


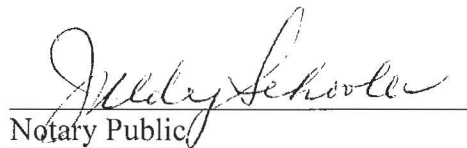
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Director - Rates for Louisville Gas and Electric Company and Kentucky Utilities Company, an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 27th day of March 2015.

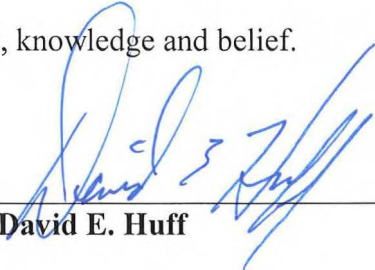
 (SEAL)
Notary Public

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018
Notary ID # 512743

VERIFICATION

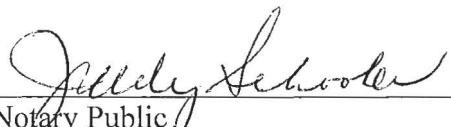
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **David E. Huff**, being duly sworn, deposes and says that he is Director – Customer Energy Efficiency Smart Grid Strategy for Louisville Gas and Electric Company and Kentucky Utilities Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and 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 24th day of March _____ 2015.



Notary Public (SEAL)

My Commission Expires:
JUDY SCHOOLER
Notary Public, State at Large, KY
My commission expires July 11, 2018

Notary ID # 512743

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2014-00372

**Supplemental Response to Commission Staff's Second Request for Information
Dated January 8, 2015**

Question No. 71

Responding Witness: Robert M. Conroy / David E. Huff

Q-71. Refer to page 26 of the November 14, 2014 Order in Case No. 2014-00003¹ wherein the Commission stated that, during LG&E's next general rate cases, the Commission would review its definition of industrial customers by North American Industry Classification System ("NAICS") codes for reasonableness. LG&E's Demand Side Management ("DSM") tariff states, "For purposes of rate application hereunder, non-residential customers will be considered 'industrial' if they are primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32, and 33. All other non-residential customers will be defined as 'commercial.'"

- a. Explain how each of the NAICS sections cited in the DSM tariff was determined to be the sections applicable in determining the definition of an industrial customer.
- b. Explain why other sections of the NAICS are not applicable.
- c. LG&E's response to Item 7 of the Supplemental Information Request of Wallace McMullen and the Sierra Club in Case No. 2014-00003 stated that LG&E had 380 customers receiving service under industrial tariffs.²
 - 1) If this number is no longer accurate, provide an update of the number of customers receiving service under industrial tariffs.
 - 2) State the rate classes under which these customers are currently receiving service and the number served under each rate class.
 - 3) State the number of these customers, by rate class, which are exempt from the DSM charge.
 - 4) Provide a breakdown of the industrial customer number by NAICS under which they are exempt from the DSM charge (for example, 245 are exempt under section 21, 300 are exempt under Section 22, etc.).

¹ Case No. 2014-00003, 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 (Ky. PSC Nov. 14, 2014).

² Response filed April 3, 2014.

- 5) For the 25 industrial customers with the highest average monthly usage, provide the average monthly usage for each customer and the NAICS section under which the customer qualifies as industrial.
- 6) For the 25 industrial customers with the lowest average monthly usage, provide the average monthly usage for each customer and the NAICS section under which the customer qualifies as industrial.

A-71. a. The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

NAICS was developed under the auspices of the Office of Management and Budget (OMB), and adopted in 1997 to replace the Standard Industrial Classification (SIC) system. It was developed jointly by the U.S. Economic Classification Policy Committee (ECPC), Statistics Canada, and Mexico's Instituto Nacional de Estadística y Geografía to allow for a high level of comparability in business statistics among the North American countries.

The primary business functions explained by NAICS sections 21, 22, 31, 32, and 33 most objectively classify customers primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product.

b. The remaining NAICS sections are comprised predominately of customers that are not primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product.

ORIGINAL RESPONSE

c. 1) There are currently 388 industrial customers receiving service under electric tariffs and 196 industrial customers receiving service under gas tariffs as of 12/31/2014 excluding company owned accounts.

2)

<u>Electric Rate Category</u>	<u># Accounts</u>
Power Service	215
Time-of-Day	122
General Service	46
Retail Transmission Service	5
Total	388

<u>Gas Rate Category</u>	<u># Accounts</u>
Firm Industrial Gas Service	186
Temporary Suspension	7
Gas Transport Service	2
As-Available Gas Service	1
Total	196

- 3) Please see response to part c(2) above.
- 4) NAICS codes are one of many criteria used by the Company to classify customers as industrial, and are one of two criteria used in determining exemption from the DSM charge. The table below provides the number of DSM-exempt industrial accounts by NAICS, where available.

<u>NAICS</u>	<u># Accounts</u>
32	93
33	84
42	60
31	37
44	15
23	10
51	10
56	9
54	9
72	8
48	8
21	6
81	6
92	4
49	3
52	2
53	2
71	1
22	1
45	1
Unavailable	19
Total	388

- 5) The table below includes the 25 industrial accounts with the highest average monthly kWh usage and their associated NAICS, where available. Blank NAICS codes in the table below represent industrial accounts where there are no values within the Companies' system.

Customer Rank	NAICS	kWh	kVA	kW	CCF
1	33	19,386,000	37,293	-	-
2	33	17,124,000	32,724	-	-
3	32	13,108,911	23,755	-	-
4	33	12,674,400	20,656	-	-
5	42	10,722,667	19,489	-	-
6	32	7,776,000	14,259	-	-
7	32	6,793,000	13,471	-	-
8	42	5,824,800	12,279	-	-
9		5,504,400	9,647	-	-
10	32	4,257,600	7,140	-	-
11	31	3,853,800	8,299	-	-
12		3,059,000	5,330	-	-
13	33	2,640,150	5,126	-	-
14	31	2,614,800	5,879	-	-
15	33	2,554,400	7,099	-	-
16	32	2,376,215	9,005	-	-
17	32	2,253,300	4,957	-	8,712
18	31	2,138,550	3,503	-	-
19		1,591,400	2,975	-	-
20	48	1,300,400	2,557	-	-
21	42	1,177,600	5,600	-	-
22	32	1,173,200	2,491	-	-
23	42	1,092,600	1,970	-	-
24	32	1,039,886	4,358	-	-
25	33	1,007,100	-	1,852	4,299

- 6) The table below represents industrial customers who have the lowest average monthly usage, at least 12 months of account activity, and whose monthly kWh usage is greater than 1,000.

Customer Rank	NAICS	kWh	kW	CCF
1	42	9,979	-	304
2	33	9,880	40	-
3	42	9,845	44	647
4	56	9,493	-	485
5	23	9,450	17	-
6	48	8,600	60	-
7	33	8,513	34	-
8	23	8,400	38	-
9	42	7,800	16	-
10	33	7,360	37	-
11	33	7,360	-	-
12	33	6,960	47	-
13	32	6,480	68	-
14	48	6,325	50	-
15	42	5,467	50	-
16	33	4,840	16	-
17	33	4,766	-	120
18	33	3,600	23	-
19	33	3,367	-	-
20	42	3,160	-	397
21	44	2,833	43	-
22	33	2,409	-	139
23	32	1,657	-	-
24	42	1,597	-	-
25	33	1,066	-	102

SUPPLEMENTAL RESPONSE

- c. Please note that LG&E’s response to the cited data request in Case No. 2014-00003 and its original response to this request provided numbers of customer contracts classified as industrial in LG&E’s databases for non-DSM reasons.

Please also note that the information provided in the responses below contains the results from the Companies’ recent data and process review, not the Companies’ current billing data, concerning the classification of customer contracts as industrial for DSM purposes, which LG&E’s supplemental response to PSC 3-22 explains in detail.

- 1) The total number of LG&E electric customer contracts that currently are classified as industrial for DSM purposes is 483, excluding LG&E-owned accounts. Following its data and business process review, the total number of LG&E electric customer contracts that should be classified as industrial for DSM purposes is 671, excluding LG&E-owned accounts.

The total number of LG&E gas customer contracts that currently are classified as industrial for DSM purposes is 291, excluding LG&E-owned accounts. Following its data and business process review, the total number of LG&E gas customer contracts that should be classified as industrial for DSM purposes is 232, excluding LG&E-owned accounts.

Please note that customer contracts classified as industrial for DSM purposes are not exempt from DSM charges; rather, there are no DSM charges for such customers because LG&E currently does not offer industrial DSM programs.

- 2)

<u>Electric Rate Category</u>	<u># Contracts</u>
General Service	385
Power Service	172
Time-of-Day	108
Retail Transmission Service	6
Total	671

<u>Gas Rate Category</u>	<u># Contracts</u>
Firm Industrial Gas Service	142
Firm Commercial Gas Service	70
Gas Transport Service	17
As Available Gas Service	2
Special Contract	1
Total	232

- 3) Please see the response to part c(2) above.
- 4) NAICS codes are one of two criteria LG&E may use to determine whether a customer contract is industrial for DSM purposes. LG&E’s tariff states, “For purposes of rate application hereunder, non-residential customers will be considered ‘industrial’ if they are primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32, and 33.”³ It is important to note that, as developed and defined by the federal

³ Louisville Gas and Electric Company, P.S.C. Electric No. 9, First Revision of Original Sheet No. 86. LG&E’s gas tariff explicitly refers to the definition of “industrial” in LG&E’s electric tariff, and is therefore the same: “Any industrial gas customer who also receives electric service from the Company as an industrial customer, and has elected not to participate in a demand-side management program hereunder, shall not be assessed a charge pursuant to this mechanism.” Louisville Gas and Electric Company, P.S.C. Gas No. 9, First Revision of Original Sheet No. 86.

government, an NAICS code applies to an entire business, not to an individual utility contract.⁴ Therefore, a business with one of the five NAICS codes listed above might have one or more service contracts with LG&E that do not qualify as industrial from DSM purposes. For example, consider an automobile manufacturer that owns and operates a daycare center at one of its assembly plants: Contracts related to the assembly facility would qualify as industrial for DSM purposes; the daycare center, though owned and operated by an automobile manufacturer, would not qualify as industrial for DSM purposes. Thus, although NAICS codes inform LG&E's classification of a contract for DSM purposes, they do not always dictate the classification.

Please also note that industrial customer contracts are not exempt from DSM charges; rather, there is currently no industrial DSM charge because there are no industrial DSM programs.

The table below lists by NAICS code (where known) the number of electric and gas customer contracts LG&E believes should be classified as industrial for DSM purposes following its data and business process review:

<u>NAICS</u>	<u># Contracts</u>
33	454
32	284
31	117
42	25
21	8
23	5
22	2
44	2
48	2
53	1
Unavailable	3
Total	903

- 5) The table below shows the average monthly usage in 2014 of the 25 highest-average-monthly-usage electric customer contracts that LG&E believes should be classified as industrial for DSM purposes following its data and business process review, as well as each contract's associated NAICS code (where known):

⁴ See <http://www.census.gov/eos/www/naics/> ("The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.") (Viewed on Mar. 18, 2015.)

<u>Customer Rank</u>	<u>NAICS</u>	<u>kWh</u>	<u>kVA</u>	<u>kW</u>
1	32	20,190,177	44,008	-
2	33	19,467,000	37,969	-
3	33	16,880,000	32,743	-
4	42	16,104,000	30,507	-
5	33	12,674,400	20,780	-
6	32	7,772,400	14,280	-
7	32	7,360,800	14,002	-
8	32	6,751,000	13,503	-
9	33	5,750,400	12,414	-
10	32	4,764,000	9,145	-
11	32	4,633,333	8,043	-
12	32	4,300,800	7,207	-
13	31	3,997,200	8,694	-
14	22	2,628,800	5,206	-
15	33	2,624,850	5,167	-
16	33	2,571,200	7,165	-
17	32	2,239,800	4,979	-
18	31	2,147,400	3,576	-
19	32	1,244,800	3,079	-
20	32	1,238,000	5,391	-
21	32	1,194,400	2,502	-
22	33	1,192,800	4,352	-
23	32	1,192,000	5,681	-
24	32	1,079,200	1,977	-
25	33	1,021,200	-	1,898

- 6) The table below shows the average monthly usage in 2014 of the 25 lowest-average-monthly-usage electric customer contracts with non-zero usage and at least 12 months of account activity that LG&E believes should be classified as industrial for DSM purposes following its data and business process review, as well as each contract's associated NAICS code (where known):

<u>Customer Rank</u>	<u>NAICS</u>	<u>kWh</u>
1	31	19
2	42	364
3	42	429
4	42	474
5	42	574
6	33	777
7	33	980
8	42	993
9	33	1,001
10	32	1,005
11	33	1,033
12	33	1,041
13	33	1,059
14	32	1,078
15	42	1,089
16	33	1,107
17	32	1,116
18	32	1,133
19	33	1,137
20	32	1,137
21	33	1,155
22	32	1,163
23	33	1,173
24	33	1,191
25	33	1,193