

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS)
AND ELECTRIC COMPANY AND KENTUCKY)
UTILITIES COMPANY FOR REVIEW,) Case No. 2014-00003
MODIFICATION, AND CONTINUATION OF)
EXISTING, AND ADDITION OF NEW,)
DEMAND-SIDE MANAGEMENT AND ENERGY)
EFFICIENCY PROGRAMS)

ATTORNEY GENERAL'S POST-HEARING BRIEF

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and for his post-hearing brief in the above-styled matter states as follows:

I. STATEMENT OF THE CASE

On January 17, 2014, Louisville Gas & Electric Co. ("LG&E") and Kentucky Utilities Company ("KU") (hereinafter referred to collectively as "the Companies") filed their application in the instant proceeding pursuant to KRS 278.285 to obtain an order approving its proposed 2015-2018 Demand-Side Management and Energy Efficiency Program Plan ("DSM/EE Programs").¹ The Companies additionally

¹ Case No. 2014-00003, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuance of Existing, and Addition of New, Demand-Side Management and Energy Efficiency Programs* at 1 (Ky. PSC Jan 17, 2014).

requested approval of the proposed Demand Side Management cost recovery tariffs that will permit recovery of the costs associated with the proposed programs.²

The Companies' initial DSM/EE programs were implemented in 1994.³ Since that time the companies have worked with the energy Efficiency Advisory Group, which is a group of customer-stakeholders that includes the Office of the Attorney General⁴ to develop and improve the Companies' set of DSM/EE offerings.⁵ The Companies have conducted numerous meetings with the Efficiency Advisory Group, and worked in a collaborative process with the Group to develop recommendations regarding DSM/EE programs. The DSM/EE program offerings implemented to date have produced cumulative energy and gas savings of approximately 650 GWh and 2 million ccf, respectively, and a cumulative demand reduction of 331 MW through November 2013.⁶

The Companies' proposed DSM/EE Program will continue to operate the currently approved programs through 2018, as follows: Smart Energy Profile Program, Residential Load Management/Demand Conservation, Residential Refrigerator Removal Program, Program Development and Administration, and Residential low Income Weatherization Program.⁷ The Companies recommend enhancement of the Commercial Load Management/Demand Conservation Program, Residential

² *Id.*

³ *Id.* at 4.

⁴ Pursuant to KRS 278.285 (1), the Commission may determine the reasonableness of demand-side management programs based on a number of factors, including "... the extent to which customer representatives and the Office of the Attorney General have been involved in the development of the plan . . .". KRS 278.285 (1)(f).

⁵ *Id.* at 4.

⁶ *Id.* at 5.

⁷ *Id.* at 8.

Incentives Program, Commercial Conservation/Commercial Incentives Program, Residential Conservation/Home Energy Performance Program, and Customer Education and Public Information Program.⁸ Additionally, the Companies propose to deploy a first-of-its-kind pilot program called the Advanced Metering Systems (“AMS”).⁹

The Companies further intend to allow the Residential High Efficiency Lighting, Residential New Construction, Residential and Commercial HVAC Diagnostic and Tune-Up, and the Dealer Referral network to expire because those programs will have reached the end of their respective useful lives.¹⁰

The Companies’ total cost projection for both the DSM/EE portfolio and AMS is \$179 million from 2015 to 2018.¹¹ This amount reflects an additional \$24 million dollar increase from the previously Commission-approved amount of \$155 million dollars for years 2015-2018.¹²

II. ATTORNEY GENERAL’S COMMENTS

The Attorney General supports most of the Companies’ 2015-2018 DSM/EE program recommendations, since the overall portfolio has proven to be cost effective according to the Total Resource Cost Test performed, and has provided quantifiable

⁸ *Id.*

⁹ *Id.* at 8.

¹⁰ *Id.* at 9.

¹¹ *Id.* at 9.

¹² *Id.* at 9.

energy savings.¹³ As set forth below, however, the Attorney General believes the proposed new AMS program should be disapproved.

A. The Commission Should Reject the Proposed AMS Pilot Program

The Companies' AMS proposal would allow up to 5,000 residential and small commercial customers in each of the LG&E and KU service areas to elect to have advanced meters installed.¹⁴ Per the testimony of David Huff, the primary purposes for the AMS is to put in place communications and control infrastructure necessary for future advanced meter deployments, and to provide participating customers more detailed information about their consumption.¹⁵ Mr. Huff further testifies that AMS will remotely read participating customer's meters and provide the customers with recent hourly energy usage data using a website portal.¹⁶ However, Mr. Huff also acknowledged that it will take up to 48 hours for customer data to be accessible on the website.¹⁷

The Companies intend to recover AMS-related capital costs and operating costs through the DSM-EE Cost-Recovery Mechanisms and the Mechanisms' DCR component, respectively.¹⁸ The Companies are also requesting an additional employee dedicated for the AMS program at the annual cost of \$162,445.¹⁹

¹³ Direct Testimony of Hornung, p. 12, lines 1-10.

¹⁴ Direct Testimony of Huff, p. 3, lines 11-13.

¹⁵ *Id.* at p. 5, lines 13-16. The AMS network infrastructure will include computer systems to control the network and meters, a meter data management system, other hardware and software that can be used to serve the meters, and will require a network operation center and conducting field maintenance, and hardware and software maintenance. *Id.* at p. 3, lines 16-21.

¹⁶ *Id.* at p. 6, lines 1-3.

¹⁷ *Id.* at p. 6, lines 4-5.

¹⁸ Application, p. 11.

¹⁹ Companies' Response to AG 1-6.

KRS 278.285(1)(a) provides that a factor the Commission may use to determine the reasonableness of a proposed demand-side management plan is whether there are specific changes in customers' consumption patterns which a utility is attempting to influence.²⁰ In the instant case, however, there is no evidence that AMS will change participating customers' consumption patterns. In fact, the Companies themselves acknowledge that any potential energy savings derived from AMS usage is unclear,²¹ "uncertain,"²² and unforeseeable.²³

Another factor which KRS 278.285 allows the Commission to consider in determining the reasonableness of demand-side management plans is the plan's cost-benefit analysis.²⁴ In the instant case, the Companies have failed to provide any evidence that the proposed \$5.7 million AMS will provide *any benefit to participants at all*, either via energy savings or reduced electricity usage.²⁵ The Companies applied the industry-standard, and Commission mandated²⁶ cost benefit tests set out in the California Standard Practice manual to the 2015-2018 DSM/EE recommendations, *except for* the Advanced Metering systems. All of the other programs passed the Participant and Total Resource Cost tests, and the overall portfolio passed the Participant, Utility Cost, and Total Resource Cost Tests. According to the hearing

²⁰ KRS 278.285(1)(a).

²¹ Companies' Response to AG 1-24.

²² Companies' Response to AG 1-10.

²³ *Id.*

²⁴ KRS 278.285(1)(b).

²⁵ See Companies' Response to AG 1-24.

²⁶ Participant; Total Resource Cost; Ratepayer Impact; and Utility Cost tests. See, *In the Matter of the Joint Application of the Members of the Louisville Gas and Electric Company Demand-Side Management Collaborative for the Review, Modification, and Continuation of the Collaborative, DSM Programs, and Cost Recovery Mechanism*, Case No. 1997-00083, Order dated April 27, 1998, p. 20); See Also Application in the instant case, p. 9.

testimony of David Huff, the Companies did not apply the California tests to the AMS because they did not assume or project energy savings.²⁷ This data would have provided the Commission with a more accurate depiction of the true cost-benefit for this prototype program. Indeed, its conspicuous absence speaks volumes and forces the conclusion that the AMS proposal is *not cost beneficial*.²⁸

Finally, customers who would participate in the AMS program must also have a functioning Internet connection in order to access the website portal to retrieve the customer data.²⁹ KRS 278.285(1)(g) provides that in determining the reasonableness of a DSM program, the Commission can consider “the extent to which the plan provides programs which are available, affordable and useful to all customers.” Since not all of the Companies’ customers – especially low-income customers – have Internet access, it is axiomatic that the program’s stated benefit of providing energy usage to participants will not be “available . . . to all customers,” and should therefore be rejected.

B. CONCLUSION

Subject to the above comments, the Attorney General recommends that the Commission approve the Companies’ DSM/EE Application, with the exclusion of the AMS proposal. As an alternative to outright rejection of the AMS proposal, the Attorney General would recommend that the Commission hold in abeyance any

²⁷ Video Transcript 11:36:00-11:36:39.

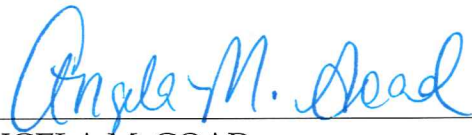
²⁸ See also Direct Testimony of Huff, Exhibit DEH1, Executive Summary, p. 1, wherein it is stated that the Companies may have opportunities to benefit from a targeted AMI deployment in which some operational savings may occur in smaller geographic areas, but such savings may still be insufficient to offset costs.

²⁹ Direct Testimony of Huff, Page 6, Lines 1-4. See also: Video Transcript 11:48:17- 11:48:30.

decision on approval of the AMS pending resolution of Case No. 2012-00428.³⁰ In that case, the Commission is studying the issue of smart meters, *inter alia*, from a global perspective, including the Companies' prior deployment of smart meters.³¹ The Attorney General does not oppose the economical and cost-effective investment and use of smart technologies, but he reserves his position subject to a case-by-case review. In the instant case, the Attorney General believes the Companies have failed to demonstrate that the investment is economical and cost-effective, and that therefore, the costs of the proposed AMS program should not be recovered under the DSM surcharge.

Respectfully submitted,

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³⁰ "Consideration of the Implementation of Smart Grid and Smart Meter Technologies."

³¹ See "Report of the Joint Utilities," dated June 30, 2014 at p. 74;

http://www.psc.ky.gov/PSCSCF/2012%20cases/2012-00428/20140630_Joint%20Parties_Report%20Pursuant%20to%20the%20August%202023,%202013%20Informal%20Conference.pdf

Certificate of Service and Filing

Counsel certifies that the foregoing is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on September 30, 2014; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original and one copy in paper medium of the foregoing is being filed with the Commission on October 1, 2014.

I further certify that in accordance with 807 KAR 5:001, § 4 (8), the foregoing is being contemporaneously provided via electronic mail to:

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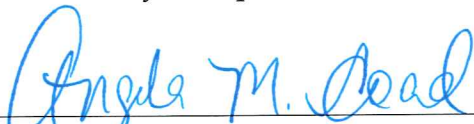
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this 30th day of September, 2014.



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