



PPL companies

Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

LG&E and KU Energy LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

Rick E. Lovekamp
Manager Regulatory Affairs /
Tariffs
T 502-627-3780
rick.lovekamp@lge-ku.com

May 26, 2016

**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 Executive Director:

Pursuant to the Commission’s Order of November 14, 2014 in the above-referenced proceeding (“2014 DSM order”),¹ as well as the related requirements of the Commission’s final orders in Case Nos. 2014-00371 and 2014-00372 (“2014 rate-case orders”),² Louisville Gas and Electric Company and Kentucky Utilities Company (collectively “Companies”) hereby submit a copy of the completed *Industrial Sector DSM Potential Assessment for 2016-2035* (“Industrial Study”) by The Cadmus Group, Inc. (“Cadmus”).³

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 33 ¶ 6 (Nov. 14, 2014).

² *In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2014-00371, Order at 8-9 (June 30, 2015); *In the Matter of: Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates*, Case No. 2014-00372, Order at 8-10 (June 30, 2015).

³ “DSM” is an abbreviation of “demand-side management.” The Industrial Study examined industrial DSM and energy-efficiency (“EE”) potential, not just DSM potential.

Executive Director
May 26, 2016

The study began in the spring of 2015 and was completed and finalized on April 29, 2016, prior to the May 1, 2016 deadline established by the 2014 rate-case orders. The Companies are filing the study with the Commission today to comply with the 2014 DSM order's requirement that the Industrial Study be filed with the Commission within 30 days of its completion and finalization, as well as the 2014 rate-case orders' requirement that the Companies file the Industrial Study by May 31, 2016.

The scope and thoroughness of the Industrial Study are significant. The study had four specific objectives:

1. Assess the 20-year technical, economic, and achievable electric and natural gas energy-efficiency potential for the Companies' industrial customers;
2. Characterize the costs, savings, and applicability of industrial energy efficiency measures and demand-response ("DR") strategies;
3. Assess the potential for common DR programmatic options applicable to the industrial sector; and
4. Review and summarize industrial energy efficiency programs offered by other North American utilities.

To meet these objectives, the study relied on the Companies' data where appropriate, including load forecasts, industrial customer databases, avoided electricity and natural gas supply costs, and industrial customer billing data; however, Cadmus retained complete independence in conducting the Industrial Study, as well as complete editorial discretion in drafting it.

Beyond using the Companies' data, Cadmus reached out to all of the Companies' more than 1,500 industrial customers to provide information about energy usage and current practices and attitudes toward energy efficiency and demand response. Of those customers, 154 responded to Cadmus's phone and online survey, and some who did not participate in the survey provided other information on their energy-saving initiatives.

Based on the Companies' data, customer-provided information, and Cadmus's own research, Cadmus concluded that some demand and energy savings from potential industrial DSM-EE programs are theoretically achievable across the 20-year study period (2016-2035). But as Cadmus notes, even if the Companies ultimately implement industrial DSM-EE programs, the savings they might achieve likely would not be as great as the theoretically achievable potential

Executive Director
May 26, 2016

stated in the study due to potential customer opt-outs, budgetary and programmatic factors, and other possible constraints.

Now that the Industrial Study is complete, and in accordance with the 2014 rate-case orders, the Companies will begin meeting with their DSM Advisory Group to discuss the Industrial Study and possible industrial DSM-EE programs. The Companies will also discuss with the DSM Advisory Group how to define the term “industrial” as that term is used in KRS 278.285(3), as well as the criteria to use when determining whether an industrial customer qualifies for exemption from DSM-EE programs under KRS 278.285(3). As they routinely do, the Companies will invite representatives of the Kentucky Industrial Utility Customers, Inc. to participate in the DSM Advisory Group, and will use their best efforts to secure the participation of small- or medium-sized industrial customers in the DSM Advisory Group.

The Companies have tentatively scheduled the first meeting of the DSM Advisory Group to discuss these topics on June 23, 2016. In accordance with the 2014 rate-case orders, following the first meeting of the DSM Advisory Group to discuss these topics, the Companies will file with the Commission monthly status reports on the DSM Advisory Group’s work until the Companies file their next DSM-EE program-plan application.

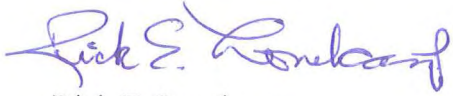
In accordance with 807 KAR 5:001, Section 8, this is to certify that the electronically filed documents are a true and accurate copy of the same documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on May 26, 2016; that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means; and that the original in paper medium of this filing will be filed with the Commission within two business days from the date of the electronic filing.

Also, included in this electronic filing is a Petition for Confidential Protection regarding certain information in this filing. The confidential material that is the subject of the Petition is not included in the electronic submission of this filing. The original of the Petition in paper medium and one copy of the confidential information in paper medium are also being filed under separate cover.

Executive Director
May 26, 2016

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

Sincerely,

A handwritten signature in blue ink that reads "Rick E. Lovekamp". The signature is written in a cursive style with a large, stylized initial "R".

Rick E. Lovekamp