



PPL companies

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

February 25, 2015

LG&E and KU Energy LLC
State Regulation and Rates
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RE: *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. 2014-00003

Dear Mr. DeRouen:

On February 3, 2015, Louisville Gas and Electric Company and Kentucky Utilities Company (collectively “Companies”) entered into a contract with The Cadmus Group, Inc. (“Cadmus”) to perform an industrial-demand-side-management-and-energy-efficiency-potential study (“Industrial Study”). The Companies entered into the contract in accordance with the Commission’s final order in Case No. 2014-00003, which required the Companies to “commission a study that examines the potential benefits of industrial DSM/EE [demand-side management and energy-efficiency] programs.”¹ The contract is the result of a process that began with the Companies’ issuance of a request for proposals (“RFP”) to ten reputable vendors across the United States on November 21, 2014, just a week after the Commission issued its final order in Case No. 2014-00003. The Companies received responses from two vendors by the RFP-response deadline in December 2014, and thereafter analyzed the responses, conducted contract negotiations and drafting, and executed the final contract with Cadmus. The Commission required the Companies to commission the study by February 14, 2015; the Companies have now satisfied that requirement.

¹ *In the Matter of: 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. 2014-00003, Order at 30 (Nov. 14, 2014).

The Companies' contract with Cadmus requires the Companies to obtain Commission approval to recover the study's cost through the Companies' DSM Cost Recovery Mechanisms before work on the study can begin. The Companies will need to recover the study's approximately \$280,000 cost only from industrial customers to satisfy KRS 278.285(3). Because the Companies currently do not have DSM-EE programs for industrial customers, and therefore do not have industrial DSM-EE charges, the Companies will need to file an application with the Commission seeking Commission approval for industrial DSM-EE charges sufficient to recover the Industrial Study's cost, along with necessary tariff changes for implementing industrial DSM-EE charges.

As the Companies do before filing any DSM-EE-program application, the Companies met with their Energy Efficiency Advisory Group on February 11, 2015, to discuss the Industrial Study and cost-recovery issues. Among the topics of discussion at the meeting was the DSM-EE opt-out right prescribed in KRS 278.285(3). The Companies believe additional discussions with their customers' representatives and the Energy Efficiency Advisory Group would comport with KRS 278.285(1)(f) and are advisable to ensure the Companies' application will best account for input from affected parties.

The Companies further believe such meetings will be necessary to ensure that the Industrial Study succeeds. To conduct the study and obtain meaningful results, Cadmus will need to engage with the Companies' industrial customers to understand their processes, facilities, and existing DSM-EE efforts. Additional meetings with customer representatives will help ensure that the Companies properly inform their customers about the Industrial Study's requirements, and will enable customers to inform the Companies and Cadmus about how to gather the needed information in ways that respect customers' business needs and convenience.

The Companies will therefore need adequate time to hold these meetings and to draft an appropriate Industrial Study cost-recovery application and related tariff revisions. Historically, these activities take several months; however, previous filings have proven the value of spending time to conduct this collaborative process with the Energy Efficiency Advisory Group and to draft well-informed applications and tariff revisions. The Companies recognize this is an important issue for both the Commission and the Companies' industrial customers, and are committed to addressing it in a timely, thorough, and conscientious manner.

Mr. Jeff DeRouen
February 25, 2015

Please do not hesitate to contact me if you would like to discuss this matter.

Sincerely,

A handwritten signature in blue ink that reads "Rick E. Lovekamp". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Rick E. Lovekamp