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PUBLIC SERVICE
COMMISSION

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

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Rick E. Lovekamp
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January 8, 2010

**RE: *APPLICATION OF KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY TO MODIFY
THEIR GREEN ENERGY PROGRAMS
CASE NO. 2009-00467***

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and ten (10) copies of the Response of Louisville Gas and Electric Company and Kentucky Utilities Company to the Commission Staff's First Data Request dated December 23, 2009, in the above-referenced matter.

Also enclosed are an original and ten (10) copies of a Petition for Confidential Protection regarding certain information provided in response to Question No. 5(b).

Should you have any questions concerning the enclosed, please contact me at your convenience.

Sincerely,

Rick E. Lovekamp

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY AND LOUISVILLE GAS AND) CASE NO.
ELECTRIC COMPANY TO MODIFY THEIR) 2009-00467
GREEN ENERGY PROGRAMS)


RESPONSE OF
KENTUCKY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY
TO COMMISSION STAFF'S FIRST DATA REQUEST
DATED DECEMBER 23, 2009

FILED: JANUARY 8, 2010

VERIFICATION

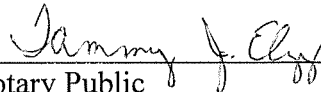
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of E.ON U.S. Services, Inc., 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.



Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 8th day of JANUARY 2010.



Notary Public (SEAL)

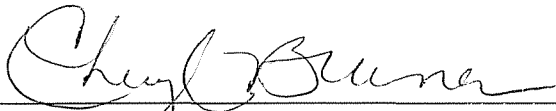
My Commission Expires:

November 9, 2010

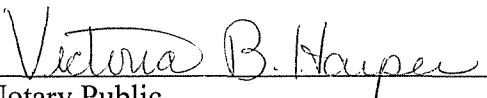
VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Cheryl E. Bruner**, being duly sworn, deposes and says that she is Director – Customer Energy Efficiency for E.ON U.S. Services, Inc., and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.


Cheryl E. Bruner

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 8th day of January 2010.

 (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

**KENTUCY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request
Dated December 23, 2009**

Case No. 2009-00467

Question No. 1

Witness: Cheryl E. Bruner

- Q-1. Has Joint Applicants' report for their Green Energy programs for the period June 2009 through November 2009 been filed? If no, when will the report be filed?
- A-1. Yes. On December 22, 2009, the Companies filed the Green Energy semi-annual report for the reporting period of June 2009 through November 2009. Attached is a copy of the report that was filed with the Commission.



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December 22, 2009

Re: Joint Application of Louisville Gas and Electric Company and
Kentucky Utilities Company for Approval of Their Proposed Green
Energy Riders - Case No. 2007-00067

Dear Mr. DeRouen:

Pursuant to the Commission's Order in the aforementioned proceedings, Louisville Gas and Electric Company and Kentucky Utilities Company (collectively, "the Companies") do hereby file an original and five (5) copies of the Companies' semi-annual periodic reports.

Please confirm your receipt of this filing by placing the File Stamp of your Office with date received on the extra copy. Should you have any questions regarding the information filed herewith, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Rick E. Lovekamp".

Rick E. Lovekamp

Louisville Gas and Electric Company

For period: June 1, 2009 - November 30, 2009

	Number of Program Customers (A)	Accounts 906	REC's Subscribed (B)	Actual Cost of REC's (C)
Small Green Energy	898	906	2,799	\$ 34,987.50
Large Green Energy	1	1	1,249	\$ 15,612.50
Totals	899	907	4,048	\$ 50,600.00

Expenditures For	
Education and Promotion	\$ 10,334.05
Administrative Costs	\$ 7,116.72
Payments to 3Degrees	
Costs of REC's	\$ 50,600.00
Support Services	\$ 7,116.72
3Degrees Total	\$ 57,716.72

Kentucky Utilities Company

For period: June 1, 2009 - November 30, 2009

	Number of Program Customers (A)	Number of Program Accounts (B)	Actual Cost of REC's (C)
Small Green Energy	542	1,597	\$ 19,962.50
Large Green Energy	5	1,569	\$ 19,612.50
Totals	547	3,166	\$ 39,575.00

Expenditures For	
Education and Promotion	\$ 10,053.58
Administrative Costs	\$ 7,116.72
Payments to 3Degrees	
Costs of REC's	\$ 39,575.00
Support Services	\$ 7,116.72
3Degrees Total	\$ 46,691.72

**KENTUCY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request
Dated December 23, 2009**

Case No. 2009-00467

Question No. 2

Witness: Cheryl E. Bruner

- Q-2. Refer to Joint Applicants' biannual periodic report for the period December 1, 2008 through May 31, 2009, filed June 30, 2009 in Case No. 2007-00067.¹ (If a more recent biannual report is available, use the corresponding updated amounts from that report in place of the amounts used below to answer questions 2a through 2c of this request.)
- a. Provide a breakdown of the expenditures of \$4,183.31 for education and promotion and \$4,550.00 for KU administrative costs. Provide all necessary supporting calculations and workpapers.
 - b. Provide a breakdown of the expenditures of \$4,060.71 for education and promotion and \$4,500.00 for LG&E administrative costs. Provide all necessary supporting calculations and workpapers.
 - c. For the reporting period in which KU and LG&E each paid 3Degrees Group, Inc. ("3Degrees") \$6,925.12 for support services:
 - 1) Provide the cost to KU and LG&E, individually, for support services if the services had been provided in-house as currently proposed by the Joint Applicants. If the costs are unavailable, provide an explanation of the potential cost savings for the support services.
 - 2) Explain why each company paid an identical amount for support services when expenditures for Renewable Energy Certificates ("RECs") for LG&E were approximately twice those of KU.

¹ Case No. 2007-00067, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Their Proposed Green Energy Riders (Ky. PSC May 31, 2007).

A-2. The Green Energy semi-annual report for June 2009 through November 2009 will be used to answer these questions. A copy of this report is included in the response to Question No. 1.

- a. During the period of June 2009 through November 2009, KU incurred \$10,053.58 in education and promotion expenditures and \$7,116.72 in administrative expenditures. Copies of workpapers and invoices are included on the enclosed CD.
- b. During the period of June 2009 through November 2009, LG&E incurred \$10,334.05 in education and promotion expenditures and \$7,116.72 in administrative expenditures. Copies of workpapers and invoices are included on the enclosed CD.
- c. For the June 2009 through November 2009 reporting period KU and LG&E each paid 3Degrees Group, Inc. ("3Degrees") \$7,116.72 for support services:
 - 1) The Companies do not propose to provide support services in-house, but rather to continue to work with a third party to provide the types of services (compliance and marketing, predominantly) that are included in this category. Only procurement/acquisition services would be brought in-house per the Companies' application.
 - 2) Marketing campaigns and program compliance with third-party standards are deemed to be integrated efforts that are beneficial to the program as a whole, and are therefore shared evenly by both Companies. This structure has been in place since the program's inception.

**KENTUCY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request
Dated December 23, 2009**

Case No. 2009-00467

Question No. 3

Witness: Cheryl E. Bruner

- Q-3. Explain whether any new marketing efforts, in addition to those identified in response to questions 2a and 2b above, are being considered for the proposed new programs. Include in the explanation whether the marketing efforts for the KU and LG&E programs are the same. If not the same, explain the differences in the marketing efforts and the reasons for making the differences.
- A-3. Yes, new marketing efforts are being considered for the future. While the Companies anticipate continuing to utilize similar marketing efforts to those that have contributed to the program's growth thus far, new strategies for direct mail (such as targeted demographics) and expanded media (such as radio, digital media, social media) are being considered. Marketing efforts are expected to remain consistent between KU and LG&E.

**KENTUCY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request
Dated December 23, 2009**

Case No. 2009-00467

Question No. 4

Witness: Cheryl E. Bruner

- Q-4. Include copies of all marketing materials used in promoting the Green Energy programs since the inception of the programs. If copies are unavailable, provide a detailed narrative description of the marketing efforts.
- A-4. Included on the CD are electronic copies of marketing materials used since program inception. These constitute the primary marketing efforts. Other marketing efforts have included promoting the program through presentations to various groups and through awareness-raising communications that are integral to the Companies' overarching environmental goals.

**KENTUCY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request
Dated December 23, 2009**

Case No. 2009-00467

Question No. 5

Witness: Cheryl E. Bruner

- Q-5. Refer to page 6, paragraphs 11-13, of the application. Joint Applicants propose to move the REC acquisition function in-house after expiration of the current contract with 3Degrees on June 1, 2010.
- a. A Request for Proposals ("RFP") for REC procurement and support services was issued, for which two proposals were received. Provide the results of those proposals. A comparison of the proposals or copies of the proposals will suffice.
 - b. Joint Applicants refer to cost savings that are anticipated by moving the REC function in-house. Provide copies of all cost analyses conducted by the Joint Applicants that support the decision to bring the REC function in-house. Include copies of all correspondence and workpapers supporting the analyses.
 - c. Joint Applicants state that none of the RFP responses provide complete price protection from exposure to price risk. Explain whether any price protection is provided by outsourcing the REC acquisition function that will not be provided if the function is brought in-house.
- A-5.
- a. Please see response to Question No. 5 (b) below.
 - b. Please see the information provided on the enclosed CD. Certain information being provided in response to this request is being filed under a Petition for Confidential Protection.
 - c. There is a level of price protection offered by outsourcing REC acquisition that is not present in the proposed in-house scenario. The limited protection in question is incurred at a significant cost and is subject to both volume risk (loss of protection if the program grows too fast) and price risk (loss of protection if the market changes drastically or if the program does not demand an adequate volume of RECs).

**KENTUCY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request
Dated December 23, 2009**

Case No. 2009-00467

Question No. 6

Witness: Cheryl E. Bruner

- Q-6. Refer to page 8, paragraph 16, of the application. If approved, would the change in tariff language for both Small Green Energy and Large Green Energy Rider participants mean that the participants will no longer know how many kilowatt-hours of usage purchased are green power? If yes, explain whether loss of that knowledge is expected to affect participation in the proposed programs.
- A-6 No. The number of RECs that have been purchased as a result of a customer's voluntary contribution is information that will still be made available to them. The proposed change would be primarily one of sequencing, whereby the customer is notified after the fact of the amount of RECs that were acquired at their chosen level of contribution. Customers would be kept informed through quarterly mailings and through a regularly updated web site as to the ongoing market value of their support of Green Energy.

**KENTUCY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request
Dated December 23, 2009**

Case No. 2009-00467

Question No. 7

Witness: Cheryl E. Bruner

- Q-7. Refer to page 9, paragraph 18, of the application.
- a. Explain whether enough Kentucky-generated RECs are available to accommodate KU and LG&E's needs at the level necessary under the present programs. Include in the explanation whether the Kentucky-generated REC market shows the potential to provide more RECs in the future, if needed under the proposed programs.
 - b. Explain whether Kentucky-generated RECs are cost-competitive with regionally and nationally generated RECs. Include in the explanation:
 - 1) How many Kentucky-generated RECs have been purchased under the 2007-2009 plan.
 - 2) The percentage of Kentucky-generated RECs as compared to the total number of RECs purchased under the 2007-2009 plan.
- A-7.
- a. There are not currently an adequate number of Kentucky-generated RECs to meet the Green Energy Program's demand. Kentucky does, however, possess the potential to increase its supply of various renewable energy sources in the future, and therefore could feasibly offer higher volumes of RECs.
 - b. The Companies are unable to categorically determine the market value of Kentucky-generated RECs, since a third party currently purchases those RECs at their own (undisclosed) price before selling to the Companies at a contracted rate. It is expected, however, that the limited supply of Kentucky-generated RECs relative to the Companies' established demand compels above-market rates for Kentucky RECs. The Companies will continue to prioritize the purchase of Kentucky-generated RECs in accordance with the filing, or until such time that any price premium for a Kentucky-generated product begins to unreasonably undercut the customer's value proposition.

1) Please see table here for total REC purchases since program inception:

RECS	2007	2008	Nov. 2009 YTD
KY	364.000	6,648.060	4,177.674
IN			6,503.000
Total	364.000	6,648.060	10,680.674

2) Please see table here for Kentucky-generated REC purchases as a percentage of total REC purchases since program inception:

RECS	2007	2008	Nov. 2009 YTD
KY	100%	100%	39%
IN	0%	0%	61%
Total	100%	100%	100%

**KENTUCY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request
Dated December 23, 2009**

Case No. 2009-00467

Question No. 8

Witness: Cheryl E. Bruner / Lonnie E. Bellar

- Q-8. Refer to page 9, paragraph 19, of the application. Joint Applicants propose to remove the obligation for participants in the Large Green Energy Rider to commit to make certain levels of contributions for 12 months, stating such a commitment is not necessary under the revised Green Energy programs. What changes are proposed in the revised programs, or have occurred in the Green Energy market, that affect the need for commitment by the participants?
- A-8. The proposed change that most affects the need for a prolonged customer commitment is a purchasing structure based on lowest-cost monthly rate rather than for a fixed number of RECs. The imposition of a long-term agreement is seen as a barrier to entry for many large customers, and it is expected that this increased flexibility will result in more large customers participating in the program.

**KENTUCY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request
Dated December 23, 2009**

Case No. 2009-00467

Question No. 9

Witness: Cheryl E. Bruner / Lonnie E. Bellar

- Q-9. Refer to page 9, paragraph 20, of the application. Joint Applicants propose to delete from their Green Energy Riders, paragraph (d) from each tariff sheet's "Terms and Conditions" section. Those sections require that the service under the Green Energy rate schedules coincide with the three-year contracts for the purchase of RECs. If Joint Applicants' request for authorization to bring the REC acquisition function in-house is denied, is it correct that paragraph (d) or similar language will still be required? Explain.
- A-9. No. In the event that the request is denied, the Companies would file an application with the Commission at the appropriate time and in accordance with all applicable filing and notice requirements if a change to the tariff sheets was required.

**KENTUCY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Commission Staff's First Data Request
Dated December 23, 2009**

Case No. 2009-00467

Question No. 10

Witness: Cheryl E. Bruner

- Q-10. Is it correct that the RECs purchased under the Green Energy programs represent only the environmental attributes of the generation associated with the RECs purchased and do not substitute for the need for actual generation of the power?
- A-10. Yes. It is correct that RECs represent only the environmental attributes of eligible renewable generation sources.

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JAN 08 2010

COMMONWEALTH OF KENTUCKY

JAN 08 2010

PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION

In re the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY AND LOUISVILLE GAS AND)
ELECTRIC COMPANY TO MODIFY THEIR)
GREEN ENERGY PROGRAMS)

CASE NO. 2009-00467

**PETITION OF LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY
FOR CONFIDENTIAL PROTECTION**

Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (collectively, the “Companies”) hereby petition the Kentucky Public Service Commission (“Commission”) pursuant to 807 KAR 5:001, Section 7, and KRS 61.878(1)(c) to grant confidential protection to confidential and proprietary information contained in the Companies’ Response to Question No. 5(b) of Commission Staff’s First Data Request, dated December 23, 2009 (“Confidential Information”). In support of this Petition, the Companies state as follows:

1. KRS 61.878(1)(c) protects commercial information, generally recognized as confidential or proprietary, if its public disclosure would cause competitive injury to the disclosing entity. Competitive injury occurs when disclosure of the information would give competitors an unfair business advantage. The Commission has taken the position that the statute and the regulation require the party requesting confidentiality to demonstrate actual competition and the likelihood of competitive injury if the information is disclosed. Here, there is actual competition, as the information in question concerns confidential and proprietary information related to the procurement of Renewable Energy Certificates (“RECs”). Because 29 states and the District of Columbia have mandatory Renewable Portfolio Standards and another

five have non-binding goals, some of which can be satisfied by purchasing RECs, the market for renewable energy and RECs has become quite competitive. There is also a thriving “voluntary compliance” market in RECs. The Confidential Information relates to the pricing, bidding, proposal-reviewing, and negotiation strategies the Companies use to procure RECs. This is confidential business information the public disclosure of which would enable the Companies’ competitors to discover, and make use of, the Companies’ business strategies, to the unfair competitive disadvantage of the Companies and their customers.

2. In Case No. 2009-00353, the Commission determined that similar kinds of information (concerning the evaluation, negotiation, and pricing of wind power contracts) should be treated confidentially on the same grounds the Companies assert herein concerning the Confidential Information.¹

3. The commercially sensitive information at issue derives actual or potential economic value from not being generally known to other persons who can obtain economic value from its disclosure or use because such information is not readily ascertainable or obtainable on a non-confidential basis by third parties using proper means.

4. The information for which confidential treatment is sought is maintained internally by the Companies’ personnel who have a business need to know this information. This information is not on file with the Federal Energy Regulatory Commission, Securities and Exchange Commission, or other public agency. It is not available from any commercial or other source outside of the Companies.

5. Disclosure of the information sought to be protected in this matter would make available to the Companies’ competitors information concerning their business strategies that

¹ See Letters from Commission Executive Director Jeff Derouen to Lonnie E. Bellar, Dated December 7, 2009, Case No. 2009-00353.

such competitors could use to the Companies' competitive disadvantage. The Companies' competitors are not required to file, or to make public, similar proprietary information.

6. The information contained in the Companies' Response to Question No. 5(b) of Commission Staff's First Data Request is commercially sensitive and confidential REC pricing, purchasing, and negotiation strategy information that, if disclosed publicly, could significantly hamper the Companies' ability to obtain RECs on terms favorable to LG&E and KU, and to their customers. The Companies therefore request confidential treatment for the information described above pursuant to 807 KAR 5:001, Section 7, and KRS 61.878(1)(c).

7. If the Commission disagrees with this request for confidential protection, it must hold an evidentiary hearing (a) to protect the Companies' due process rights and (b) to supply the Commission with a complete record to enable it to reach a decision with regard to this matter. Utility Regulatory Commission v. Kentucky Water Service Company, Inc., Ky. App., 642 S.W.2d 591, 592-94 (1982).

8. The Companies will disclose the Confidential Information, pursuant to a protective agreement, to intervenors and others with a legitimate interest in this information and as required by the Commission. In accordance with the provisions of 807 KAR 5:001 Section 7, the Companies herewith file with the Commission one copy of the above-discussed Response with the Confidential Information highlighted and ten (10) copies of the same with the Confidential Information redacted.

WHEREFORE, Louisville Gas and Electric Company and Kentucky Utilities Company respectfully request that the Commission grant confidential protection for the information at issue, or in the alternative, schedule an evidentiary hearing on all factual issues while maintaining the confidentiality of the information pending the outcome of the hearing.

Dated: January 8, 2010

Respectfully submitted,



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