

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,)	
MODIFICATION, AND CONTINUATION OF)	CASE NO. 2014-00003
EXISTING, AND ADDITION OF NEW,)	
DEMAND-SIDE MANAGEMENT AND ENERGY)	
EFFICIENCY PROGRAMS)	

REBUTTAL TESTIMONY OF
DAVID E. HUFF
DIRECTOR OF CUSTOMER ENERGY EFFICIENCY AND
SMART GRID STRATEGY
LG&E AND KU SERVICES COMPANY

Filed: June 16, 2014

1 **Q. Please state your name, position, and business address.**

2 A. My name is David E. Huff. I am the Director of Customer Energy Efficiency and Smart
3 Grid Strategy for LG&E and KU Services Company, which provides services to
4 Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company
5 (“KU”) (collectively, “Companies”). My business address is 220 West Main Street,
6 Louisville, Kentucky.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. My testimony addresses the testimony of Tim Woolf on behalf of Wallace McMullen and
9 the Sierra Club concerning industrial demand-side management and energy efficiency
10 (“DSM/EE”), as well as the testimony of Marlon Cummings on behalf of the Association
11 of Community Ministries, Inc. (“ACM”) concerning the Companies’ efforts to increase
12 program participation by low-income customers and owners of multi-family properties.
13 Also, I address a set of public comments concerning the Companies’ Advanced Metering
14 Systems (“AMS”) customer offering.

15 **Q. Mr. Woolf criticizes the Companies for not having industrial DSM/EE programs.¹**
16 **How do the Companies respond?**

17 A. As Mr. Woolf correctly notes, “[T]he industrial sector is critical to Kentucky’s
18 economy.”² Manufacturing is the single largest contributor to Kentucky’s gross domestic
19 product, and provides over 200,000 jobs in the Commonwealth.³

¹ Woolf Testimony at 33-36.

² *Id.* at 35.

³ Patrick, Aron, “The Vulnerability of Kentucky’s Manufacturing Economy to Increasing Electricity Prices,”
Kentucky Energy and Environment Cabinet, Department for Energy Development and Independence, October 2012,
page 5. Available at:
<http://energy.ky.gov/Programs/Documents/Vulnerability%20of%20Kentucky's%20Manufacturing%20Economy.pdf>

1 The Companies recognize that their industrial customers compete with other
2 regional, national, and international manufacturers. A key to their ability to compete
3 successfully is their ability to control costs. For the Companies' industrial customers,
4 electricity is a critical cost; indeed, for some industrial companies in Kentucky, electricity
5 costs consume almost one quarter of each dollar of revenue they receive for their
6 products.⁴ That makes industrial customers highly sensitive to electricity prices when
7 determining where to locate initially, whether or where to expand, and whether to stay in
8 a particular location. Research conducted for Kentucky's Department for Energy
9 Development and Independence ("DEDI") confirms this: "Specifically, an increase of
10 10% in real electricity prices was associated with a reduction of 3.37% in absolute
11 manufacturing employment, and with 95% confidence, between -2.77% and -3.97%."⁵
12 The DEDI study shows that, of the customer segments they studied, manufacturers are
13 the most responsive to changes in electricity prices. The next most responsive segment,
14 retail establishments, is less than half as responsive to changes in electricity prices.⁶

15 In addition to being highly sensitive to changes in electricity prices, industrial
16 customers have the right in Kentucky to opt out of utility-sponsored DSM/EE programs.⁷
17 As the Companies' survey of their industrial customers showed, over 20% of respondents
18 said they would probably or definitely opt out of any industrial DSM/EE offerings.⁸ Opt-
19 outs of that magnitude could adversely affect other industrial customers' willingness to
20 pay DSM/EE costs; over 40% of survey respondents indicated they might or might not

⁴ *Id.* at 2.

⁵ *Id.* at 9.

⁶ *Id.* at 10 ("[A]n increase of 10% in real electricity prices was associated with a reduction of 1.57% in total employment, and with 95% confidence between -1.30% and -1.84%.")

⁷ KRS 278.285(3).

⁸ *See* Companies' Response to Wallace McMullen and Sierra Club's second request for information question 8.

1 participate in industrial DSM/EE depending on their own cost-benefit analyses.
2 Industrial programs are not likely to be successful given industrial customers' sensitivity
3 to electricity prices, the required socialization of costs across the customer class, and the
4 Companies' survey results indicating that 60% of these customers might not participate in
5 industrial-DSM/EE programs; thus, the Companies have not proposed industrial DSM/EE
6 programming.

7 **Q. Have the Companies taken any steps to assist industrial customers with non-utility-**
8 **sponsored DSM/EE efforts?**

9 A. Yes. The Companies have worked closely with the Kentucky Pollution Prevention
10 Center ("KPPC"), which is a state-mandated technical assistance resource center
11 established in 1994 as part of the J.B. Speed School of Engineering at the University of
12 Louisville. KPPC engineers work with Kentucky's businesses, industries, and other
13 organizations to provide customized technical services that help lower operating costs by
14 reducing waste and improving efficiency. KPPC has been recognized at both state and
15 national levels as a Center of Excellence.⁹ The Companies are currently a project
16 stakeholder in the Kentucky E3 - Economy, Energy, and Environment technical
17 assistance initiative, which is facilitated by KPPC. One focus of the E3 program is to
18 help small and medium manufacturers advance efforts to conserve energy through
19 energy-efficient practices.¹⁰ The Companies participate with KPPC in these programs to
20 assist and promote energy efficiency with their industrial customers. These efforts, in
21 addition to industrial customers' own DSM/EE efforts, indicate there are industrial
22 demand and energy savings being created without utility sponsorship or incentives.

⁹ See <http://www.KPPC.org>.

¹⁰ See <https://louisville.edu/kppc/es/ky-e3-initiative>.

1 **Q. Please respond to Mr. Cummings’s statement, “ACM urges LG&E to aggressively**
2 **market the Residential Conservation/Home Energy Performance Program to**
3 **owners of multi-family properties that rent to low-income customers, and would**
4 **welcome the opportunity to assist the Company in identifying such properties in our**
5 **service areas.”¹¹**

6 A. The Companies welcome the assistance of ACM to identify, enroll, and provide energy-
7 efficiency programing to low-income customers and owners of multi-family properties.
8 The Companies facilitate a group in Louisville to assist with coordinating and promoting
9 programs particularly for low income customers,¹² and will extend an invitation to ACM
10 to participate in the group meetings. The Companies are excited to gain partners such as
11 ACM to serve these customers and look forward to increasing participation in the low-
12 income programs through ACM’s assistance.

13 **Q. A customer has submitted comments in the record of this proceeding opposing**
14 **placing an advanced meter on her home. How do the Companies respond?**

15 A. The Companies disagree with the assertions contained in the customer’s comments
16 concerning purported risks of installing an advanced meter on a customer’s home.

17 The Companies further note that the comments appear not to be in any way
18 tailored to the Companies’ AMS proposal. Indeed, the comments appear to have been
19 copied directly from a letter drafted to be sent to a California utility;¹³ notably, it refers to
20 the “Public Utility Commission,” not the Public Service Commission. Moreover, the
21 comments request that advanced meters be installed on an opt-in basis, yet that is

¹¹ Cummings Testimony at 12.

¹² See Companies’ Response to Attorney General’s second request for information question 20.

¹³ See <http://stopsmartmeters.org/sample-letter-to-utility/> (containing all the text in the comments filed in this proceeding).

1 precisely what the Companies have proposed for their AMS offering. Therefore,
2 although the Companies understand that some customers have concerns about advanced
3 meters, those concerns are not relevant to a limited and purely voluntary customer
4 offering like AMS.

5 **Q. Do you have a recommendation for the Commission?**

6 A. I continue to recommend that the Commission approve the Companies' proposed 2015-
7 2018 Demand-Side Management and Energy Efficiency Program Plan as filed.

8 **Q. Does this conclude your testimony?**

9 A. Yes, it does.

10

VERIFICATION


COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **David E. Huff**, being duly sworn, deposes and says that he is Director of Customer Energy Efficiency & Smart Grid Strategy for LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.



David E. Huff

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16th day of June 2014.



Notary Public (SEAL)

My Commission Expires:

SUSAN M. WATKINS
Notary Public, State at Large, KY
My Commission Expires Mar. 19, 2017
Notary ID # 485723