

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**JOINT APPLICATION OF PPL CORPORATION,)
E.ON AG, E.ON US INVESTMENTS CORP.,)
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC)
COMPANY AND KENTUCKY UTILITIES)
COMPANY FOR APPROVAL OF AN ACQUISITION)
OF OWNERSHIP AND CONTROL OF UTILITIES)**

**CASE NO.
2010-00204**

**RESPONSE OF METRO HOUSING COALITION TO FIRST SET OF DATA
REQUESTS OF PPL CORPORATION, E.ON AG, E.ON US INVESTMENTS CORP.,
E.ON U.S. LLC, LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY**

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**PUBLIC SERVICE
COMMISSION**

MAILED AUGUST 26, 2010

**METRO HOUSING COALITION RESPONSE TO FIRST SET OF DATA REQUESTS
FROM PPL CORPORATION ET AL.**

Responding Witness: Cathy Hinko, Executive Director

Question No. 1:

Before submitting MHC's pre-filed testimony, did MHC or its counsel seek information about PPL's experience in gas operations other than by reviewing PPL's website?

Response No. 1:

No, MHC staff went directly to the PPL web site to see the current capacity of PPL in gas operations.

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Responding Witness: Cathy Hinko, Executive Director

Question No. 2:

1. Is MHC aware:

(a) That PPL owned and operated PPL Gas Utilities Corporation (“PPL Gas”) until 2008?

(b) That PPL Gas served about 76,000 natural gas distribution customers in 35 counties throughout Pennsylvania and a small area of Maryland, and that the gas utility operated about 3,800 miles of pipeline and owned underground gas storage capacity in three separate reservoirs in north-central Pennsylvania?

(c) That PPL Electric’s current Vice President of Customer Services, Robert M. Geneczko, was the President of PPL Gas when it was owned by PPL, or that the President of PPL Electric, David G. DeCampli, had experience managing the operation of a natural gas utility before he joined PPL Electric?

(d) That the existing management of PPL and LG&E has years of managerial experience building, operating and maintaining natural gas utilities.

Response No. 2

(a) MHC did not research PPL’s history, but was interested in current capacity.

(b) MHC knew that PPL had some capacity as the PPL pie chart showed that a small part of PPL’s current business involved natural gas. However, MHC did not see that PPL’s current business in provision of gas to residential customers was as extensive as the number of households in Louisville Metro, which was 212,000, pursuant to the 2000 census. MHC did not get the numbers for the full footprint of the LG&E area of households using gas for heat, so our

numbers are only about Louisville Metro. MHC is concerned with how the pie chart that MHC saw on the PPL web site would be affected by the acquisition of E.On. LG&E currently gets better overall prices for natural gas by having storage areas that accommodate almost half of the natural gas needed for the heating season, which can make prices more predictable and lower. MHC's knowledge of this storage capacity and of its impact is from attendance at meetings over many years where LG&E representatives have spoken, but I am not able to name a specific time. MHC is also concerned that PPL's sale of PPL Gas to UGI in 2008 may have been motivated, in part, by a desire of PPL to cease providing residential gas service as a utility.

(c) No.

(d) MHC did not say that there was no capacity, in fact the pie chart clearly showed that PPL did have a small part of their business in natural gas, however MHC did not see residential gas service as a significant part of PPLs current business. MHC is very aware that current LG&E staff have experience. MHC is interested in learning how PPL will operate when a small part of their overall business in gas heating- for instance how much innovation, R&D dollars and focus will be on this part of the business.

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Responding Witness: Cathy Hinko, Executive Director

Question No. 3

Please refer to page 6 of Cathy Hinko's testimony discussing whether there are "specific areas that could be addressed in the acquisition that would advance the public interest." Please state the basis for Cathy Hinko's position the current DSM program being directed solely by LG&E/E.ON has led to "ineffective and incomplete" programs and a perplexing set of choices for the consumer.

Response No. 3

The simplest example of the problem is that when Louisville Metro government received a commitment for three years of extensive energy efficient rehabilitation/weatherization funds for hundreds of households no coordination took place. Cathy Hinko asked this question of LG&E employee Shirley Campbell and asked this question of Louisville Metro employee Keith Jackson and both answered that this coordination did not take place. While the WeCare program makes many referrals to the new city program, there appears to be no coordination. One result is that two audits are done, one for WeCare and one for the city program. That is a possible savings that could extend the number of people that could receive benefits.

No one from Honeywell, which carries out part of the DSM program as the operator of the We Care program, has attended meetings of the Customer Commitment Advisory Group of LG&E. Nor have they attended any of the meetings that have been convened by Metro United Way for local action on green jobs opportunities coordinated with the local and state government. Ms. Campbell has attended many of these meetings, but not Honeywell. Ms.

Hinko commented at all these instances how the various programs can be confusing to a consumer and also suggested coordination. These meeting have taken place over a year's time span.

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Responding Witness: Cathy Hinko, Executive Director

Question No. 4

Please explain how the Commission would have the statutory jurisdiction or the ability to regulate and maintain proper oversight of the DSM program if the program is “under the control of a board which has representation from the utility company but which is not controlled by the utility company” as suggested at page 6 of Cathy Hinko’s direct testimony.

Response No. 4

The currently-approved DSM model gives decision making power to LG&E. The Public Service Commission can approve a model where LG&E collects ratepayer money and allows ratepayers to decide on the programs based on commission-approved criteria.

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Responding Witness: Cathy Hinko, Executive Director

Question No. 5

Please refer to Cathy Hinko's testimony at page 6. Please explain how LG&E/E.ON's proposal to provide energy education to help reduce energy demand in low-income households fails to provide "real, helpful services to ratepayers?"

- (a) Is it MHC's position that energy efficiency education does not lead to lower energy bills for customers?
- (b) Would low-income ratepayers be better off without energy efficiency education?

Response No. 5

(a) MHC certainly finds that a proposal for a single site Energy Education Center- cost to be borne by the ratepayers- for the two E.On jurisdictions operated currently by LG&E and Kentucky Utilities- is not the most effective way to provide a reduction in usage, especially for low-income households. This proposal is contained in the spiral bound *2010 Energy Efficiency/DSM Opportunities* at the LG&E/KU July 21, 2010 Energy Efficiency Advisory Group, and it was contained in a prior publication for that group. MHC does not believe that this is the most effective way to do energy education, especially considering the cost to rate payers versus return. What MHC most advocates for is to ask low-income people where they want dollars spent for reducing usage, including how energy conservation education should take place.

(b) Low-income people would be best off with affordable costs for energy. It is MHC's position that a cost/benefit analysis of precious dollars to accomplish lowering usage be part of the equation of deciding on DSM programs and that representation in the deliberations is key. While MHC supports payment assistance programs, it has been MHC's position that lowering usage is the most effective and long-term rewarding way to accomplish that goal. Energy conservation education and actual weatherization or energy efficient rehabilitation of housing are the ways to achieve that goal. MHC also promotes the value that leveraging and extending benefits by cooperation between all programs that provide a piece of this puzzle is imperative. For instance, Project Warm does the energy conservation education for the All Seasons Assurance Program.

**METRO HOUSING COALITION RESPONSE TO FIRST SET OF DATA REQUESTS
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Responding Witness: Cathy Hinko, Executive Director

Question No. 6

Please refer to Cathy Hinko's pre-filed testimony at page 8.

(a) Is MHC aware that programs such as PPL Electric's OnTrack, WRAP and WRAP Solar Water Heating Program are required by Pennsylvania law?

(b) Is MHC aware that the costs of these programs are funded by Pennsylvania ratepayers in the form of either a universal service rider or base rates?

(c) Is it MHC's position that implementing similar programs in Kentucky would require legislative action on the part of the General Assembly, or is it MHC's position that the Commission currently has the statutory authority to require implementation of similar programs?

(d) If it is MHC's position that the Commission currently has authority to implement similar programs, please provide the statutory basis for MHC's understanding.

Response No. 6

(a) MHC knew that either the state regulatory body for Pennsylvania or the legislative body had to approve the programs, just as the DSM and HEA programs had to be approved in Kentucky. MHC believes that these models may be useful in assessing what programs should be offered through the DSM program and how to structure programs that we can offer in this footprint. MHC offered these up as experience that PPL had in offering programs.

(b) Much like the DSM program and the HEA program here in the LG&E service area, MHC knew that funding came from the rate payers either through a charge or in the base rate. MHC

recognizes that E.On investors contributed to several programs, such as the HEA program in the LG&E and KU areas as suggested by the Public Service Commission, and commends the investors, but this is a modest part of the overall funding for HEA and DSM programs which are funded through the rate payers.

(c) The PSC possesses power to order certain programs under certain conditions- as in the DSM program and the HEA program. It would depend on the program and the way that the funding and implementation took place.

(d) MHC does believe that the Commission has the statutory authority to approve implementation of such programs as part of a comprehensive and cost-effective demand side management program. The statutory citation is KRS 278.285.

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Responding Witness: Cathy Hinko, Executive Director

Question No. 7

Please explain in detail how MHC proposes that implementation of programs similar to OnTrack, WRAP and WRAP Solar Water Heating Program in Kentucky should be funded. Please also state how much funding MHC estimates would be required for LG&E to operate each of these programs on an annual basis.

Response No. 7

MHC has previously asserted that the use of DSM funds should be coordinated with local programs and be under the control of a board which has representation from the utility company but which is not controlled by the utility company. See page 6 of Cathy Hinko's pre-filed testimony. MHC cited these PPL programs while asking for a review of all the programs offered by LG&E and those of PPL take place and that MHC be a participant in that review. The experience of PPL with these programs using non-profit local service providers should add to the design of LG&E's DSM options and program operations. MHC does believe that PPL should commit to a level of service in these programs not just equivalent to current service, but with additional programs developed and implemented in partnership with non-profits in the service area (page 9). However, MHC has not proposed any additional funding, just better use of the current funding.

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Responding Witness: Cathy Hinko, Executive Director

Question No. 8

Please explain how implementing a program similar to PPL Electric's WRAP program, which provides energy audits and weatherization services, would not be duplicative of programs already in existence that provide the same services.

Response No. 8

MHC offered a model used by PPL that uses a non-profit to do this work; non-profits have boards that reflect community involvement. MHC has found that "best practices" comparisons of programs are fruitful and while MHC knew that these programs were similar, our point has been to review and choose the best options, using rate payer input.

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Responding Witness: Cathy Hinko, Executive Director

Question No. 9

Does LG&E currently operate any programs that MHC believes are effective in helping low-income customers? If so, please list each such program and explain why MHC believes the program is effective.

Response No. 9

The HEA program and the Project Warm programs are effective at using low overhead and community resources to reach thousands of people who are low-income.

**METRO HOUSING COALITION RESPONSE TO FIRST SET OF DATA REQUESTS
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Responding Witness: Cathy Hinko, Executive Director

Question No. 10

Please refer to page 8 of Cathy Hinko's pre-filed testimony regarding purported internal pressure for PPL to switch customers from gas to electric utility services.

- (a) Please state the basis for Ms. Hinko's claim.
- (b) Please produce all documents upon which MHC relies to support this claim.

Response No. 10

(a) The July 22, 2010 news report on the PPL web site that was cited in Cathy Hinko's testimony showed that PPL was using favorable pricing to get electric customers in a competitive market. MHC was concerned that because PPL's main business in both the US and globally is electricity, that this could influence PPL's offerings in this market and that incentives could be used to switch customers from gas heat to electric heat.

- (b) The news report referred to in (a) is located on the PPL website.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Response of Metro Housing Coalition to First Set of Data Requests Propounded By PPL Corporation Et al. was served upon the following individuals by first class United States mail, postage prepaid, on the 26th day of August 2010:

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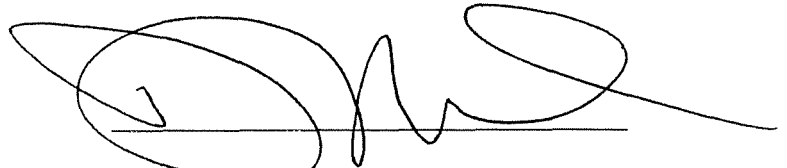
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A handwritten signature in black ink, appearing to read 'Tom Fitzgerald', is written over a horizontal line. The signature is stylized and cursive.

Tom Fitzgerald