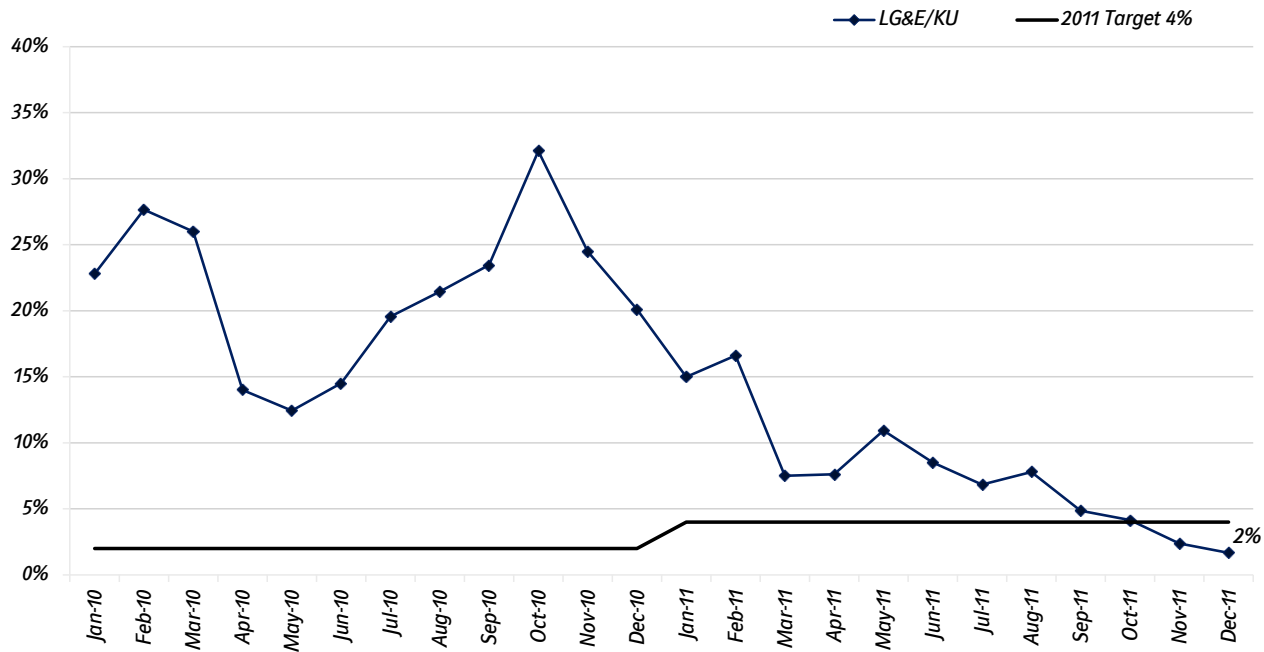


Letters = Significant difference at the 90% confidence level

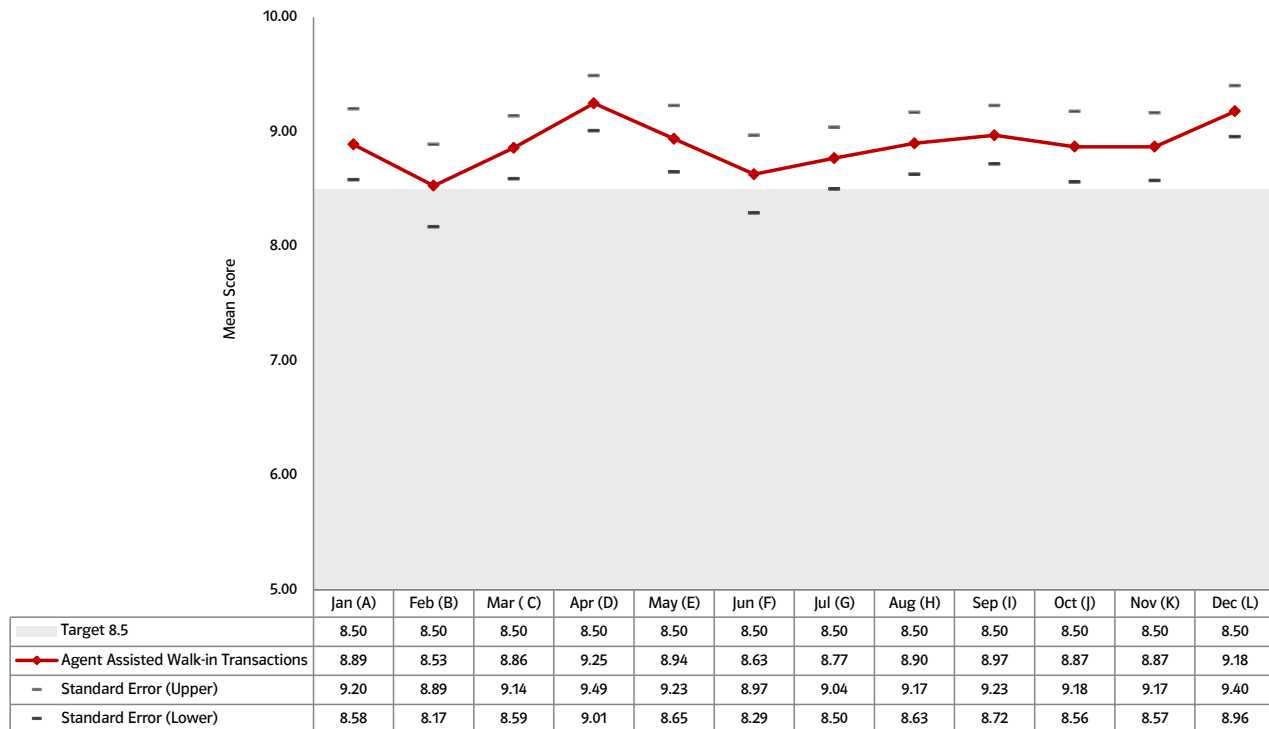
BSC Service Level *(calls answered within 30 seconds)*



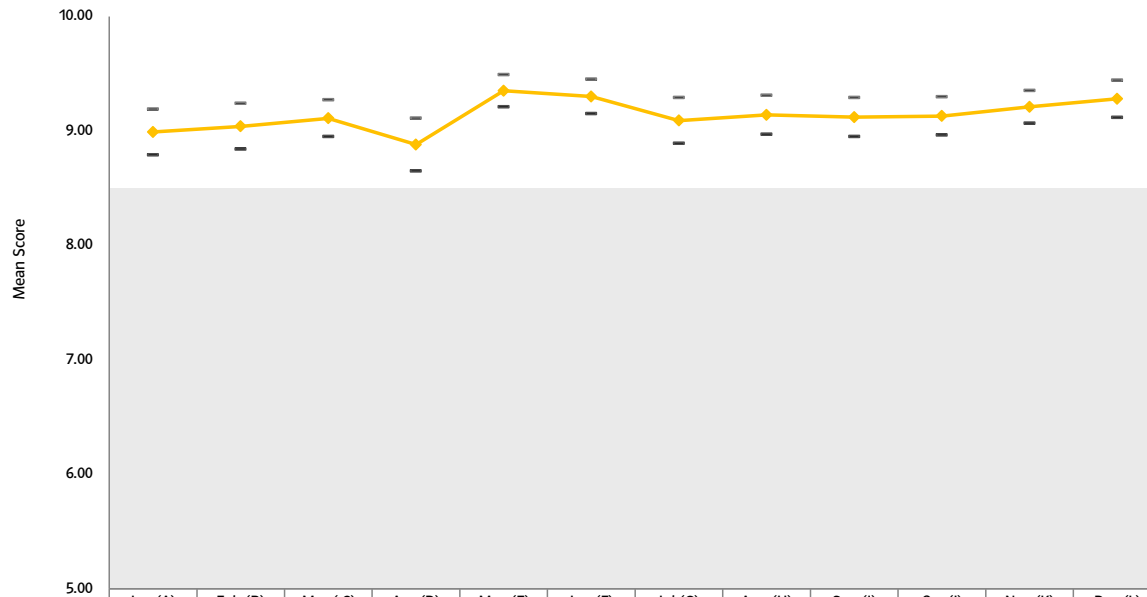
BSC Abandonment Rate *(calls abandoned after queued to an agent)*



Residential Customer Experience Agent Assisted Walk-in Transactions

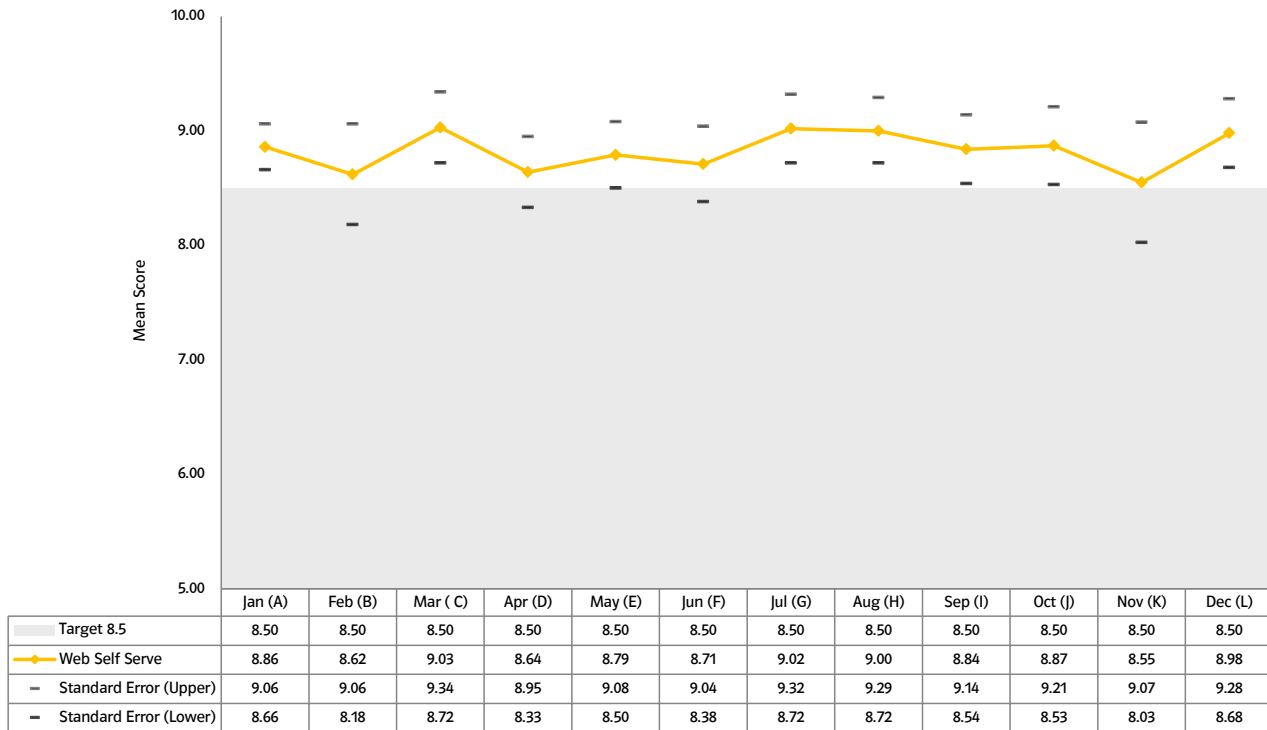


Residential Customer Experience Web Self Serve

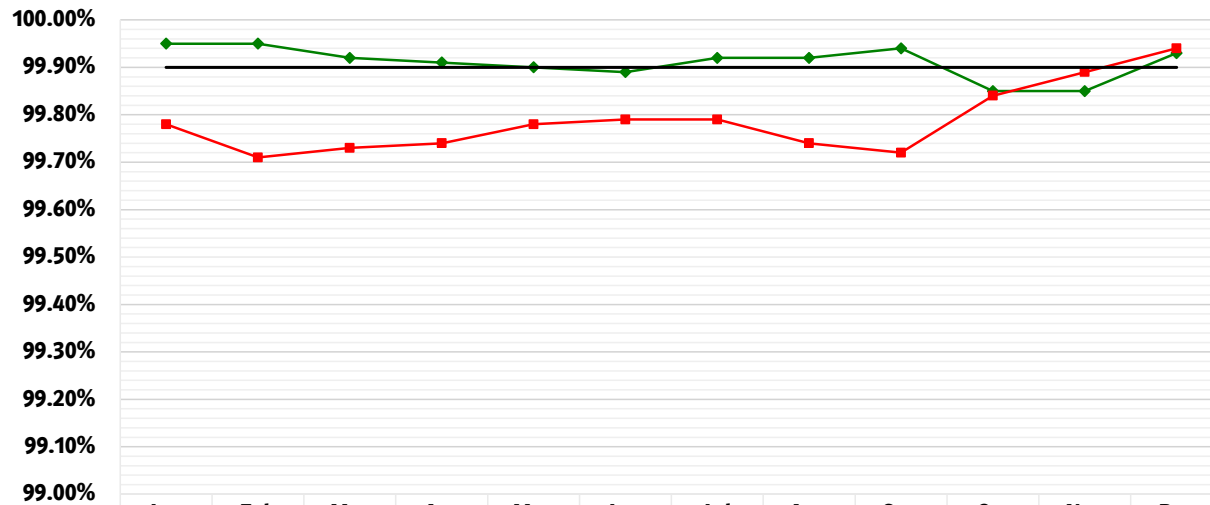


| | Jan (A) | Feb (B) | Mar (C) | Apr (D) | May (E) | Jun (F) | Jul (G) | Aug (H) | Sep (I) | Oct (J) | Nov (K) | Dec (L) |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Target 8.5 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 | 8.50 |
| Web Self Serve | 8.99 | 9.04 | 9.11 | 8.88 | 9.35 | 9.30 | 9.09 | 9.14 | 9.12 | 9.13 | 9.21 | 9.28 |
| Standard Error (Upper) | 9.19 | 9.24 | 9.27 | 9.11 | 9.49 | 9.45 | 9.29 | 9.31 | 9.29 | 9.30 | 9.35 | 9.44 |
| Standard Error (Lower) | 8.79 | 8.84 | 8.95 | 8.65 | 9.21 | 9.15 | 8.89 | 8.97 | 8.95 | 8.96 | 9.07 | 9.12 |

Business Customer Experience Web Self Serve

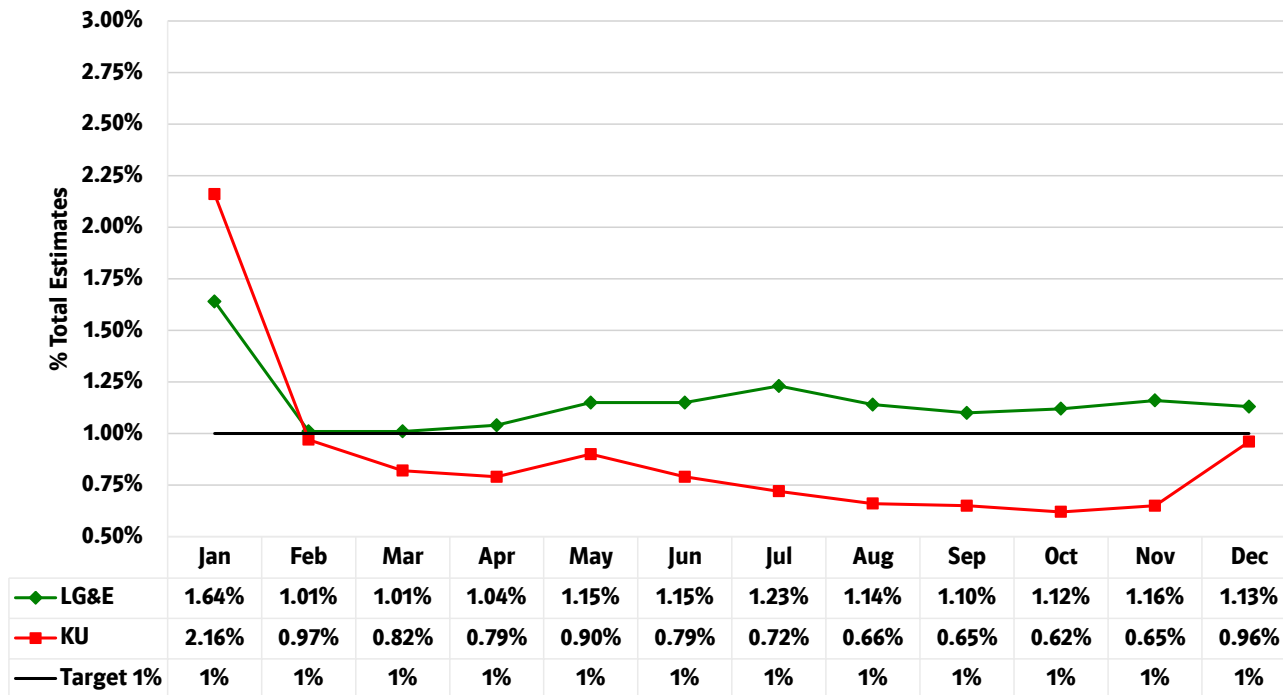


Meter Reading Accuracy



| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| —◆— LG&E | 99.95% | 99.95% | 99.92% | 99.91% | 99.90% | 99.89% | 99.92% | 99.92% | 99.94% | 99.85% | 99.85% | 99.93% |
| —■— KU | 99.78% | 99.71% | 99.73% | 99.74% | 99.78% | 99.79% | 99.79% | 99.74% | 99.72% | 99.84% | 99.89% | 99.94% |
| — Target 99.9% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% | 99.9% |

Percentage Meter Reading Estimates



Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: IV-R2

Recommendation Statement: Give customer-service operational performance greater visibility and oversight at the corporate and parent levels

Implementation Priority: High

LG&E/KU Person Responsible: John P. Malloy

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|---|-----------|-------------------|
| | | Start | Complete |
| 1a | Develop / report customer service operational metrics in senior level performance reports | 10/2011 | Completed 11/2011 |
| 1b | Retain the Customer Experience Strategy steering committee to formally track and report on performance of strategic goals and tactical objectives. The steering committee includes: SVP Energy Delivery, Chief Information Officer, VP Corporate Planning and Development, VP State Regulation and Rates, VP Corporate Responsibility and Community Affairs, VP External Affairs, VP Corporate Communication, VP Retail Business. | Completed | Completed |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1a: *Develop / report customer service operational metrics in senior level performance reports*

KPSC Customer Inquiries are tracked and reflected in the CEO Daily Operating Report. Below is an excerpt from the CEO Daily Operating Report.

| <u>KPSC Customer Inquiries</u> | | | |
|---------------------------------------|----------------------------|-------------------|-------------------|
| <u>PUC Complaints</u> | <u>Previous Day</u> | <u>MTD</u> | <u>YTD</u> |
| KPSC LG&E | 1 | 12 | 12 |
| KPSC KU | 2 | 11 | 11 |
| VSCC ODP | 0 | 0 | 0 |
| TOTAL | 3 | 23 | 23 |

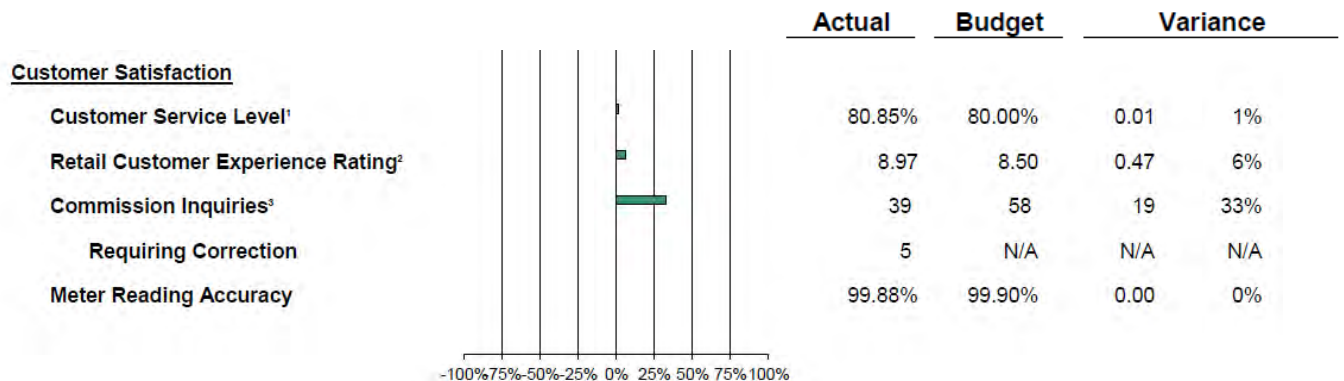
The full report contains confidential, market-sensitive, forward-looking information which is not available to the general public or to the investment community. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

The Retail Operating Report reflects detailed monthly operational results against targets across the following divisions:

- Residential Service Center
- Business Service Center
- Business Offices
- Major Accounts
- Economic Development
- Customer Commitment
- Metering
- Meter Reading
- Field Services
- Billing Integrity
- Remittance and Collections
- Energy Efficiency

These performance reports are included in monthly managerial discussions and planning efforts. The full Retail Operating Report contains confidential information which is not available to the general public. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

The monthly Corporate Performance Report contains the following key performance indicators for Customer Service performance. This report is reviewed by senior executives.



Lastly, the Energy Delivery Balanced Scorecard is reported to senior leadership on a monthly basis and is also included in monthly managerial discussions and planning efforts. The complete Energy Delivery Balanced Scorecard contains confidential and market-sensitive information which is not available to the general public. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

Initiative 1b: *Retain the Customer Experience Strategy steering committee to formally track and report on performance of strategic goals and tactical objectives.*

The Customer Experience strategy steering committee remains an ongoing committee for formally tracking and reporting on performance of strategic goals and tactical objectives. The steering committee includes: SVP Energy Delivery, Chief Information Officer, VP Corporate Planning and Development, VP State Regulation and Rates, VP Corporate Responsibility and Community Affairs, VP External Affairs, VP Corporate Communication, VP Retail Business.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E/KU believes the implementation plan is appropriate.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

LG&E/KU considers this action plan complete and requests that it be closed.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

This exercise remains within the internal operating expenses of the Companies therefore no additional costs are envisioned.

B. Benefit Analysis

Executive attention to operational performance will ensure course correction where required are timely.

C. Cost/Benefit Summary

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | N/A | N/A |
| Benefit | N/A | N/A |

D. Other Costs or Benefits

None identified.

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: IV-R3

Recommendation Statement: Take actions at the parental level to reinforce PPL's commitment to superior service.

Implementation Priority: High

LG&E/KU Person Responsible: John P. Malloy

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|--|---------|--|
| | | Start | Complete |
| 1a | Set up Best Practice teams - Customer Service - Billing and Payment - Low Income programs - Energy Efficiency program - Economic Development - Community Involvement | 03/2011 | Completed 05/2011 |
| 1b | Exchange Best Practices | 04/2011 | Completed 12/2011 |
| 1c | Exchange Call Center management expertise for review of current trends and business processes and seek performance improvement opportunities. | 11/2011 | 12/2011 (<i>Moved to 03/2012</i>) |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1a: *Set up Best Practice teams*

Best Practice teams have been set up in the following areas:

- Customer Service
- Billing and Payment
- Low Income programs
- Energy Efficiency program
- Economic Development
- Community Involvement

Initiative 1b: *Exchange Best Practices*

The 2011 LGE-KU / PPL Retail Best Practice Annual Report covers the areas identified above (Chapter IV-R3 – Attachment 1). Additionally, separate reports reflect the comparison of low-income programs and energy efficiency programs. The 2011 LGE-KU / PPL Low Income Assessment Report (Chapter IV-R3 Attachment 2) and the 2011 Energy Efficiency Program Assessment Report (Chapter IV-R3- Attachment 3) are included in this report.

Initiative 1c: *Exchange Call Center management expertise for review of current trends and business processes and seek performance improvement opportunities.*

This objective was completed on February 24, 2012. A final report from this exercise will be available during the next reporting period.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E/KU believes the implementation plan is appropriate.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

Initiative 1c: *Exchange Call Center management expertise for review of current trends and business processes and seek performance improvement opportunities.*

The status will be reported during the next progress report period.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

This exercise remains within the internal operating expenses of the Companies.

B. Benefit Analysis

The adoption of best practice approaches in managing the Retail business will improve overall operations.

C. Cost/Benefit Summary

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | N/A | N/A |
| Benefit | N/A | N/A |

D. Other Costs or Benefits

None identified.

Customer Service Best Practice Report

| | |
|-----------------------|---|
| Team | Customer Service |
| Leads | Cheryl Bruner/Bernie Molchany/Dave Ling |
| Objective | To enhance the relationship between LKE and PPL and to share best practices relating to Call Center operations, including: organizational structure, reward/recognition, training, quality assurance, forecasting/scheduling, technologies, and tech support. |
| Scope | <ul style="list-style-type: none"> • Establish strong peer to peer working relationships between the companies. • Share best practices, including these areas: <ul style="list-style-type: none"> ○ 21st Century's High Volume Call Answering ○ Web-based self-services ○ Enrollment in 21st Century's Mutual Assistance Service (MARS), ○ Avaya/Genesys phone system, ○ Increased adoption rates of IVR self-service. ○ Increased adoption rates of web self-service. |
| Findings | <p>PPL EU and LKE have long histories of being customer focused. The cultures of the companies are very similar and the peer to peer working relationships were established quickly and easily. All are focused on continually improving and providing customers the best possible service at a reasonable cost.</p> <p>PPL experienced an unprecedented level of storms in 2011. The magnitudes of these storms lead to customer communication issues.</p> <p>PPL reached out to LKE to learn about their experience with Twenty First Century's High Volume Call Answering (HVCA) as LKE has been using this service for a number of years.</p> |
| Recommendation | Continue to strengthen the working relationships established and share best practices to meet the above objective. |
| Status | The parties have built solid working relationships that continue to strengthen. PPL installed HVCA on 12/22/2011, and Dave Ling spent 4 days in Louisville in February 2012 seeking out and sharing best practices. There is an opportunity to benefit from these continuing efforts. |

Customer Service Best Practice Report

| | |
|-----------------------|--|
| Team | Billing and Payment |
| Leads | Mike Cooper/Mark Velicer |
| Objective | To enhance the relationship between LKE and PPL and to share best practices relating to credit/collections and payments. |
| Scope | <ul style="list-style-type: none"> • Establish strong peer to peer working relationships between the companies. • Share best practices, including these areas: <ul style="list-style-type: none"> ○ Estimating Budget Payment Plan payments to avoid high ‘true-up’ bills for customers. ○ Final accounts - outside collection agency performance ○ Active accounts - behavioral (risk) scoring practices and outside vendors ○ Red Flag Rules (defined by Fair and Accurate Credit Transactions Act) ○ Active accounts – payment arrangements |
| Findings | PPL EU and LKE both have similar cultures and strong credit/collection and payment practices, employing several industry best practices. PPL EU has a significantly higher level of net write offs, primarily due to regulatory differences. There are potential synergies by using common collection agencies. PPL may benefit from adopting an external behavioral scoring model similar to LKE. |
| Recommendation | Consider leveraging combined value of accounts at outside collection agencies. Investigate Total Solution behavioral scoring model for use at PPL. Continue discussions on best practices and implement those where measurable benefits can be obtained. |
| Status | The team completed its review of LKE’s Budget Payment Plan and submitted to the KPSC. Preparing a request for information to be released to potential collection agencies. PPL is in contact with Total Solution and is moving forward. Best practice discussions related to the scope above are continuing. |

Customer Service Best Practice Report

| | |
|-----------------------|--|
| Team | Low-Income Team |
| Leads | Tim Melton, Tim Dahl, Debbie Shobe |
| Objective | To enhance relationships between LKE and PPL and serve as an advocate for vulnerable customers and the agencies and organizations that serve them. |
| Scope | <ul style="list-style-type: none"> • Establish strong peer to peer working relationships between the companies. • Share best practices. • LKE and PPL plan to further explore the programs offered to low income customers by both companies, to include and ways to maximize LIHEAP funds obtained for these customers • Monitor and ensure that all financial commitments to low income programs are completed according to agreed upon assurances in 2010 rate case and PPL Change of Control agreements |
| Findings | <p>PPL and LKE have long histories of providing targeted programs to assist customers in financial need. PPL's Universal Service Programs and LKE's low-income program offerings have many similarities. The primary difference between PPL and LKE's programs is the level of program funding provided through a rider or special charge on the customer bill. The companies work closely with agencies that administer LIHEAP funds.</p> <p>LKE monitored and ensured that all financial commitments to low income programs were completed according to agreed upon assurances in the 2010 rate case and PPL Change of Control agreements.</p> |
| Recommendation | Maintain the present low-income offerings. Continue the best practice sharing between PPL and LKE. Continue the open dialogue concerning low-income programs, policies and practices with low-income advocacy groups by continuing quarterly Customer Commitment Advisory Forums. Continue to aggressively pursue partnerships with agencies and organization that serve the low-income customers. |
| Status | A report comparing LKE and PPL low income programs was completed in October 2011. Best practice discussions related to the scope above are continuing. |

Customer Service Best Practice Report

| | |
|-----------------------|---|
| Team | Demand Side Management (DSM) and Energy Efficiency (EE) |
| Leads | Tom Stathos and David Huff |
| Objective | To enhance relationships between LKE and PPL and exchange information about design, development and results of DSM and EE programs and ensure alignment on smart grid strategy. |
| Scope | <ul style="list-style-type: none"> • Establish strong peer to peer working relationships between the companies. • Share best practices and review programs deployed by LKE and PPL. • Share Smart Grid Strategy. |
| Findings | <p>Both KE and PPL EU have DSM and EE programs that serve the entire spectrum of their respective customer bases. At both utilities the DSM and EE programs are funded by rate payers.</p> <p>As a vertically integrated electric utility, LKE's EE and DSM programs fit into their integrated resource planning and support the Kentucky Governor's efforts to reduce carbon emission.</p> <p>PPL EU's EE and DSM programs are primarily driven by Act 129 requirements. Failure to meet compliance goals could result in fines.</p> <p>The key tenets for evaluating smart grid and smart meter technologies are demonstrated consistently in PPL and LKE's deployment initiatives.</p> |
| Recommendation | Continue to strengthen and enhance the channels of communications between the LKE and PPL EU. Participate in the NIST Smart Grid Interoperability Panel ("SGIP"). |
| Status | A report comparing PPL and LKE program offerings was completed and filed with KPSC in October 2011. Coordinating participation on the SGIP. Best practice discussions related to the scope above are continuing. |

Customer Service Best Practice Report

| | |
|-----------------------|--|
| Team | <i>Economic Development</i> |
| Leads | <i>Alan McGinnis and Don Bernhard</i> |
| Objective | To enhance relationships between LKE and PPL and review best practices in both states. |
| Scope | <ul style="list-style-type: none"> • Establish strong peer to peer working relationships between the companies. • Establish and communicate best practices, including review of related tariffs |
| Findings | <p>There are very different models in the two states based on a regulated versus deregulated environment. In a deregulated environment economic development is no longer a revenue generator for a wires company, but expectations from communities for utility leadership remains high. LKE continues a traditional utility economic development approach, which produces important public relations benefits with key community leaders plus revenue growth for LKE. Kentucky economic development staff has a direct impact on landing new jobs in the state and on strengthening local development groups to do the same.</p> <p>In both states the economic development teams work very successfully with state economic development teams.</p> |
| Recommendation | <p>Continue the best practice sharing between PPL and LKE. Periodically review our comparative experiences with specific site location consultants and with economic development experts who are potential speakers at our respective PPL sponsored state economic development forums.</p> <p>Look for opportunities to work together to strengthen national reputation.</p> <p>Continue to work closely with state and local economic development organizations.</p> |
| Status | Kentucky and Pennsylvania economic development staff remains committed to providing leadership to local partners. Best practice discussions related to the scope above are continuing. |
| Team | Community Involvement |
| Leads | Debbie Shobe/ Don Bernhard |
| Objective | To enhance relationships between LKE and PPL and review practices related to community involvement and overall corporate giving. |
| Scope | <ul style="list-style-type: none"> • Establish strong peer to peer working relationships between the companies. • Establish and communicate best practices, including review of funding priorities and tracking mechanisms. |

Customer Service Best Practice Report

| | |
|-----------------------|--|
| | |
| Findings | <p>PPL and LGE both have a long heritage of excellent customer service. However, scores related to awareness of community involvement are higher in Kentucky.</p> <p>Funding priorities are similar and compatible in Pennsylvania and Kentucky.</p> <p>In both states there is an effective combination of a high level budget to fund major philanthropic initiatives and local programs where funding decisions are made by people with strong local connections and knowledge. The local presence and local involvement is strength in both places.</p> <p>LKE is committed to maintaining a level of community involvement and charitable contributions comparable to or greater than pre-merger levels.</p> <p>Initial benchmarking analysis shows that PPL at a corporate level is very close to the utility industry average for donations, especially when the analysis is done solely for US operations.</p> |
| Recommendation | <p>All community programs and donations are well structured and well executed and the company should continue to move forward with them.</p> <p>Pennsylvania should consider changes in its philanthropic process in order to raise awareness.</p> <p>LKE and PPL should continue to work closely with local organizations.</p> |
| Status | <p>Changes to philanthropy in Pennsylvania and the creation of an Ambassador program are under review.</p> <p>LKE and PPL are continuing to work closely with local partners.</p> <p>Best practice discussions related to the scope above are continuing.</p> |



Customer Service & Marketing

Low-Income Program Comparison PPL/LG&E/KU October 2011

PPL Electric, Louisville Gas and Electric and Kentucky Utilities have long histories of providing targeted programs to assist customers in financial need. This memo and the matrix that follows provide an overview comparison of the utilities' current offerings.

PPL's Universal Service Programs and LKE's low-income program offerings have many similarities. All three utilities offer programs geared to assist customers-in-need with monthly payments, provide weatherization services, allow flexible due dates, waive late payment charges, refer customers to other assistance agencies and provide "double" protection against disconnection for non-payment.

The primary difference between PPL and LKE's programs, however, is the level of program funding, in particular, funding provided through a rider or special charge on the customer bill. For example, PPL's OnTrack Program is comparable in design and purpose to LG&E and KU's Home Energy Assistance program. However, the OnTrack program is funded through a Universal Service Rider charge on the customer bill of \$0.00515/kWh (\$5.15/mo for a customer using 1,000 kWh) and provides assistance for approximately 35,000 customers annually with a \$50 million budget, while the Home Energy Assistance program is funded through a charge of \$0.15/residential meter and provides assistance for approximately 4,000 customers annually with a \$2 million budget.

PPL's Winter Relief Assistance Program ("WRAP") is comparable to LG&E and KU's WeCare program. Both programs provide energy education, energy audits and weatherization services for qualified customers. The WRAP program assists approximately 7,000 customers annually with a \$17 million budget, while the WeCare program assists approximately 1,200 customers annually with just under \$2 million.

PPL's Operation HELP program is similar to LG&E's Community Winterhelp and KU's WinterCare program in that both PPL and LKE utilize community based organizations to administer the utility assistance programs. Operation HELP assists over 4,000 customers with an annual budget of \$1.4 million (\$1 million PPL contribution). Community Winterhelp and WinterCare assist more than 1,500 customers from customer contributions and a \$300,000 budget (company matching funds). Additionally, LG&E partners with the Association of Community Ministries by leveraging \$225,000 in shareholder dollars to assist approximately 2,000 additional customers.

All three utilities work closely with agencies that administer Low Income Home Energy Assistance Program ("LIHEAP") federal funds. PPL and LKE receive comparable amounts of LIHEAP funds, with PPL receiving about \$15.5 million annually for 50,000 customers, and LG&E and KU receiving about \$16.2 million for 56,000 customers.

**Low Income Programs
October 2011
PPL/LG&E/KU**

| Focus Area | PPL | LG&E | KU |
|------------------------|---|---|--|
| Bill Assistance | On Track Funded by universal service rider on customer bills. Provides reduced payments, arrearage forgiveness, and referrals to other assistance programs. Administered by local agencies. Approx. 35,000 customers assisted annually. Annual budget of \$50 million. | Home Energy Assistance (HEA) Funded by \$0.15 meter charge for residential customers. Arrearage payment (Fresh Start) and monthly bill assistance. Annual renewal. Approx. 2,000 customers assisted annually. \$180,000 in shareholder dollars committed to program annually. | Kentucky Home Energy Assistance (KHEA) Funded by \$0.15 meter charge for residential customers. Bill assistance payments for seven months (July-Sept and December-March). Approx. 2,300 customers assisted annually. \$120,000 in shareholder dollars committed to program annually. |
| Bill Assistance | Operation HELP Funded by donations from PPL, employees and customers. Pays any type of home energy bill. Open year-round and administered by local agencies. Over 4,000 customers assisted annually. Annual budget of \$1.4 million. | Community Winterhelp Funded by donations from LG&E and customers. Administered by Louisville Urban League. Assists customers January-April Over 1,000 customers assisted annually. Funded by approximately \$200,000 in LG&E and customer contributions. | WinterCare Funded by donations from KU and customers. Statewide program so other utilities contribute to fund. Administered by Community Action Kentucky and Lexington Community Action Council. Over 500 customers assisted annually. Funded by approximately \$100,000 in KU and customer contributions. Beginning in 2011, minimum KU shareholder contribution is \$100,000. |
| Bill Assistance | | Association of Community Ministries (ACM) Utility Match. Funded by \$225,000 shareholder contribution. Distributed by 16 community ministry organizations. For every dollar raised by ministry, LG&E matches with \$2 until \$225,000 is | |

| Focus Area | PPL | LG&E | KU |
|--|---|--|---|
| | | distributed. Over 2,000 customers assisted annually. | |
| Low-Income Weatherization | WRAP (Winter Relief Assistance Program) Provides free weatherization services, including energy education. Energy audit and installation of materials by contractors and/or agencies. Approx. 3,000 customers assisted annually. Annual budget of \$8 million. | WeCare (Weatherization, Conservation Advice and Recycling Energy) Funded DSM charge on residential bill. Managed by Energy Efficiency department. Approx. 600 customers assisted annually. Annual budget of \$900,000. | WeCare (Weatherization, Conservation Advice and Recycling Energy) Funded by DSM charge on residential bill. Managed by Energy Efficiency department. Approx. 600 customers assisted annually. Annual budget of \$900,000. |
| Low Income Assistance Referral | CARES (Customer Assistance and Referral Evaluation Service) Provides short-term payment arrangements and protects customer from shutoff. Refers customer to PPL or community assistance programs. Administered internally and assists about 900 customers annually. | CSRs provide short term payment arrangements and refer customers to community based organizations who offer utility payment assistance. | CSRs provide short term payment arrangements and refer customers to community based organizations who offer utility payment assistance. |
| Low Income – Late Payment Charge (LPC) Waiver | LIHEAP recipients and OnTrack participants receive waiver of LPC. For LIHEAP recipients, the waiver remains in place until the next LIHEAP program year. For OnTrack recipients, the waiver remains in place as long as the customer is active in the program. | LPC is waived for current month and eleven following months when customer receives a utility assistance payment. This includes LIHEAP and other assistance as well. | LPC is waived for current month and eleven following months when customer receives a utility assistance payment. This includes LIHEAP and other assistance as well. |
| Weatherization | Act 129 Low Income Weatherization Free installation of conservation measures and energy conservation | LG&E partners with non-profit group “Project Warm” and funds first level weatherization. Occurs first two Saturdays | KU partners with Lexington Community Action Council and funds first level weatherization. Occurs one Saturday in |

| Focus Area | PPL | LG&E | KU |
|--------------------------------------|--|--|--|
| | education. Annual budget of \$9 million. Approx. 4,000 customers assisted annually. | in November. LG&E employees and families volunteer for event. Approx. 300 customers assisted annually. | October. KU employees and families volunteer for event. Approx. 50 customers assisted annually. |
| Low Income – 30-day Extension | | LG&E grants an automatic 30-day extension beyond disconnect due date when 50% of delinquent amount is paid with assistance agency involvement. | KU grants an automatic 30-day extension beyond disconnect due date when 50% of delinquent amount is paid with assistance agency involvement. |
| Flexible Due Dates | Allows customers to change their due dates to coincide with receipt of social security benefits, pensions, etc. | Fixed and Limited Income Extension (FLEX) Grants an additional 16 days to pay without penalty. Program geared toward customers who generally pay at the first of month or only get a monthly check. | Fixed and Limited Income Extension (FLEX) Grants an additional 16 days to pay without penalty. Program geared toward customers who generally pay at the first of month or only get a monthly check. |
| Bill Assistance | LIHEAP About \$15.5 million annually for 50,000 customers. Conduct outreach to inform eligible customers about the program. | LIHEAP About \$6.6 million annually for 21,000 customers. Promotes outreach through CSRs and Corporate Communications. | LIHEAP About \$9.6 million annually for 35,000 customers. Promotes outreach through CSRs and Corporate Communications. |
| Optional Billing | Double Notice Protection Allows a family member, friend, or other to receive a duplicate copy of any termination notice. | Third Party Notification With permission of customer of record, third party receives a duplicate copy of any termination notice. | Third Party Notification With permission of customer of record, third party receives a duplicate copy of any termination notice. |



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

October 31, 2011

Re: *The Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities*
Case No. 2010-00204

LG&E and KU Energy LLC
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Rick E. Lovekamp
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Dear Mr. DeRouen:

Pursuant to the Commission's Order of September 30, 2010, in the above-referenced proceeding, Ordering Paragraph No. 3, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") hereby file a report describing and summarizing the effectiveness of all demand-side management programs which PPL entities have implemented in other jurisdictions that differ from the programs offered by LG&E and KU to their Kentucky customers.

Please place the file stamp of your Office on the enclosed additional copy of this notice and return it in the envelope provided.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Rick E. Lovekamp

**COMMONWEALTH OF KENTUCKY
 BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:)
)
JOINT APPLICATION OF PPL CORPORATION, E.ON AG,)
E.ON US INVESTMENTS CORP., E.ON U.S. LLC,)
LOUISVILLE GAS AND ELECTRIC COMPANY, AND)
KENTUCKY UTILITIES COMPANY FOR APPROVAL OF)
AN ACQUISITION OF OWNERSHIP AND CONTROL OF)
UTILITIES)
)

CASE NO. 2010-00204

**PPL CORPORATION AND
 LOUISVILLE GAS AND ELECTRIC COMPANY / KENTUCKY UTILITIES COMPANY
 DSM / ENERGY EFFICIENCY COMPARATIVE**

Filed: October 31, 2011

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INTRODUCTION

On May 28, 2010, PPL Corporation, E.ON AG (“E.ON”), E.ON US Investments Corp. (“E.ON Investments”), E.ON U.S. LLC (“E.ON US”), Louisville Gas and Electric Company (“LG&E”), and Kentucky Utilities Company (“KU”) tendered for filing a joint application pursuant to KRS 278.020(5) and 278.020(6) for approval of the transfer of ownership and control of E.ON US and, by extension, LG&E and KU to PPL Corporation in accordance with terms of an April 28, 2010 Purchase and Sale Agreement. The minimum filing requirements were satisfied on June 2, 2010 and the joint application was accepted as filed on that date.

In its final order approving the change of control (Case No. 2010-00204), the Kentucky Public Service Commission (“Commission”) states “...because of our belief that DSM, energy efficiency, and conservation will continue to increase in importance over time, we are extremely interested in remaining apprised of all such programs which PPL [Corporation] affiliates have implemented in other jurisdictions. For that reason, we will establish a requirement for PPL [Corporation], LG&E, and KU to file a report with the Commission annually which describes and summarizes the effectiveness of all such retail programs that are offered by a PPL [Corporation] affiliate in other jurisdictions but are not offered by LG&E and KU.” Ordering Paragraph No. 3 of the Order establishes that reporting requirement.

In response to the reporting requirement set forth in the Commission’s Order, PPL Corporation, LG&E, and KU present the following: (1) a comparative of offerings between the Companies¹; (2) a description of existing DSM programs for PPL Electric Utilities Corporation (“PPL”), LG&E, and KU; (3) a description of the varying regulatory structures between PPL, LG&E, and KU; and (4) a historical perspective of DSM initiatives for PPL, LG&E, and KU.

1.0: Comparative of Offerings between PPL, LG&E and KU

| PPL Program Name | LG&E and KU Comparative Program |
|--|---|
| Compact Florescent Lighting Program | Residential High Efficiency Lighting Program |
| Energy Star® New Homes Program | Residential New Construction Program |
| HVAC Tune-Up Program | Residential and Commercial HVAC Diagnostic and Tune-Up Programs |
| Direct Load Control Program and Load Curtailment | Residential and Commercial Load Management |
| Energy-Efficient Behavior and Education | Customer Education and Public Information |
| Appliance Recycling Program | Residential Refrigerator Removal Program |
| Commercial and Industrial Customer Incentive Program | Commercial Conservation Program |

¹ This being the initial report issued by PPL, LG&E, and KU the Companies are providing a comparative and details of all DSM/EE programs. Future reports provided by the Companies will provide information relating to retail programs that are offered by a PPL affiliate in other jurisdictions but are not offered by LG&E and KU.

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| PPL Program Name | LG&E and KU Comparative Program |
|---|---|
| Efficient Equipment Incentive | Residential Incentive Program |
| Low-Income WRAP and Low-Income E-Power Wise | Residential Low-Income Weatherization Program (WeCare) |
| Residential Energy Assessment and Weatherization | Residential Conservation Program |
| Administrative Call and Rebate Processing Center and the Energy Efficiency MIS Functions | Program Development and Administration |
| Renewable Energy Program | Green Energy Program & Net Metering |
| Time of Use Rates | Time of Use Rates |

2.0: Regulatory Structure and Legislation of PPL, LG&E, and KU

2.1: PPL

On October 15, 2008, Governor Rendell signed HB 2200 into law as Act 129 of 2008, with an effective date of November 14, 2008. The Act expands oversight responsibilities of the Pennsylvania Public Utility Commission (“PUC”) and imposes new requirements on electric distribution companies (“EDCs”), with the overall goal of reducing energy consumption and demand. Pursuant to an Implementation Order entered by the PUC on the January 16, 2009, PPL submitted a revised Energy Efficiency and Conservation Plan in compliance with Section 2806.1 (b)(1)(i) of Act 129. A subsequent revision to the EEC plan was issued on February 28, 2011 and approved by the PUC on May 5, 2011 (Docket No. M-2009-2093216). Those revisions are reflected in this document. The Plan describes an extensive portfolio of energy-efficiency, conservation, and peak load reduction measures, programs, and customer education. The PPL Portfolio consists of the following programs, all of which are voluntary for customers

1. Efficient Equipment Incentive Program
2. Residential Energy Assessment & Weatherization
3. Compact Fluorescent Lighting Campaign
4. Appliance Recycling Program
5. ENERGY STAR® New Homes Program
6. Renewable Energy Program
7. Direct Load Control Program
8. Time of Use Rates
9. Energy-efficiency Behavior & Education
10. Low-income WRAP
11. Low-income E-Power Wise
12. Commercial and Industrial Custom Incentive Program
13. HVAC Tune-Up Program
14. Load Curtailment Program

These 14 programs are designed to meet the goals established by Sections 2806.1 and 2806.2 of Act 129, as outlined in the PUC’s January Order:

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“This program requires an EDC with at least 100,000 customers to adopt a plan, approved by the Commission, to reduce electric consumption by at least one percent (1%) of its expected consumption for June 1, 2009 through May 31, 2010, adjusted for weather and extraordinary loads. This one percent (1%) reduction is to be accomplished by May 31, 2011. By May 13, 2013, the total annual weather-normalized consumption is to be reduced by a minimum of three percent (3%). Also, by May 31, 2013, peak demand is to be reduced by a minimum of four-and-a-half percent (4.5%) of the EDC’s annual system peak demand during the period of June 1, 2007 through May 31, 2008.”²

These programs are designed as a portfolio of options which, once implemented, will offer PPL’s customers a cost-effective, equitable, flexible, and wide-ranging set of programmatic choices, incentive options, information, and educational opportunities. In a series of orders, the PUC has approved all of these programs together as an integrated portfolio designed to meet Act 129 energy-efficiency and conservation goals in PPL’s service territory.

2.2: LG&E and KU

The need for Demand-Side Management and Energy Efficiency (“DSM/EE”) programs is growing, as Kentucky’s government has recognized at the very highest levels. For example, the Commission expressed its clear desire to see greater development and deployment of DSM/EE programs in its February 17, 2011 Final Order in Case No. 2010-00222:

The Commission believes that conservation, energy efficiency and DSM, generally, will become more important and cost-effective as there will likely be more constraints placed upon utilities whose main source of supply is coal-based generation.

...

[T]he Commission believes that it is appropriate to strongly encourage Meade, and all other electric energy providers, to make a greater effort to offer cost-effective DSM and other energy efficiency programs.³

In November 2008, the Commonwealth of Kentucky issued a report entitled, “Intelligent Energy Choices for Kentucky’s Future”. It outlines seven strategies to diversify sources of energy, conserve energy, and become more energy-efficient to reduce demand. The very first strategy stated in the Governor’s report is, “Strategy 1: Improve the Energy Efficiency of Kentucky’s Homes, Buildings, Industries, and Transportation Fleet,” with a strategic goal of having “[e]nergy efficiency ... offset at least 18 percent of Kentucky’s projected 2025 energy demand.”⁴

² January 16, 2009 Implementation Order (Implementation Order) of the Pennsylvania Public Utility Commission (the Commission) at Docket M-2008-2069887 and the Commission’s Opinion and Order entered on October 26, 2009 at Docket M-2009-2093216.

³ *In the Matter of: Application of Meade County Rural Electric Cooperative Corporation to Adjust Electric Rates*, Case No. 2010-00222, Order at 15-16 (Feb. 17, 2011).

⁴ Intelligent Energy Choices for Kentucky’s Future at v-vi. Available at: http://www.purchaseadd.org/files/pdf/pacro/final_energy_strategy_for_kentucky.pdf

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As Governor Beshear stated in the report, “For Kentucky to be a national energy leader, we must fully integrate the development of our energy resources with our mission to protect the environment...The seven strategies, when implemented, will restructure our energy portfolio so that we can use energy in its broadest sense as a tool for economic development and preserving our environment, which Kentucky desperately needs.”⁵ The report indicates that Kentucky’s energy usage is projected to grow slightly more than 40% between 2008 and 2025 in the absence of energy efficiency efforts. While there is no legislative requirement that LG&E and KU offer energy efficiency to its customers, the Companies promote energy efficiency products and services for three core reasons: (1) To reduce peak demand and delay the need to invest in additional power plant construction; (2) To provide customers with tools and information to become better managers of their energy usage; and (3) To be responsive to the Kentucky governor’s seven-point energy plan which places energy efficiency as a core element in addressing carbon emissions.

3.0: History of DSM Initiatives

3.1: PPL

The Pennsylvania Electricity Generation Customer Choice and Competition Act of 1996 deregulated the generation of electricity in Pennsylvania effective January 1, 1997. The legislation provided a transition to deregulation of generation supply with rate caps put in place for all EDC customers, generally for about 10 years. These rate caps maintained retail rates at 1997 levels while EDCs collected stranded costs created by the restructuring of the industry. As the rate caps began to expire in other states, like Maryland, the PUC realized that those customers were susceptible to much higher electricity prices.

Energy Efficiency in Pennsylvania began to take shape in 2006 with the PUC’s May 19, 2006 Order and June 22, 2006 en banc hearings through which the PUC began an investigation of policies to mitigate potential electricity price increases when rate caps expired. It became apparent that the rate caps which had held customers’ rates constant for so many years would end, exposing the customers to market rates much higher than they were currently paying. On December 21, 2006 during a meeting with the Energy Association of Pennsylvania (“EAPA”), the PUC’s Vice-Chairman identified implementing demand-side response, energy efficiency, and conservation as his top priority and indicated that the Governor and his administration supported such an initiative.

As a result of this meeting and others, utilities in Pennsylvania began to include conservation, energy efficiency and consumer education proposals in their distribution base rate filings. The funds for these programs were included in the future test year claims submitted with the rate case filings. In general, funds requested for energy efficiency and consumer education were modest and covered smaller efficiency programs that were limited in scope. They also covered advertising and other communications that promoted energy efficiency and shopping for electricity supply to the customer base.

⁵ Id. at xii.

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Generally, requests for funding of energy efficiency and energy education programs were approved by the PUC. Even with those funds in place, it became evident that more would need to be done to mitigate the potential increases in electricity prices that would occur when the rate caps expired. The rate caps ended on January 1, 2009 for PPL and on January 1, 2010 for PECO and First Energy.

Prior to rate caps expiring for the three largest electric EDCs in Pennsylvania, the public policy push for energy efficiency shifted from the PUC to the legislature. House Bill 2200 was drafted in early 2008 and signed into law by Governor Rendell on October 15, 2008, as Act 129. The Act laid the framework for energy efficiency and demand reductions for all the Pennsylvania utilities by May 31, 2013, with interim consumption reductions on May 31, 2011. Implementation of the legislation was assigned to the PUC. The PUC's charge is to interpret and administer Act 129, but the PUC does not have authority to change the requirements of Act 129.

The EDCs in Pennsylvania have been on a steep learning curve since Act 129 was passed. Throughout the first two years of implementation, both the PUC and the EDCs have worked to understand how the EDCs' plans would be implemented; how savings would be evaluated, measured, and verified; and how mid-stream corrections to the EDCs' plans could be made to adjust to a dynamic market place. Through collaboration by all stakeholders, significant progress has been made to enhance the overall process by which cost-effective energy savings are achieved in Pennsylvania.

The Act directs the PUC, by November 30, 2013, to determine whether to adopt additional incremental reductions in consumption and demand. The EDCs have asked the PUC to provide guidance and objectives for development of any EE&C plans that would follow the expiration of current EE&C plans on May 31, 2013. Currently, there are no active legislative efforts to modify Act 129.

3.2: LG&E and KU

LG&E began negotiations with interveners in 1992 regarding the implementation of DSM/EE programs for the benefit of its customers, and the recovery of the costs associated with such programs. This collaborative effort, known as the DSM Collaborative resulted in a request to the Commission in November 1993 to approve "The Joint Application for the Approval of Demand-Side Management Programs, a DSM Cost Recovery Mechanism, and a Continuing Collaborative Process on DSM for Louisville Gas and Electric Company" (Case No. 93-150). Initial DSM/EE programs were implemented in 1994.

In December 1995, the DSM Collaborative submitted a filing proposing to begin new DSM/EE programs and to continue the existing programs. The Commission approved the filing in June 1996. The approved programs included initial research and development for the Residential Load Management Program and the Program Development and Administration, which was developed to capture the cost of developing and administering the complete set of DSM/EE programs.

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In 1997, the DSM Collaborative submitted several filings that resulted in all the programs previously approved being proposed again to the Commission along with the addition of the Residential Energy Audit Program. The Commission approved this filing in April 1998.

In May 2001, the Companies received approval for the modification and continuation of DSM/EE programs and cost recovery mechanisms. In 2008 the Commission approved the Companies' latest filing, Case No. 2007-00319. That filing demonstrated the Companies' objective to develop, implement, and promote cost-effective offerings that advance the effective and deliberate use of energy by end-use customers. The intention is to provide customers with the tools they need to help make better use of the energy the Companies provide.

Case No. 2007-00319 represented a significant expansion and emphasis on customer energy efficiency. The three years since the approval of these programs has granted greater insight into the challenges and obstacles associated with the outlined metrics within that program plan. As a result of the lessons learned, the Companies filed with the Commission in April 2011⁶ to enhance the following programs: Residential and Commercial Load Management; Commercial Conservation; Residential Conservation; Residential Low Income Weatherization Program; and Program Development and Administration.

In addition to enhancing several currently approved programs, the Companies sought approval for additional DSM/EE programs that will further increase participation opportunities for customers. These programs include the Residential Incentives Program, and a Residential Refrigerator Removal Program.

Programs the Companies proposed and the Commission approved in Case No. 2007-00319 not included in the April 2011 program plan will remain unchanged in regard to programming, budgets, and associated metrics. The Companies propose to continue these existing programs through 2014. The rationale for the Companies not seeking any changes to these particular programs at this time is that the programs can be categorized as "market transformation programs" or are currently operating satisfactorily within the approved program designs, and therefore do not warrant enhancements. These programs include Residential High Efficiency Lighting, Residential New Construction, Residential and Commercial HVAC Diagnostic and Tune Up, and Customer Education and Public Information.

4.0: Existing Program Descriptions

4.1: PPL

The following provides an overview of the Energy Efficiency and Conservation Act 129 Programs. Programmatic information includes a program description and objectives. Programs include: Efficient Equipment Incentive Program; Residential Energy Assessment &

⁶ 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

Weatherization; Compact Fluorescent Lighting Campaign; Appliance Recycling Program; ENERGY STAR® New Homes Program; Renewable Energy Program; Direct Load Control Program; Time of Use Rates; Energy-efficiency Behavior & Education; Low-income WRAP; Low-income E-Power Wise; Commercial and Industrial Custom Incentive Program; HVAC Tune-Up Program; and Load Curtailment Program. Also included are descriptions of the administrative function for the Call and Rebate Processing Center and the Energy Efficiency Management Information System (“EEMIS”).

4.1.1. Residential Efficient Equipment Incentive Program

The Efficient Equipment Incentive Program is designed to promote the purchase and installation of a wide range of high-efficiency appliances and equipment. This program provides customers with rebates to offset the higher cost of the qualified appliance and equipment purchases.

An Administrative Conservation Service Provider (“CSP”) was contracted to provide intake, verify eligibility of customer requests for rebates, and process rebates. An Advertising, Marketing and Public Relations CSP was contracted to promote this program. This program was not designed to utilize a CSP at the consumer level. Customers participating in this program are required to submit a paper application requesting a rebate. Customers receive a rebate in the form of a check or a debit card.

A large number of rebates processed are from customers making purchases in small independent stores. Because of the large number of independent retailers in PPL’s territory and the importance of keeping those retailers engaged in the program, a CSP was contracted to work directly with independent retailers, providing a field trainer to visit stores and promote the program.

The objectives of the Residential Efficient Equipment Incentive Program are to: (1) Provide customers with opportunities to reduce their energy costs and increase their energy efficiency; (2) Encourage customers to install high-efficiency lighting equipment and electric appliances; (3) Encourage the use of high-efficiency/ENERGY STAR®-rated appliances; (4) Promote strategies that encourage and support market transformation for high-efficiency appliances and (5) Achieve no less than four million installed measures through 2013, with a total reduction of 29,708 MWh and 5,000 kW.

4.1.2. Residential Energy Assessment & Weatherization Program

The Residential Energy Assessment & Weatherization Program serves as a mechanism to assess the energy performance of customers’ homes, educate customers about actions they can take to increase the energy efficiency of their homes, and distribute low cost energy efficiency measures (including compact fluorescent lamps, surge strips, and pipe insulation).

The program targets residential customers with a household income greater than 150% of the Federal Poverty Level who live in a single family or mobile homes with electric heat, electric water heating, and/or central air conditioning.

There are two tracks to the program: a walk through Survey with a customer cost of \$50 and a Comprehensive Energy Audit with a customer rebate of \$100 or \$250 depending on the customer's heating and cooling source. Customers participating in the Comprehensive Energy Audit program have the opportunity to receive additional rebates if they install two or more of the measures recommended in their audit.

The objectives of the Residential Energy Assessment & Weatherization Program are to: (1) Provide customers with the opportunity to participate in a walk-through survey or comprehensive energy audit; (2) Provide customers with opportunities to reduce their energy costs and increase their energy efficiency; (3) Encourage customers to weatherize their homes by providing rebates; (4) Install low-cost energy saving measures as part of both the survey and the audit which may result in immediate savings; and (5) Obtain participation by no less than 5,940 customers through 2013, with a total reduction of 5,960 MWh and 590 kW.

4.1.3. Compact Fluorescent Lighting Campaign -- CFL Program

The Compact Fluorescent Lighting Campaign ("CFL Program") encourages customers to install ENERGY STAR® rated CFL bulbs. The program has two components: a retail upstream lighting incentive that significantly reduces the customer cost of purchasing ENERGY STAR CFLs at a participating retail store and a CFL giveaway component that distributes free CFLs at various events and activities.

The objectives of the CFL Program are to: (1) Provide a mechanism for customers to easily obtain discounted ENERGY STAR-qualified CFLs; (2) Develop and execute strategies aimed at transforming the market for ENERGY STAR-qualified CFLs with the goal of increasing the number of qualified products purchased and installed in the service territory; (3) Encourage customers to install CFLs obtained from the give-away program; (4) Increase consumer awareness and understanding of the energy-efficiency of CFLs, as well as proper use of CFLs in various lighting applications; (5) Promote consumer awareness and understanding of the ENERGY STAR label; (6) Promote other PPL energy efficiency programs through CFL package inserts; and (7) Distribute no fewer than 7,125,000 CFLs through 2013, with a total reduction of 292,100 MWh and 45,630 kW.

4.1.4. Appliance Recycling Program

The Appliance Recycling Program provides customers with an incentive to dispose of their older inefficient refrigerators, freezers and room air conditioners. Refrigerators, freezers and air conditioners are picked up from the customer's location. Room air conditioners are only picked up at residential customers' home in conjunction with a pickup of a refrigerator or freezer. After independent assessments, the same CSP was chosen by each EDC to provide appliance recycling. That CSP has opened two recycling facilities that process units picked up from the Pennsylvania EDC customers.

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PPL's program primarily targets residential customers, but it is available to all customer segments wanting to recycle a working, residential grade refrigerator, freezer, or room air conditioner unit. Refrigerators must be at least 10 cubic feet in size.

The objectives of the Appliance Recycling Program are to: (1) Encourage customers to dispose of their existing, inefficient appliances when they purchase new ones or eliminate a second unit that may not be needed; (2) Reduce the use of secondary, inefficient appliances; (3) Ensure appliances are disposed of in an environmentally responsible manner; (4) Provide on-site decommissioning to ensure appliances are not resold in a secondary market; and (5) Collect and recycle no fewer than 49,000 appliances⁷ through 2013, with a total reduction of 114,760 MWh and 13,150 kW.

4.1.5. ENERGY STAR® New Homes Program

The ENERGY STAR® New Homes Program was designed to encourage construction of energy-efficient new homes addressing both the building shell and electrical equipment. The program was based on the US Environmental Protection Agency's ENERGY STAR® New Homes program. Participants are expected to work within the framework of the Residential Energy Services Network (RESNET®) accredited Home Energy Rating System (HERS) to receive a qualifying HERS rating. The program was designed to offer financial incentives for technical assessments (*i.e.*, HERS ratings) and to offset the higher purchase price of new, high-efficiency equipment based on achieving ENERGY STAR® certification.

The objectives of the ENERGY STAR® New Homes Program are to: (1) Promote construction of energy-efficient new homes; (2) Educate construction industry professionals and customers about the benefits of ENERGY STAR new homes; and (3) Obtain participation by no less than 1,930 customers through 2013, with a total reduction of 5,200 MWh and 590 kW.

PPL is recommending to the PUC that the ENERGY Star New Homes program should not be implemented in this EEC plan because: (1) Savings are negligible compared to existing codes and standards that represent the baseline from which savings are measured; (2) It is costly to build the infrastructure to support the program; (3) New home construction is at very low levels due to the poor economic conditions; and, (4) Customers and builders can get incentives through other residential EEC programs for appliance and higher insulation levels.

4.1.6. Renewable Energy Program

PPL's Renewable Energy Program was designed to encourage customers to install a solar photovoltaic ("PV") array or ground-source heat pump ("GSHP") at their home or building by offering rebates to reduce the overall costs.

⁷ This number was reduced from 69,000 as part of the course correction of the Act 129 Residential program portfolio.

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The rebate for PVs was \$2/watt, up to a maximum of \$5,000 for residential and \$500,000 for Government, Non-profit and Institutional customers. The rebate for GSHPs was \$217/ton for Residential, Government, Non-profit and Institutional customers. Helgeson, the Administrative CSP, manages the rebate process.

The objectives of the Renewable Energy Program are to: (1) Provide customers with opportunities to self-generate electricity using clean, renewable resources; (2) Encourage customers to install solar photovoltaic systems and geothermal heat pumps; (3) Promote strategies that encourage and support market transformation toward qualifying clean, renewable energy generation; and (4) Achieve no less than 1,260 installed measures through 2013, with a total reduction of 18,500 MWh and 2,000 kW.

4.1.7. Direct Load Control - Peak Saver Program

Direct Load Control program is designed for residential and small commercial customers. The program will operate weekdays between noon and 7:00 PM during the peak summer season, from June 1st to September 30th. A control device installed on a customer's central air conditioning/heat pump unit by the CSP will allow the unit to be cycled off during peak periods.

The objectives of the Direct Load Control Program are to: (1) Provide incentives to customers willing to reduce their energy consumption during summer peak hours; (2) Educate customers about energy efficiency and peak periods; (3) Reduce demand by 33MW over 100 hours of peak demand during the summer of 2012; and (4) Install approximately 50,000 load control devices to reduce peak demand by 33,000kW.

4.1.8. Time of Use Rates ("TOU") Program

The TOU program, offered to residential, low-income, Small C&I and Government, Non-profit and Institutional customers, provides pricing that encourages customers to shift electricity usage from on-peak periods (when electricity demands and wholesale energy prices are higher) to off-peak periods (when such demands and prices are lower). Shifting use from on-peak to off-peak periods reduces peak demand on generation resources, contributes to reducing wholesale electricity prices during the hours of highest demand, and provides customers with an opportunity to reduce their monthly electric bill.

TOU rates change in June 2011 and then quarterly thereafter. Participants can enter/leave the TOU Program at will. TOU has not sustained customer interest due to the volatility of the rate.

The objectives of the TOU Program are to: (1) Educate customers about energy-efficiency and peak periods; and, (2) Help customers save money by shifting energy use from peak hours to off-peak hours.

4.1.9. Energy Efficiency Behavior & Education Program

The Energy Efficiency Behavior & Education Program, designed for residential customers, provides customers with a bi-monthly report card. These reports include information about free or low-cost energy efficiency measures; behavioral changes a customer may take to reduce energy usage; the value of installing energy-efficiency measures; and information about how behavior and practices impact energy usage. Hard copies of the reports are sent by mail.

The objectives of the Energy Efficiency Behavior & Education Program: (1) Educate customers about free or very low-cost measures and behavior changes that may reduce energy consumption or demand; (2) Educate customers about PPL's online resources and energy efficiency and conservation programs; (3) Encourage customers to adopt energy efficient behaviors and to install energy efficiency measures in their homes; (4) Generate customer reports comparing individual customers to other customers with similar energy usage patterns; and (5) Obtain participation by no fewer than 100,000 customers in Program Year 3 and Program Year 4, with a total reduction of 50 GWh.

4.1.10. Low-Income Winter Relief Assistance Program ("WRAP")

WRAP was a pre-existing PPL program designed to reduce electric consumption and improve comfort for low-income customers. The program provides free energy audits, energy-efficiency measures, and energy education to income-qualified participants. As part of the Act 129 portfolio, PPL increased funding for WRAP by approximately 60% to support delivery to more customers.

WRAP targets customers at or below 150% of the Federal Poverty Level. The program is available to customers in existing single-family housing and in existing multifamily housing, where 50% or more tenants are low-income qualified. Further, the program aims to reach PPL customers that received WRAP assistance in the past and may be in need of further WRAP services, as well as customers that may not have been eligible for low-income assistance due to eligibility rules requiring more than nine months residence in a dwelling.

The objectives of the WRAP program are to: (1) Assist low-income customers to reduce their energy use and energy expenses; (2) Maintain partnerships with social service agencies, Community Based Organizations ("CBOs"), and local contractors to ensure maximum and timely assistance; (3) Provide a referral stream to low-income programs, including On Track, Operation HELP⁸, E-Power Wise, and LIHEAP; (4) Obtain participation by no fewer than 23,590 customers through 2013, with a total reduction of 18,695 MWh and 2,985 kW.

⁸ On Track is PPL Electric Utilities low-income customer debt forgiveness program and Operation Help is PPL Electric Utilities fuel fund.

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4.1.11. Low-income E-Power Wise Program

The E-Power Wise Program, delivered via community based and non-profit organizations, provides low-income customers with free energy-efficiency education and energy-efficiency measures for self installation.

The objectives of the E-Power Wise Program are to: (1) Provide quality energy efficiency education to low-income customers so they can make informed choices about their energy use; (2) Provide information about low-cost/no-cost energy efficiency strategies low-income customers can use in their homes; (3) Provide low-income customers with energy-efficiency measures in free take-home energy efficiency kits; and (4) Obtain participation by no fewer than 7,200 customers through 2013 with a total reduction of 1,080 MWh and 150 kW.

4.1.12. Commercial / Industrial Custom Incentive & Prescriptive Program

These Programs together provide incentives for Small and Large C&I, Government, Non-profit and institutional customers to install electric energy efficiency measures. The program provides prescriptive rebates based on per unit incentives for each measure installed or a custom incentive for measures not eligible for prescriptive incentives that rely on verified savings prior to payment. The program also launched a direct service for Small C&I and Government / Non-Profit customers that provide higher incentives to more quickly bring energy efficiency resource measures to this target sector.

The objectives of the Commercial and Industrial Custom Incentive and Prescription Program are to: (1) Provide customers with opportunities to reduce their energy costs and increase their energy-efficiency; (2) Encourage the installation of high-efficiency equipment not included in PPL Electric Utilities' Efficient Equipment Incentive Program by C&I customers in new and existing facilities; (3) Encourage equipment repairs and optimization and operational or process changes that reduce electricity consumption and peak demand; (4) Encourage a "whole facility" approach to energy-efficiency; (5) Increase the market penetration of high-efficiency equipment; (6) Encourage advanced energy-efficiency strategies required for certification by national market transformation programs such as Leadership in Energy and Environmental Design (LEED); (7) Encourage customers to install high-efficiency HVAC, lighting equipment, electric appliances and the use of high-efficiency/ENERGY STAR®-rated equipment; (8) Promote strategies that encourage and support market transformation for high efficiency appliances and equipment; and (9) Obtain participation by no less than 400 customers through 2013, with a total reduction of 826,626 MWh and 127,370 kW.

4.1.13. HVAC Tune-Up Program

The HVAC Tune-Up Program (delivered through HVAC contractors) is designed to assist Small C&I customers to increase the operating performance of electric HVAC systems in commercial buildings. The Program provides financial incentives to HVAC contractors to diagnose and correct performance inefficiencies in existing packaged HVAC equipment. Incentives for

retrofits are given to the customer. Retrofits include such measures as modifications to existing equipment (*i.e.*, economizer adjustments) and thermostat replacement.

The objectives of the HVAC Tune-Up Program are to: (1) Optimize HVAC unit performance; (2) Assist commercial customers in lowering their energy bills and operating costs; and (3) Obtain participation by no less than 5,770 customers through 2013, with a total reduction of 22,180 MWh and 11MW.

4.1.14. Load Curtailment Program

The Load Curtailment program, designed for Large C&I customers, provides incentives to curtail demand during the peak summer season. The CSP is responsible to enroll and curtail Large C&I customers load during the summer months (June-Sept).

Customers will be notified of peak-hour events and will be requested to decrease load during that period by shifting or eliminating load or using back-up or distributed generation that meets environmental regulations. Customers will be paid an incentive by the CSP.

The number of participants, the number of interruptible hours per participant, and the size of the participant's load reduction will be managed by the CSP. Incentive levels will vary depending on the number of interruptions, the size of the load reductions, and other factors agreed upon between the customer and the CSP. The program will be designed to coordinate with the demand response programs of PJM (the Regional Transmission Operator) to ensure that there is no "double counting" of reductions and to rely on PJM verification protocols to the extent practical.

The objectives of the Load Curtailment Program are to: (1) Reduce peak demand by providing incentives for energy usage reduction during peak hours in summer period; and (2) Obtain 300 MW over 50 of the top 100 hours of peak demand during the summer of 2012.

4.1.15. Administrative Function: Call and Rebate Processing Center

The Administrative Call and Rebate Processing Center is responsible for providing call and rebate processing for Act 129 energy efficiency rebate programs. This includes providing a toll-free contact number, integrated voice response/voicemail, live operators, and other means for customers to contact the center with questions about programs, rebates, problems, etc. The Center is responsible for managing intake and approval of rebates, reviewing rebate applications, verifying customer eligibility, entering all relevant data into PPL's Energy Efficiency Management Information System ("EEMIS"), and verifying that the equipment or actions taken by the customer is in compliance with PPL's program requirements.

The objectives of the Administrative Call and Rebate Processing Center are to: (1) Provide a call center with knowledgeable staff to manage customer intake and routing, process applications and rebates, track and verify eligibility and program data, provide customer and transaction information to PPL, and referrals to other programs; (2) Refer customers interested in a

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comprehensive energy audit to independent, BPI (Building Performance Institute, Inc.) certified trade allies for Energy Audits and Weatherization explaining both program tracks to the customer and directing customers to the appropriate track; (3) Handle customer calls, review and verify applications, process rebates, track customer and project data, and report results to PPL; (4) Document measure installation, instances of customer complaints and remediation activities and other information associated with projects where rebate processing provides the primary means of tracking program activity; and (5) Maintain a grade of service of 80 percent of the calls from PPL customers answered within 20 seconds or less.

4.1.16. Administrative Function: Energy Efficiency Management Information System (“EEMIS”)

EEMIS is a computer tracking system custom designed and implemented to capture data for all Energy Efficiency & Conservation Programs. This system is collecting data that includes, but is not limited to, kWh savings customer account numbers, date of installation, and type and number of measure(s) installed.

The objectives of EEMIS are to: (1) Provide a foundation for tracking, managing, and reporting on PPL’s Act 129 programs; (2) Provide progress reports to regulators on the status of the programs compared to the goals for each program; and (3) Generate data for annual and other reports required by the PUC.

4.2. LG&E and KU

As the Commonwealth’s largest utilities, serving more than 2.8 million Kentuckians, the Companies seek to educate and empower consumers of all ages to do their part in the fastest, cleanest, most cost-effective method of reducing our growing demand for energy by embracing energy efficiency and conservation as a way of life. The following provides an overview of existing and unchanged programs, proposed enhancements to existing and new Energy Efficiency/Demand Side Management Programs.⁹ Programmatic information will include a program description and objectives. Existing programs that will be overviewed will include: Residential High-Efficiency Lighting Program; Residential New Construction Program; Residential and Commercial HVAC Diagnostics and Tune-up Programs; Customer Education and Public Information; and Dealer Referral Network. Programs with proposed enhancements before the Commission in Case No. 2011-00134 that will be overviewed will include: Residential and Commercial Load Management Program; Commercial Conservation Program; Residential Conservation Program; Residential Low-income Weatherization Program (WeCare); Responsive Pricing; Smart Metering Pilot Program; and Program Development and Administration. New programs proposed in Case No. 2011-00134 that will be overviewed will include: Smart Energy Profile Program; Residential Incentives Program and the Residential Refrigerator Removal Program.

⁹ Case No. 2011-00134 was filed with the Kentucky Public Service Commission on April 14, 2011. This case includes enhancements to existing programs that were approved in Case No. 2007-00139 as well as a request for new programs for inclusion in the DSM/ Energy Efficiency Program Plan. Case No. 2011-00134 is currently under Commission review.

Existing and Unchanged Programs (Approved in Case No. 2007-00139)

4.2.1. Residential High-Efficiency Lighting Program

The Residential High Efficiency Lighting Program is designed to facilitate market transformation by creating a shift in LG&E and KU consumer purchasing incandescent light bulbs to Compact Fluorescent Light bulbs (CFL). LG&E and KU utilize this program to increase customer awareness of environmental and financial benefits of the CFL bulb and as a result, increase societal acceptance and market penetration.

Residential electric customers participate in the Residential High Efficiency Lighting Program by: (1) returning postage paid business reply cards that have been mailed directly to their home; (2) completing an online residential audit; or (3) taking advantage of manufacturers' coupons that typically are included with their utility bill or mailed directly to paperless billing customers.

The objectives of the Residential High Efficiency Lighting Program are to: (1) Place 5.8 million Energy Star rated CFLs within the residential sector, with a total energy and demand reduction of 341,831 MWh and 23,083Kw through 2014.

4.2.2. Residential New Construction Program

The New Residential Construction program is designed to reduce residential energy usage and facilitate market transformation by creating a shift in builders' new home construction to include energy-efficient construction practices. This 2010 "Leadership in Housing Award" winning program has succeeded in engaging a significant portion of Kentucky's new-home construction sector through outreach and training activities. Orientation sessions introduced builders, contractors, design professionals and energy raters to the requirements and benefits of program participation.

The objectives of the New Residential Construction program are to: (1) Educate customers and promote increased construction of Energy Star rated homes within the residential sector; (2) Have 4,487 new homes Energy Star® Rated through the Home Energy Rating System with a total energy and demand reduction of 11,933 MWh and 3,807Kw through 2014.

4.2.3. Residential/Commercial HVAC Diagnostics & Tune-up Programs

The Residential and Commercial HVAC Diagnostic and Tune-up program targets customers with HVAC system performance issues. The objectives of the program are to: (1) Reduce peak demand and energy use by conducting a diagnostic performance check on residential and small commercial unitary air conditioning and heat pump units, air restricted indoor and outdoor coils, and over and under refrigerant charge; (2) Provide in the residential sector 6,950 diagnostics and 4,518 tune-ups with a total energy and demand reduction of 5,672 MWh and 2,575 Kw through 2014; (3) Provide in the commercial sector 3,750 diagnostics and 3,510 tune-ups with a total energy and demand reduction of 9,891 MWh and 2,374 Kw through 2014.

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4.2.4. Customer Education and Public Information

The Customer Education and Public Information programs are designed to help customers make sound energy-use decisions, increase control over energy bills and empower them to actively manage their energy usage. Customer Education and Public Information is accomplished through two processes: elementary and middle-school programming and a mass-media campaign.

The objective of the Customer Education and Public Information is to: (1) Increase public awareness and understanding of both the urgent need for more efficient use of energy and the environmental and financial impacts created by climate change issues and (2) Increase customer awareness and encourage utilization of the energy efficiency products and services.

Enhancements to Existing Programs (Pending Case No. 2011-00134)

4.2.5. Residential and Commercial Load Management Program

The existing Demand Conservation Program is voluntary and has been operational since 2001. Demand Conservation employs switches in homes and small businesses to help reduce the demand for electricity during peak times. The Program uses one-way paging signals to communicate with the switches to cycle central air conditioning units, heat pumps, electric water heaters and pool pumps off and on through a predetermined sequence.

The Demand Conservation Program has experienced success in program enrollment since its inception; however, over the nine years of program development the Companies have reached 24% market saturation rate. To address the market saturation the Companies are seeking approval for the following proposed program enhancements: (1) The addition of another full time employee (FTE) to assist in outreach efforts to the multi-family and commercial customer segment; (2) The ability to modify and increase the financial incentives to attract those customers who have not been interested in this voluntary customer program; (3) Install 91,800 devices in the residential market through 2017, with a total energy and demand reduction of 20,009 MWh and 79.9 MW; and (4) Install 3,540 devices in the commercial market through 2017, with a total energy and demand reduction of 907 MWh and 5.2 MW .

4.2.6. Commercial Conservation Program

The Commercial Conservation / Commercial Incentive Program is designed to provide energy efficiency opportunities for the Companies' commercial class customers through energy audits and to increase the implementation of energy efficiency measures identified through the audit by providing financial incentives to assist with the replacement of aging and less efficient equipment. This proposed filing enhancement is an effort to be responsive to the growing rate of requests for inclusion of other applications and needs of the commercial customer segment. The Companies seek to enhance this program in several ways: (1) the Companies seek to add to the

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energy efficiency retrofits eligible for rebate incentives to include Refrigeration; (2) the Companies seek to add Commercial Customized Incentives to incent energy efficient retrofits for customers with less typical technologies and those retrofits not covered by the existing Commercial Conservation/Rebate Program (i.e., equipment not specified in the current program literature). Incentives available to all customers in this program's rate classes will be developed based upon a \$100 per kW for calculated efficiency improvements; and (3) the Companies seek to extend the current Commercial Conservation component of the Program through 2017.

The objectives of the Commercial Conservation and Commercial Incentives Program are to: (1) Identify energy efficiency opportunities for the Companies' commercial class customers through no-charge energy audits and to increase implementation rates for effective measures by offering energy efficient-new technology equipment incentives for replacement of aging, less efficient equipment; and (2) Attain a total energy and demand reduction of 384,916 MWh and 144.8 MW.

4.2.7. Residential Conservation / Home Energy Performance Program

The Residential Conservation Program / Home Energy Performance Program is designed to help customers reduce energy costs within the home using on-line or on-site energy audits. The program works with customers to identify specific steps they can take to reduce energy costs, making them better energy managers. The on-line energy audit component to this program will remain unchanged while the on-site audit component will be modified to become a more comprehensive program that includes certified auditors and tiered incentives for residential customers to support the implementation of energy saving measures. The structure of this program would feature auditors certified to national standards. The auditors would use standardized software products similarly endorsed by national ruling bodies such as the Residential Energy Services Network (RESNET), the Building Performance Institute (BPI), and the BESTEST-EX standards committee.

The objectives of the Residential Conservation / Home Energy Performance Program are to: (1) Support customers in identifying specific steps they can take to reduce energy costs, making them better managers of energy; and (2) Complete 38,000 online audits and 12,800 onsite audits through 2017, with a total energy and demand reduction of 32,953 MWh and 8.4 MW.

4.2.8. Residential Low-income Weatherization Program (WeCare)

The Residential Low Income Weatherization Program (WeCare) is designed to reduce the energy consumption of LG&E and KU's low-income customers. 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. As an added long-term benefit, the educational information provided to customers is something they can take with them wherever they live. Weatherization improves customers' comfort and reduces the tendency to raise the thermostat in winter or lower it in summer. As energy usage in a home is reduced and additional customers are served, customer bills become more affordable.

To address the growing need in this customer segment, the Companies are seeking approval for the following proposed program enhancements: (1) additional funds that will allow for increased weatherization measures for the low-income customer segment, further increasing energy savings; (2) increase the number of customers served over the program plan. This increased funding request comes as a result of customer feedback as well as additional opportunities identified while providing weatherization measures in customer homes. As a result, increases to the funding level for program tiers and increasing the number of customers served are the only changes being proposed to this program; all other aspects of the program including but not limited to program eligibility and home ownership status shall remain the same; and (3) the Companies seek to extend the WeCare Program through year seven of the proposed program plan.

The objectives of the Residential Low Income Weatherization Program (WeCare) are to: (1) Provide low-income customers who would otherwise not be likely to participate in Energy Efficiency programs an opportunity to do so; (2) Provide energy efficient products and energy management techniques, to allow recipients of the program to gain control over their utility bills; and (3) Provide an audit, energy education, and home weatherization services to 18,900 low-income participants; with a total energy and demand reduction of 41,455 MWh and 4,130 Kw.

4.2.9. Program Development and Administration

Program Development and Administration has several responsibilities within the Customer Energy Efficiency Department. Program Development and Administration efforts include: evaluation, measurement and verification of the existing energy efficiency portfolio; new program concept and initial design; market research related to new programming; research and technical evaluation of new technologies and programs; overall program tracking and management; and the development of key personnel. The daily activities performed by the program development and administration team support the LG&E and KU objective to develop, implement and promote cost effective offerings that advance the effective and deliberate use of energy by end-use customers.

Since the 2007 filing approval it has become evident that the amount of individual program needs has surpassed earlier projections. With the significant program growth, the Companies seek additional staff to support procurement; marketing; financial analysis; and the rigorous evaluation, measurement and verification (EM&V) efforts associated with each of the programs in the DSM portfolio. EM&V efforts of the Program Development and Administration program include data on program design, delivery, impacts and return on investment.

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New Programs (Pending Case No. 2011-00134)

4.2.10. Residential Incentives Program

The Residential Incentives Program is a new program designed to encourage customers to purchase various Energy Star appliances, HVAC equipment, or window films that meet certain requirements, qualifying them for an incentive. This is a simple program where as long as a qualifying appliance or product is purchased during the program period, only a completed Rebate Application Form and a copy of the proof of purchase (i.e., valid store receipt) needs to be submitted to receive the applicable incentive.

The objectives of the Residential Incentives Program are to: (1) Reduce energy utilization that provides benefits to the environment and will assist in the reduction of the customer's energy expenses; (2) Provide 128,200 incentives in the residential customer segment through 2017 with a total energy and demand reduction of 100,720 MWh and 18.6 MW.

4.2.11. Residential Refrigerator Removal Program

The Residential Refrigerator Removal Program is designed to provide removal and recycling of inefficient secondary refrigerators and freezers from LG&E and KU customer households. The removal of these inefficient units will reduce consumption and demand. The Companies will work with identified third-party vendors to collect and transport the inefficient appliance to an appropriate recycling center that will be responsible for adhering to any local, state or federal recycling ordinances. Customers participating in this program will be provided a one-time incentive.

The objectives of the Residential Refrigerator Removal Program are to: (1) Remove secondary refrigerator units from the electric grid that will result in the reduction of consumption and demand; (2) Remove 62,000 refrigerators through 2017 with a total energy and demand reduction of 46,500 MWh and 5.3 MW.

Time of Use Programs

The Time-of-Userates offered by LG&E currently covers all customer classes except a small Power Service (50 kW to 250 kW). It should also be noted that the Time-of-Use rates available to Residential Service and General Service are pilot programs. KU does not offer Time-of-Use rates below 250 kW. The current programs provide price signals that encourage more efficient use of energy and a reduction of peak demand. These programs provide opportunities for customers to better manage their energy bills while reducing demand on the generation resources.

The objectives of these programs are to (1) Educate customers about energy-efficiency and peak periods; and, (2) Help customers manage their energy usage by shifting use from peak hours to off-peak hours.

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Renewable Energy

While there is no RPS in Kentucky, LG&E and KU offer customers a Green Energy Program, Net Metering Service, and consider renewable energy technologies in the supply-side analysis as discussed in the integrated resource plan.

CONCLUSION

The energy efficiency and conservation programs offered by PPL, LG&E, and KU have been reviewed and summarized above in compliance with Ordering Paragraph No. 3 of the Commission's final order in Case No. 2010-00204. As shown by the foregoing discussion, the current DSM programs operated by PPL are similar in nature to those DSM programs currently being operated through KPSC approved Case No. 2007-00139 or those being proposed in KPSC Case No. 2011-00134.

APPENDIX

Appendix 1

Energy Efficiency Program Portfolio / PPL Corporation

| Program Name | Start Date | Program Budget |
|--|-----------------------------|--|
| Efficient Equipment Incentive | November, 2009 | \$88,934,000 |
| Residential Energy Assessment & Weatherization | May, 2010 | \$2,755,818 |
| Compact Fluorescent Lighting Campaign | January, 2010 | \$17,742,646 |
| Appliance Recycling Program | November, 2009 | \$9,082,000 |
| ENERGY STAR® New Homes Program ¹⁰ | Scheduled to start mid 2010 | \$2,731,000 |
| Renewable Energy Program ¹¹ | March 2010 | Residential sector - \$1,109,098 / Government and Non-profit sector - \$4,540,271 |
| Direct Load Control Program | March 2011 | \$10,621,000 |
| Time of Use Rates | May 2010 | Residential - \$4,038,000 Small C&I - \$750,000 Government/Non-Profit - \$56,000 Low-Income - \$813,000 |
| Energy-efficiency Behavior & Education | April 2010 | \$2,830,000 |
| Low-income WRAP | April, 2010 | \$28,657,000 |
| Low-income E-Power Wise | March, 2010 | \$681,000 |

¹⁰ In the time that has passed since the approval of PPL Electric Utilities' Act 129 Plan, building codes and standards have changed, becoming more stringent and making it more difficult to achieve incremental energy savings (see program description). At this time, a recommendation is being made to the PA Public Utility Commission to cancel the program.

¹¹ Due to oversubscription and depletion of funds, the Residential PV portion of the program closed May 2010; the Government, Non-profit and Institutional PV portion of the program closed August 2010; and the residential GSHP portion of the program closed January 2011. The Government, Non-profit and Institutional GSHP program is still open.

| Program Name | Start Date | Program Budget |
|---|----------------|----------------|
| Commercial and Industrial Custom Incentive Program | March, 2010 | \$20,598,000 |
| HVAC Tune-Up Program | April, 2010 | \$2,154,418 |
| Administrative Call and Rebate Processing Center | November, 2009 | \$3,908,000 |
| Energy Efficiency Management Information System Program | December, 2009 | \$3,150,428 |

Appendix 2

Energy Efficiency Program Portfolio / LG&E and KU

| Existing / Unchanged Enhanced Program | Program Inception Date | Budget Period | Program Budget |
|--|------------------------|---------------|--|
| Residential High-Efficiency Lighting Program | September, 2008 | 2007-2014 | \$24,116,713 |
| Residential New Construction Program | September, 2008 | 2007-2014 | \$7,778,269 |
| Residential and Commercial HVAC Diagnostics and Tune-up Programs | September, 2008 | 2007-2014 | Residential: \$2,937,023 Commercial: \$2,632,216 |
| Customer Education and Public Information | March, 2009 | 2007-2014 | \$23,531,533 |
| Enhanced Program | | | |
| Residential and Commercial Load Management Program ¹² | 2001 | 2011-2017 | Residential: \$88,474,000 Commercial: \$4,095,000 |
| Commercial Conservation Program ¹³ | 1994 | 2011-2017 | \$23,377,000 |
| Residential Conservation Program ¹⁴ | February, 1997 | 2011-2017 | \$14,666,000 |
| Residential Low-income Weatherization Program (WeCare) ¹⁵ | 1994 | 2011-2017 | \$34,865,000 |
| Program Development and Administration | September, 2008 | 2011-2017 | \$9,680,000 |

¹² Program enhancement included in Case No. 2011-00134. Proposed enhancement adjusts annual energy and demand targets and increases customer incentives. Budget reflects approved enhancements to programming.

¹³ Program enhancement included in Case No. 2011-00134. Proposed enhancement includes the addition of refrigeration and customized rebates for customers. Budget reflects approved enhancements to programming.

¹⁴ Program enhancement included in Case No. 2011-00134. Proposed enhancement provides incentives for implementation for audit results. Budget reflects approved enhancements to programming.

¹⁵ Program enhancement included in Case No. 2011-00134. Proposed enhancement increases allowable energy measures for participants. Budget reflects approved enhancements to programming.

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| New Programs | Program Inception Date | Budget Period | Program Budget |
|--|------------------------|---------------|----------------|
| Residential Incentives Program | TBD | 2011-2017 | \$16,780,000 |
| Residential Refrigerator Removal Program | TBD | 2011-2017 | \$12,823,000 |

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: IV-R4

Recommendation Statement: Reevaluate KPIs in customer service, set realistic targets consistent with its vision and reestablish the credibility of the KPI program.

Implementation Priority: High

LG&E/KU Person Responsible: John P. Malloy

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

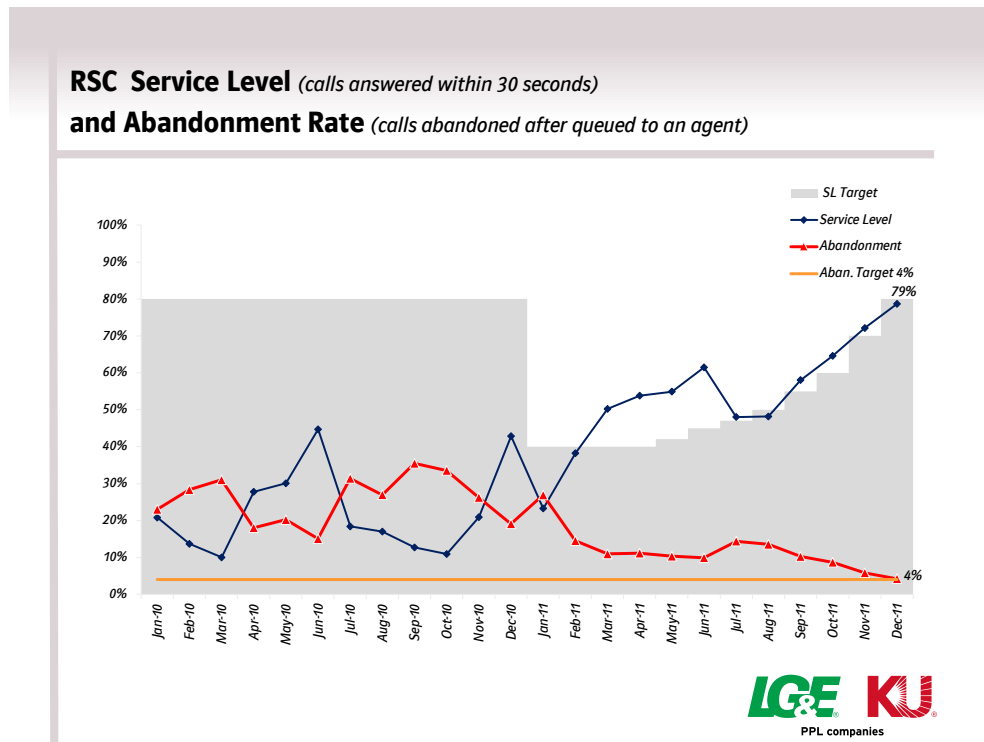
| No. | Step | Dates | |
|-----|--|---------|-------------------|
| | | Start | Complete |
| 1. | Set credible targets for metrics included in Retail Operating Report | 09/2011 | Completed 09/2011 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Set credible target for metrics included in Retail Operating Report*

Residential Retail Service

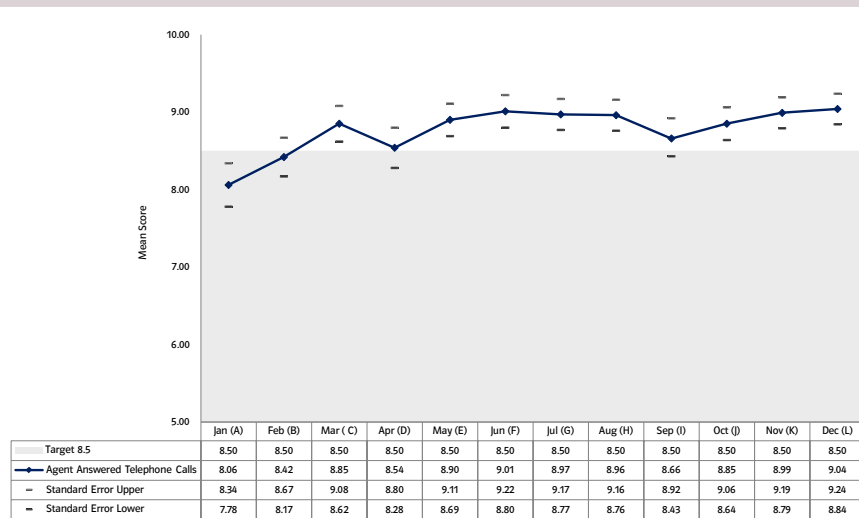
Retail metrics have been revised to include credible targets to achieve industry first quartile metrics. The Residential Service Level has steadily improved over the course of the 2010 and 2011. By December 2011, the Residential Call Center achieved 79% of all calls answered in 30 seconds or less. The graph below depicts the “stair stepped” monthly targets and associated performance against these targets. Additionally, the Residential customer Abandonment Rate stabilized throughout 2011 and met the target level at or below 4% in December 2011.



Bellomy Research* completes Residential Call Center surveys of customers who have recently contacted the center. Residential customer’s satisfaction continued to improve throughout 2011 exceeding the target of 8.5 on a scale of one to ten. The graph below depicts the overall customer experience. These surveys will be continued into the future.

**Bellomy Research is an experienced market research firm that conducts multi-channel transaction-based customer satisfaction surveys for LG&E/KU. Current studies include residential transactions (phone call, IVR, email, web and walk-in transactions), business transactions (phone call, IVR, web) and field transactions (tree trimming and field services metering work). The overall objective is to measure customer perceptions regarding their interaction. Results of the research are used to assess effectiveness of the handling of the contact and resolution of the issue.*

Residential Customer Experience Agent Answered Telephone Calls

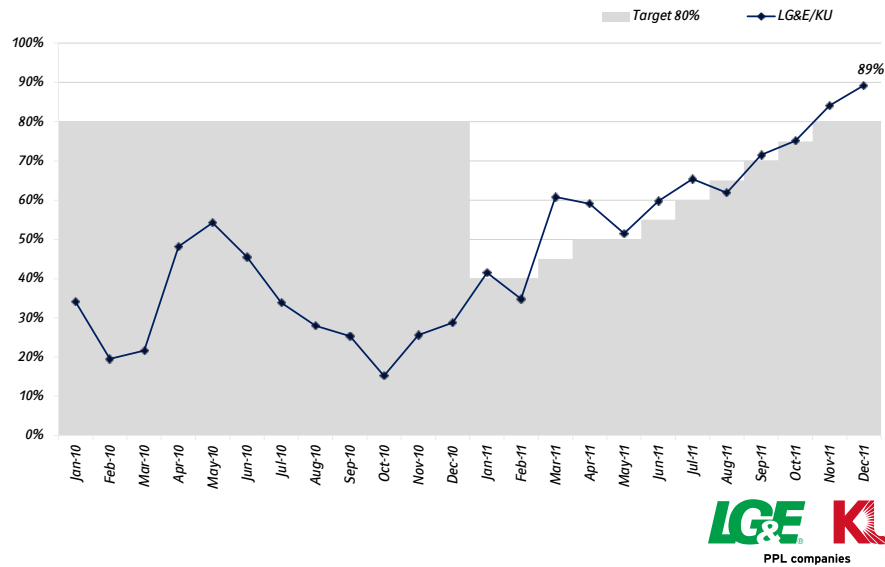


Business Retail Service

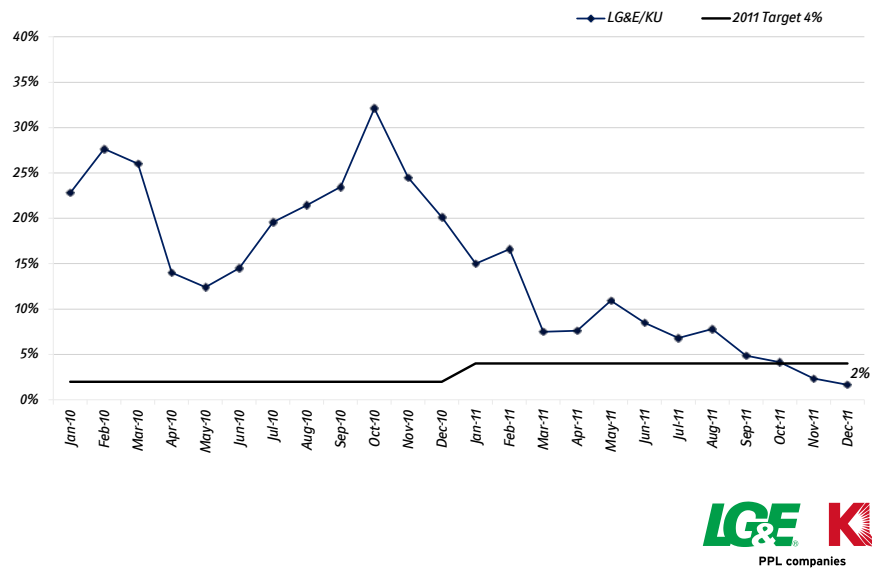
By December 2011, the Business Service Center (Business customer call center) achieved 89% of all calls answered in 30 seconds or less. The graph below depicts the “stair stepped” monthly targets and associated performance against these targets. On the following graph, the Business Customer Abandonment Rate stabilized throughout 2011 and met the target level of at or below 2% in November 2011.

Also, the Business Service Center can and routinely does assist with residential customer calls during periods of high volume.

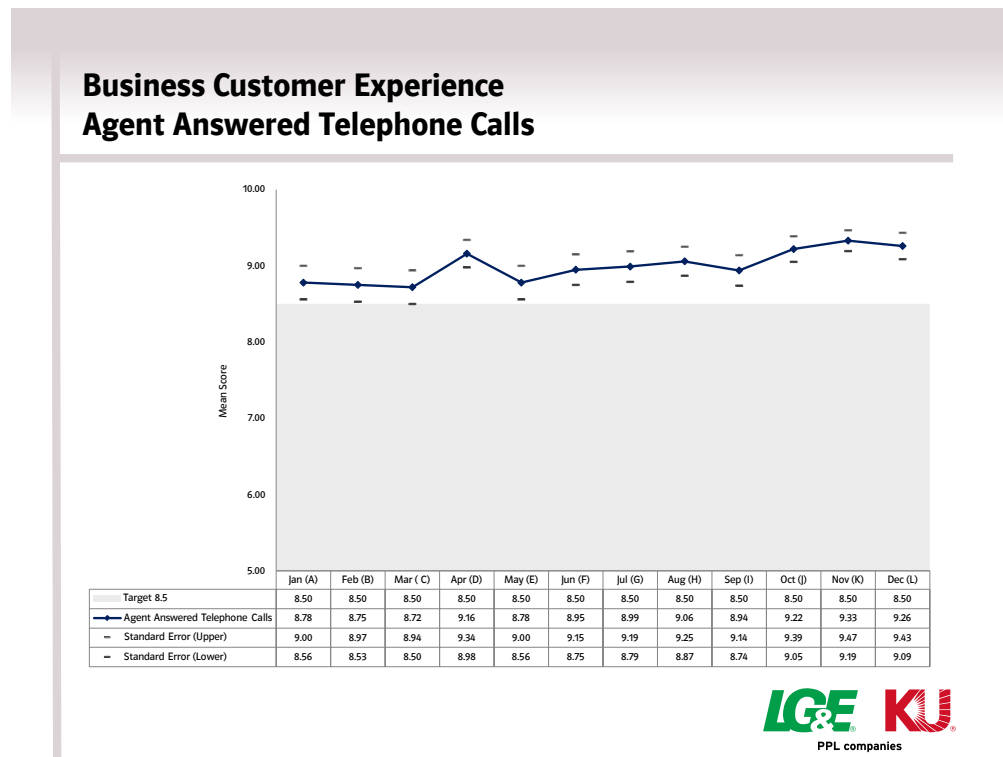
BSC Service Level (calls answered within 30 seconds)



BSC Abandonment Rate (calls abandoned after queued to an agent)

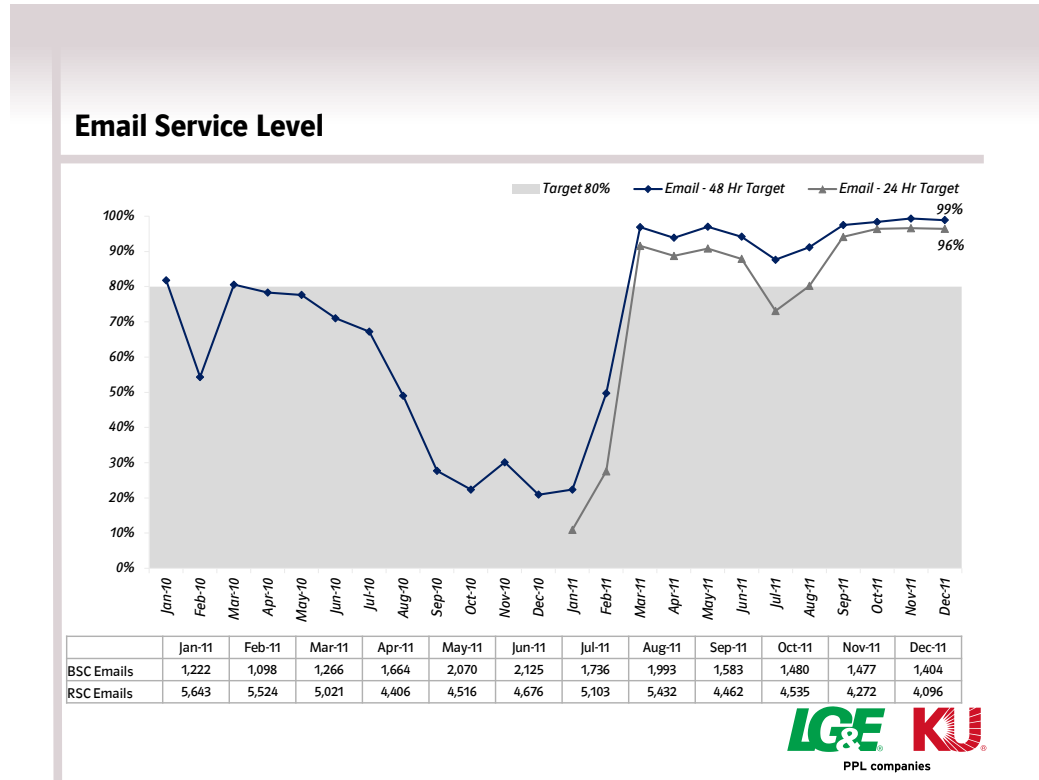


The transaction-based customer satisfaction surveys for the Business area continued to improve month over month throughout 2011. By December of 2011, average business customer satisfaction ratings were 9.26 on a ten point scale.



Email Service – Business and Residential

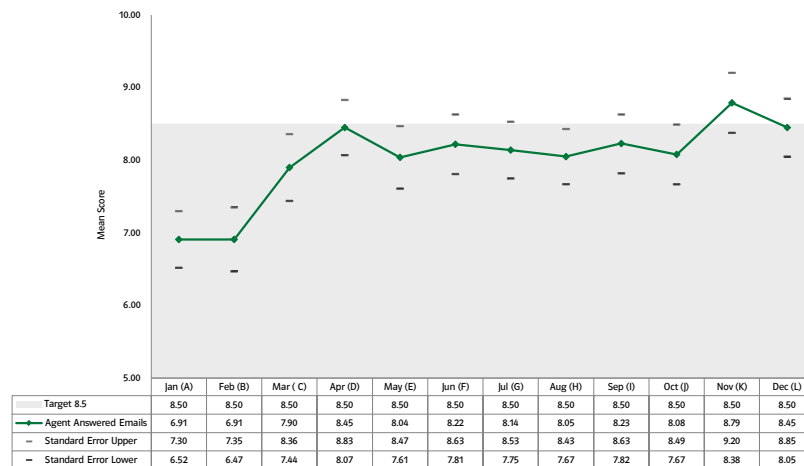
Email service levels for both business and residential customers improved during 2011. Two separate targets are managed against; the internal 24 hour response time and the associated industry 48 hour response target. Both service level targets were achieved and sustained by year end 2011 with performance of 96% against the 24 hour target and 99% against the 48 hour target. The graph below reflects overall performance.



Email service levels and associated customer satisfaction levels dramatically improved upon the implementation of a dedicated email response team.

Customers responded favorably through the email transaction-based surveys with a December 2011 score of 8.45 on a ten point scale as depicted on the graph below.

Residential & Business Customer Experience Agent Answered Emails



The balance of Retail customer service metrics and transactional survey scores for IVRU, Web Self-Service and agent Assisted Walk-in (Business Offices) customer contact channels can be reviewed in the abridged December 2011 Retail Operating Report as Chapter IV-R1 – Attachment 3.

The full Retail Operating Report contains confidential information which is not available to the general public. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies’ offices.

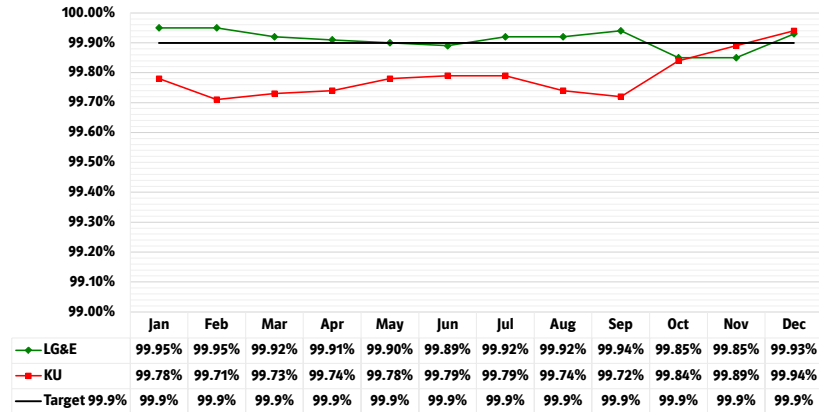
Meter Reading

Meter reading business process changes and associated quality control and quality assurance measures implemented from August through December of 2011 led to improved overall performance. By December 2011, both LG&E and KU meter reading business partners’ accuracy improved to 99.93% and 99.94% respectively against a target of 99.9%.

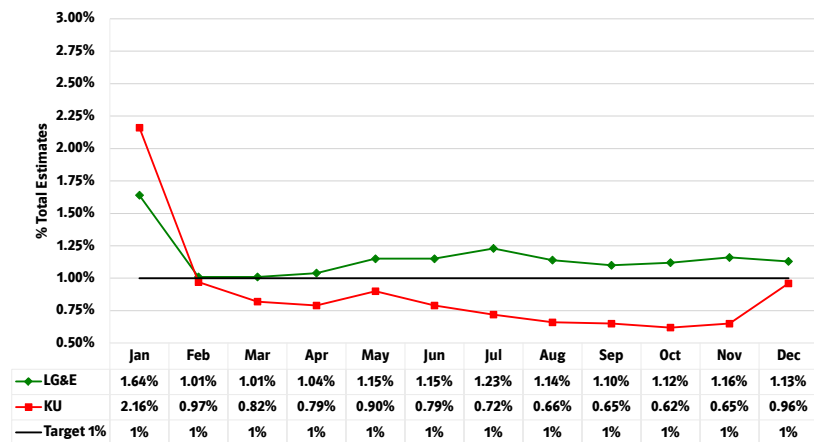
Additionally, the percentages of meter reading estimates are in line with expectations 1.13% for LG&E and 0.96% for KU. Note: Meter Reading estimates are impacted by other non-performance related causes such as storms and customer allowed access.

The following graphs reflect performance across both accuracy and meter reading estimates.

Meter Reading Accuracy

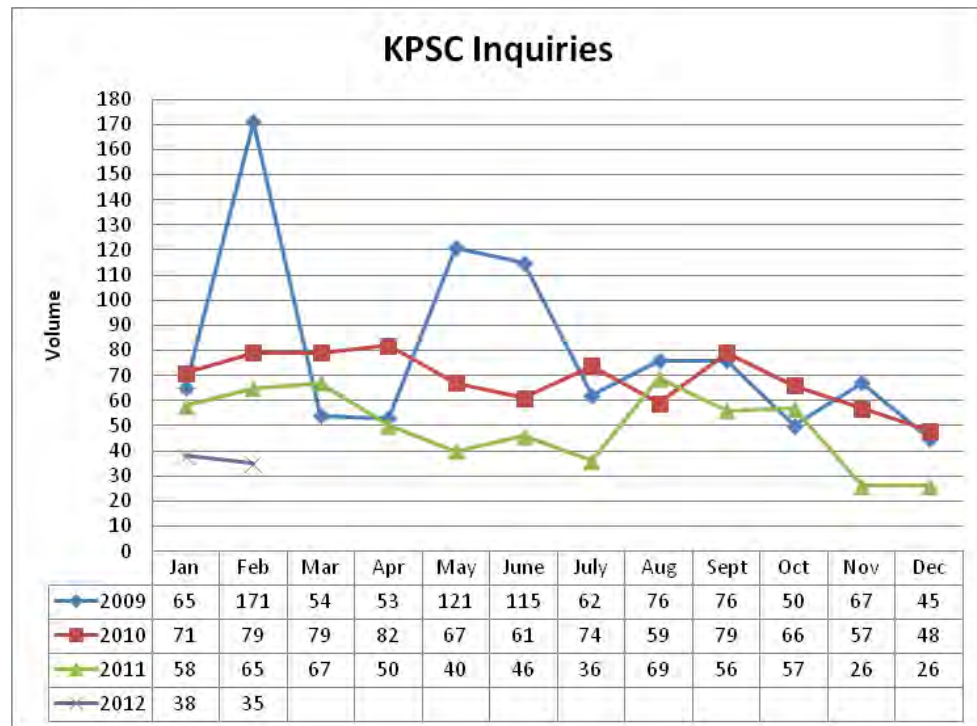


Percentage Meter Reading Estimates



Kentucky Public Service Commission Inquires

The graph below provides a month over month reflection of KPSC inquiries from 2009 through full year 2011.



In late 2009, the Commission inquiries began to stabilize. The trend continued and began to improve during 2010. In 2011, 11 of 12 months were below the prior year – prior month and the total of 2011 inquiries was the lowest in several years.

Additionally, the Energy Delivery Balanced Scorecard indicates 2011 year end operational performance. Below is an excerpt from the Energy Delivery Balanced Scorecard.

The complete Energy Delivery Balanced Scorecard contains confidential and market-sensitive information which is not available to the general public. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies’ offices.

| KPI | YTD Actuals | YTD Target | Full Year Target |
|---|---|---|--|
| Residential Service Level | 79% December | December Target 80% of Calls Answered in 30 Seconds | End of Year Target 80% of Calls Answered in 30 Seconds |
| Business Service Level | 89% December | December Target 80% of Calls Answered in 30 Seconds | End of Year Target 80% of Calls Answered in 30 Seconds |
| TIA Customer Satisfaction (points) (RCCS Study Results) | Q1 Results - 0 Points Q2 Results - 3 Points Q3 Results - 6 Points Q4 Results - 3 Points YTD Results - 12 Points | N/A | 18 Points (of possible 32 Points) |

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

The actions proposed by LG&E and KU were generally consistent with Liberty Consulting’s recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

LG&E/KU considers this action plan complete and requests that it be closed.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

This exercise remains within the internal operating expenses of the Companies, therefore no additional costs are envisioned.

B. Benefit Analysis

Provides management and staff credible targets to gauge overall operational performance improvement efforts while maintaining a long range focus on the Customer Experience Strategy’s vision.

C. Cost/Benefit Summary

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | N/A | N/A |
| Benefit | N/A | N/A |

D. Other Costs or Benefits

None identified.

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: IV-R5

Recommendation Statement: Directly reflect a high priority for customer service in strategic plans and in the planning and budgeting process.

Implementation Priority: High

LG&E/KU Person Responsible: John P. Malloy

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|--|---------|-------------------|
| | | Start | Complete |
| 1. | Incorporate into strategic planning and budgeting process. | 05/2011 | Completed 10/2011 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Incorporate into strategic planning and budgeting process.*

The Corporate planning process effectively reflects the customer facing initiatives as well as the implementation of the Customer Experience Strategy. Excerpts from the LGE – KU 2012 – 2016 Plan summary are referenced below.

The full plan contains confidential, market-sensitive, forward-looking information which is not available to the general public or to the investment community. Given the nature of the requested information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

1.1 Vision and Mission

The Company's vision is to empower economic vitality and quality of life, and our mission is to provide reliable, safe, competitively priced energy to customers and best-in-sector returns to our shareowners. The Company is guided by six core values which are essential to fulfilling our vision and represent the expectations of our customers, employees, and shareowners: safety and health, customer focus, employee commitment and diversity, integrity and openness, performance excellence, and corporate citizenship. The following examples demonstrate actions taken in 2011 which are consistent with our vision, mission, and set of values:

- The Company maintained a solid position in the most recent J.D. Power residential survey, with KU and LG&E ranking 5th and 6th among their peers in the Midwest region. In the 2011 J.D. Power Electric Utility Business Customer Satisfaction Study, KU and LG&E ranked 3rd and 10th (tied with Indianapolis Power & Light) respectively, among 22 utilities in the Midwest region.*
- The Company has renewed its commitment to superior customer service and satisfaction and has launched "The Customer Experience", a corporate-wide initiative, designed to raise awareness among all employees and business partners about how they impact customers and how they can influence customer satisfaction. We are also implementing the recommendations of the KPSC customer service audit. Many of the recommendations were already underway as part of our "Customer Experience" strategy.*

2.4 Customer Service

Customer satisfaction is a core value of the Company illustrated by a strong record of providing exceptional customer service, while keeping rates among the lowest in the country. As a result of the Company's efforts in this area, the Company has received several J.D. Power awards over the years for residential and business customer satisfaction.

However, customer satisfaction across the utility industry began to decline in recent years as customers have been confronted with many external challenges, including severe weather events, an economic recession, and rising rates. The Company is not immune to these factors and has experienced a decline in customer satisfaction due to the 2008 wind and

2009 ice storms; financial hardships on customers created by the failing economy; rate and tariff adjustments; and changes related to the implementation of a new customer information system. Furthermore, the Company's filing of a Kentucky rate case in July 2008, negatively impacted customer satisfaction as significant changes to harmonize LG&E and KU tariffs went into effect, including late payment fees and modifications to the billing cycle. In the order settling that rate case, the KPSC initiated a focused management audit of LG&E and KU's customer service areas, citing customer complaints as the driver, the majority of which were related to the rate case. The audit was conducted by Liberty Consulting and the report was issued on September 14, 2011.

Well before the KPSC initiated the audit, the Company made significant investments in technology and initiated plans for the construction of a new call center to provide space for additional customer service representatives. Some of the technology investments included online self-service options with additional enhancements to serve visually impaired and Spanish-speaking customers; web portals to serve low-income customers and property managers; a new automated phone system for customer service; an online outage map including estimated restoration times and Smartphone apps for easy access; and mobile Geographic Information System (GIS) and dispatch capabilities to improve communication and efficiency among field crews.

The audit report states that the Company went too far in containing costs, rather than improving service. Liberty concluded the Company should have been willing to spend more in the interest of customers. The Company's focus always has been and will continue to be to hold down costs for customers, while enhancing service. The audit report consists of 56 key recommendations – 50 of which the Company submitted to Liberty for inclusion in the report. The Company is working with the KPSC to develop detailed action plans and has committed to making the necessary improvements. As part of the effort, the Company has planned for the incremental expenditures necessary to implement the recommendations which include the new \$5 million Morganfield center and the hiring of more than 100 incremental customer service employees, to enhance service. The Company has also initiated CEO and officer daily customer inquiry tracking to enhance awareness and transparency.

Additionally, the Energy Delivery plan presentation contains more specific and targeted areas of customer facing objectives and metrics. The abridged Energy Delivery 2012 – 2016 Mid Term Plan is included in this report (Chapter IV-R1 – Attachment 2).

The full plan contains confidential, market-sensitive, forward-looking information which is not available to the general public or to the investment community. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response is consistent with Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

LG&E/KU considers this action plan complete and requests that it be closed.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

This exercise remains within the internal operating expenses of the Companies, therefore no additional costs are envisioned.

B. Benefit Analysis

Focused priority of Customer Service in the strategic planning and budgeting process to ensure operational goals are tracked and achieved.

C. Cost/Benefit Summary

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | N/A | N/A |
| Benefit | N/A | N/A |

D. Other Costs or Benefits

None identified.

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: IV-R6

Recommendation Statement: Examine, in a formal quantified way, the long-term strategy for minimizing customer expenses to assure that the vision for superior customer service is not compromised.

Implementation Priority: High

LG&E/KU Person Responsible: John P. Malloy

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|--|---------|----------|
| | | Start | Complete |
| 1a | Complete study | 01/2012 | 04/2012 |
| 1b | Evaluate results for inclusion in strategic planning | 04/2012 | 06/2012 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1a: *Complete study*

Request for proposals have been received and are currently being evaluated.

Initiative 1b: *Evaluate results for inclusion in strategic planning*

The evaluation of the results for inclusion in the strategic plan is scheduled to begin in April 2012.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response is consistent with Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

Initiative 1a: *Complete study*

Management is working on the study. The status will be reported during the next progress report period.

Initiative 1b: *Evaluate results for inclusion in strategic planning*

The Companies inclusion of results into strategic planning will take place during the normal annual planning process. The status will be reported during the next progress report period.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

The recommendation entails a one-time study from an independent external firm and is projected to run approximately \$80,000.

B. Benefit Analysis

The study will provide an assessment of the Company's long-term strategy of minimizing customer expenses to assure that the vision for superior customer service is not compromised.

C. Cost/Benefit Summary

To be completed once the recommendation is marked as completed.

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | | |
| Benefit | | |

D. Other Costs or Benefits

To be completed once the recommendation is marked as completed.

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: IV-R7

Recommendation Statement: Directly tie the budgeting process and the resulting allocation of resources to operational goals and objectives.

Implementation Priority: High

LG&E/KU Person Responsible: John P. Malloy

II. RECOMMENDATION STATUS

- COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)
- ONGOING (The implementation of this action plan is still in progress.)
- DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|--|---------|--|
| | | Start | Complete |
| 1. | Restructure responsibility to the Mgr. of Strategic and Operational Performance and allocate analyst to this department. | 05/2011 | Completed 05/2011 <i>Note: Analyst in role as of May 2011.</i> |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1: *Restructure responsibility to the Mgr. of Strategic and Operational Performance and allocate analyst to this department.*

The Manager of Strategic and Operational Performance now has the responsibility for the strategic allocation of resources and associated operational goals and objectives. This led to the consolidation of both a benchmarking analyst and an operational metrics analyst to the Strategic and Operational Performance group. This role currently has twelve (12) analysts responsible for the wide technical breadth of Energy Delivery operations, inclusive of Electric Distribution, Gas Operations and Retail services. Additionally, this functional role tracks and reports on operational performance and actively works with the Director of Asset Management for prudent resource allocation.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU’s response is consistent with Liberty Consulting’s recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

LG&E/KU considers this action plan complete and requests that it be closed.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

The annual cost for an additional analyst to support “collective reporting” is approximately \$155,000 annually.

B. Benefit Analysis

The optimization of operational performance led to the effective allocation of resources.

C. Cost/Benefit Summary

| Category | One Time | Annual Recurring |
|----------|----------|---|
| Cost | N/A | <ul style="list-style-type: none">Additional analyst for collective reporting (\$155,000) |
| Benefit | N/A | <ul style="list-style-type: none">Indeterminate |

D. Other Costs or Benefits

None identified.

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: IV-R8

Recommendation Statement: Fully integrate the CES, when revised as desired, into the planning and budgeting process.

Implementation Priority: High

LG&E/KU Person Responsible: John P. Malloy

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|---|---------|-------------------|
| | | Start | Complete |
| 1a | Integrate the CES in planning and budget process | 05/2011 | Completed 10/2011 |
| 1b | Complete Gap analysis post completion of Recommendation 9 and close gaps, if any. | 03/2012 | Completed 01/2012 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1a *Revamp the Customer Experience Strategic (CES) plan (from IV-1)*
(From IV-1):

The Customer Experience Strategy has been revised to reflect ongoing efforts to improve overall operational performance. The implementation is fully funded in the Energy Delivery 2012-2016 Mid Term Plan. A detailed review is included in response to section IV-R9 and also shown on Chapter IV-R1 – Attachment 1.

Initiative 1b *Implementation of the CES (from IV-1)*
(From IV-1):

Implementation of the Customer Experience Strategy is well underway and fully funded in the Energy Delivery 2012-2016 Mid Term Plan. A detailed review is included in response to section IV-R9 and also shown on Chapter IV-R1 – Attachment 1.

The full plan contains confidential, market-sensitive, forward-looking information which is not available to the general public or to the investment community. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

Initiative 1a: *Integrate the CES in planning and budgeting process*

The Corporate planning process effectively reflects the customer facing initiatives as well as the implementation of the Customer Experience Strategy. Excerpts from the LGE – KU 2012 – 2016 Plan summary are referenced below.

The full plan contains confidential, market-sensitive, forward-looking information which is not available to the general public or to the investment community. Given the nature of the requested information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

1.1 Vision and Mission

The Company's vision is to empower economic vitality and quality of life, and our mission is to provide reliable, safe, competitively priced energy to customers and best-in-sector returns to our shareowners. The Company is guided by six core values which are essential to fulfilling our vision and represent the expectations of our customers, employees, and shareowners: safety and health, customer focus, employee commitment and diversity, integrity and openness, performance excellence, and corporate citizenship. The following examples demonstrate actions taken in 2011 which are consistent with our vision, mission, and set of values:

- *The Company maintained a solid position in the most recent J.D. Power residential survey, with KU and LG&E ranking 5th and 6th among their peers in the Midwest region. In the 2011 J.D. Power Electric Utility Business Customer Satisfaction Study, KU and LG&E ranked 3rd and 10th (tied with Indianapolis Power & Light) respectively, among 22 utilities in the Midwest region.*
- *The Company has renewed its commitment to superior customer service and satisfaction and has launched “The Customer Experience”, a corporate-wide initiative, designed to raise awareness among all employees and business partners about how they impact customers and how they can influence customer satisfaction. We are also implementing the recommendations of the KPSC customer service audit. Many of the recommendations were already underway as part of our “Customer Experience” strategy.*

2.4 Customer Service

Customer satisfaction is a core value of the Company illustrated by a strong record of providing exceptional customer service, while keeping rates among the lowest in the country. As a result of the Company’s efforts in this area, the Company has received several J.D. Power awards over the years for residential and business customer satisfaction.

However, customer satisfaction across the utility industry began to decline in recent years as customers have been confronted with many external challenges, including severe weather events, an economic recession, and rising rates. The Company is not immune to these factors and has experienced a decline in customer satisfaction due to the 2008 wind and 2009 ice storms; financial hardships on customers created by the failing economy; rate and tariff adjustments; and changes related to the implementation of a new customer information system. Furthermore, the Company’s filing of a Kentucky rate case in July 2008, negatively impacted customer satisfaction as significant changes to harmonize LG&E and KU tariffs went into effect, including late payment fees and modifications to the billing cycle. In the order settling that rate case, the KPSC initiated a focused management audit of LG&E and KU’s customer service areas, citing customer complaints as the driver, the majority of which were related to the rate case. The audit was conducted by Liberty Consulting and the report was issued on September 14, 2011.

Well before the KPSC initiated the audit, the Company made significant investments in technology and initiated plans for the construction of a new call center to provide space for additional customer service representatives. Some of the technology investments included online self-

service options with additional enhancements to serve visually impaired and Spanish-speaking customers; web portals to serve low-income customers and property managers; a new automated phone system for customer service; an online outage map including estimated restoration times and Smartphone apps for easy access; and mobile Geographic Information System (GIS) and dispatch capabilities to improve communication and efficiency among field crews.

The audit report states that the Company went too far in containing costs, rather than improving service. Liberty concluded the Company should have been willing to spend more in the interest of customers. The Company's focus always has been and will continue to be to hold down costs for customers, while enhancing service. The audit report consists of 56 key recommendations – 50 of which the Company submitted to Liberty for inclusion in the report. The Company is working with the KPSC to develop detailed action plans and has committed to making the necessary improvements. As part of the effort, the Company has planned for the incremental expenditures necessary to implement the recommendations which include the new \$5 million Morganfield center and the hiring of more than 100 incremental customer service employees, to enhance service. The Company has also initiated CEO and officer daily customer inquiry tracking to enhance awareness and transparency.

Additionally, the Energy Delivery plan presentation contains more specific and targeted areas of customer facing objectives and metrics. The abridged Energy Delivery 2012 – 2016 Mid Term Plan is included in this report (Chapter IV-R1 – Attachment 2).

The full plan contains confidential, market-sensitive, forward-looking information which is not available to the general public or to the investment community. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

Initiative 1b: *Complete Gap analysis post completion of Recommendation 9 and close gaps, if any.*

A complete assessment of funding alignment has been completed as a part of the planning process and is reflected in the Energy Delivery 2012 – 2016 Mid Term Plan.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response is consistent with Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

LG&E/KU considers this action plan complete and requests that it be closed.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

This exercise remains within the internal operating expenses of the Companies, therefore no additional costs are envisioned. Costs associated with the individual objectives or tactical plans are already included in the 2012 – 2016 corporate budgets and included in the cost analysis in previous sections of this report.

B. Benefit Analysis

The improved clarity of corporate and operational objectives enhanced the overall customer service culture while driving operational performance.

C. Cost/Benefit Summary

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | N/A | N/A |
| Benefit | N/A | N/A |

D. Other Costs or Benefits

None identified.

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: IV-R9

Recommendation Statement: Make a number of specific changes to the CES to reinforce its effectiveness.

- a. The final CES should be accompanied by approved funding sufficient to fully implement the strategy.
- b. The CES should evidence a greater sense of urgency and a greater commitment to each of its initiatives, including specific goals and committed timetables.
- c. The CES should include correction of the basic performance shortcomings described herein and as already acknowledged by the Company.
- d. Specific, quantified goals should be included as opposed to broad concepts.

Implementation Priority: High

LG&E/KU Person Responsible: John P. Malloy

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|---|----------|----------------------|
| | | Start | Complete |
| 1a | <p>Revamp the Customer Experience Strategic (CES) plan</p> <p><i>Note: Actions included in the CES are continuing while this exercise occurs. The longer timeline is to ensure the new aspects of the strategy are properly disseminated across the corporation.</i></p> | 11/2011 | Completed 03/2012 |
| 1b | <p>Implementation of the CES</p> <p><i>Note: Implementation of specific actions in the CES are well underway and/or have varying timelines depending on the specific nature of the action. Therefore, the CES has a perpetual timeline given that tactics are completed and new tactics come into the plan.</i></p> | See note | See note |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1a: *Revamp the Customer Experience Strategic (CES) plan*

The Customer Experience Strategic plan has been revised to reflect ongoing efforts to improve overall operational performance. The Customer Experience Strategy is included in this report (Chapter IV-R1- Attachment 1).

Initiative 1b: *Implementation of the CES*

Implementation of the Customer Experience Strategy is well underway and fully funded in the abridged Energy Delivery 2012 – 2016 Mid Term Plan (Chapter IV-R1 – Attachment 2).

The full plan contains confidential, market-sensitive, forward-looking information which is not available to the general public or to the investment community. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies’ offices.

Initiative 1c: *Integrate the CES in planning and budget process (from IV-1) (from IV-1):*

The Corporate planning process effectively reflects the customer facing initiatives as well as the implementation of the Customer Experience Strategy. Excerpts from the LGE – KU 2012 – 2016 Plan summary are referenced below report.

The full plan contains confidential, market-sensitive, forward-looking information which is not available to the general public or to the investment community. Given the nature of the requested information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

1.1 Vision and Mission

The Company's vision is to empower economic vitality and quality of life, and our mission is to provide reliable, safe, competitively priced energy to customers and best-in-sector returns to our shareowners. The Company is guided by six core values which are essential to fulfilling our vision and represent the expectations of our customers, employees, and shareowners: safety and health, customer focus, employee commitment and diversity, integrity and openness, performance excellence, and corporate citizenship. The following examples demonstrate actions taken in 2011 which are consistent with our vision, mission, and set of values:

- *The Company maintained a solid position in the most recent J.D. Power residential survey, with KU and LG&E ranking 5th and 6th among their peers in the Midwest region. In the 2011 J.D. Power Electric Utility Business Customer Satisfaction Study, KU and LG&E ranked 3rd and 10th (tied with Indianapolis Power & Light) respectively, among 22 utilities in the Midwest region.*
- *The Company has renewed its commitment to superior customer service and satisfaction and has launched "The Customer Experience", a corporate-wide initiative, designed to raise awareness among all employees and business partners about how they impact customers and how they can influence customer satisfaction. We are also implementing the recommendations of the KPSC customer service audit. Many of the recommendations were already underway as part of our "Customer Experience" strategy.*

2.4 Customer Service

Customer satisfaction is a core value of the Company illustrated by a strong record of providing exceptional customer service, while keeping rates among the lowest in the country. As a result of the Company's efforts in this area, the Company has received several J.D. Power awards over the years for residential and business customer satisfaction.

However, customer satisfaction across the utility industry began to decline in recent years as customers have been confronted with many external challenges, including severe weather events, an economic recession, and rising rates. The Company is not immune to these factors and has

experienced a decline in customer satisfaction due to the 2008 wind and 2009 ice storms; financial hardships on customers created by the failing economy; rate and tariff adjustments; and changes related to the implementation of a new customer information system. Furthermore, the Company's filing of a Kentucky rate case in July 2008, negatively impacted customer satisfaction as significant changes to harmonize LG&E and KU tariffs went into effect, including late payment fees and modifications to the billing cycle. In the order settling that rate case, the KPSC initiated a focused management audit of LG&E and KU's customer service areas, citing customer complaints as the driver, the majority of which were related to the rate case. The audit was conducted by Liberty Consulting and the report was issued on September 14, 2011.

Well before the KPSC initiated the audit, the Company made significant investments in technology and initiated plans for the construction of a new call center to provide space for additional customer service representatives. Some of the technology investments included online self-service options with additional enhancements to serve visually impaired and Spanish-speaking customers; web portals to serve low-income customers and property managers; a new automated phone system for customer service; an online outage map including estimated restoration times and Smartphone apps for easy access; and mobile Geographic Information System (GIS) and dispatch capabilities to improve communication and efficiency among field crews.

The audit report states that the Company went too far in containing costs, rather than improving service. Liberty concluded the Company should have been willing to spend more in the interest of customers. The Company's focus always has been and will continue to be to hold down costs for customers, while enhancing service. The audit report consists of 56 key recommendations – 50 of which the Company submitted to Liberty for inclusion in the report. The Company is working with the KPSC to develop detailed action plans and has committed to making the necessary improvements. As part of the effort, the Company has planned for the incremental expenditures necessary to implement the recommendations which include the new \$5 million Morganfield center and the hiring of more than 100 incremental customer service employees, to enhance service. The Company has also initiated CEO and officer daily customer inquiry tracking to enhance awareness and transparency.

Additionally, the Energy Delivery plan presentation contains more specific and targeted areas of customer facing objectives and metrics. The abridged Energy Delivery 2012 – 2016 Mid Term Plan is included in this report (Chapter IV-R1 – Attachment 2).

The full plan contains confidential, market-sensitive, forward-looking information which is not available to the general public or to the investment community. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response is consistent with Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

LG&E/KU considers this action plan complete and requests that it be closed.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

This exercise remains within the internal operating expenses of the Companies, therefore no additional costs are envisioned. Costs associated with the individual objectives or tactical plans are already included in the corporate budget and included in the cost analysis in previous sections of this report.

B. Benefit Analysis

The improved clarity of corporate and operational objectives led to enhance the overall customer service culture while driving operational performance.

C. Cost/Benefit Summary

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | N/A | N/A |
| Benefit | N/A | N/A |

D. Other Costs or Benefits

None identified.

Date Filed: March 14, 2012

I. RECOMMENDATION REFERENCE:

Recommendation No.: IV-R10

Recommendation Statement: Introduce into the TIA more aggressive, yet achievable, goals consistent with a much improved level of customer service.

Implementation Priority: High

LG&E/KU Person Responsible: John P. Malloy

II. RECOMMENDATION STATUS

COMPLETE (LG&E/KU considers this action plan complete and requests that it be closed.)

ONGOING (The implementation of this action plan is still in progress.)

DISAGREE (LG&E/KU does not agree with this recommendation.)

III. IMPLEMENTATION STEPS TO ACCOMPLISH RECOMMENDATION

| No. | Step | Dates | |
|-----|--|---------|----------------------|
| | | Start | Complete |
| 1a | Evaluate TIA measures and determine recommended approach | 10/2011 | Completed 02/2012 |
| 1b | Implement recommended approach | 06/2012 | 01/2013 |

IV. ACTION TAKEN ON IMPLEMENTATION STEPS

Initiative 1a: *Evaluate / implement TIA measures and determine recommended approach*

A new customer service index score have been developed to run in conjunction with the existing team incentive award measure. The Residential Competitive Customer Satisfaction (RCCS) study covers many areas of customers' opinions about their utility. An overall index of critical satisfaction factors has been constructed to simplify the review of the information. The Customer Satisfaction Index (CSI) provides a single objective measure by which employees can compare LG&E and KU residential customers' perceptions relative to the competitive group. A total of 28 attributes are used to obtain the overall index and factors for residential customers. The grouping of these attributes into five factors is confirmed using factor analysis. The relative importance associated with each of the 28 attributes and five factors is determined using regression analysis. Together they represent a balanced synthesis of the overall residential customer perceptions. The CSI is comprised of five related factors. These factors are as follows:

- Power Quality & Reliability
- Price
- Billing & Payment
- Corporate Citizenship
- Communications

The target for all attributes and the overall CSI score is a mean score of 8.5 on a 10 point scale.

The CSI model contains proprietary information which is not available to the general public. Given the nature of the information, LG&E and KU will provide the information for visual inspection at the Companies' offices.

Management continued parallel tracking of this index along with the current "top two box" score method and will evaluate the effectiveness of an indexing method.

Initiative 1b: *Implement recommended approach*

Activity is scheduled to begin in June 2012.

V. ANSWERS TO QUESTIONS OF COMMISSION STAFF

LG&E and KU's response is consistent with Liberty Consulting's recommendation.

VI. ACTIONS CONTEMPLATED PRIOR TO NEXT RESPONSE FILING

Initiative 1b: *Evaluate / implement TIA measures and determine recommended approach*

The status will be reported during the next progress report period.

VII. COST/BENEFIT ANALYSIS AND SUPPORT

A. Cost Analysis

This exercise remains within the internal operating expenses of the Companies, therefore no additional costs are envisioned.

B. Benefit Analysis

This action seeks to ensure incentive compensation is directly tied to managerial and employee decision making while advancing the corporate wide customer service culture.

C. Cost/Benefit Summary

To be completed once the recommendation is marked as completed.

| Category | One Time | Annual Recurring |
|----------|----------|------------------|
| Cost | | |
| Benefit | | |

D. Other Costs or Benefits

To be completed once the recommendation is marked as completed.