

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND	)	
ELECTRIC COMPANY AND KENTUCKY	)	
UTILITIES COMPANY FOR REVIEW,	)	
MODIFICATION, AND CONTINUATION OF	)	CASE NO.
EXISTING, AND ADDITION OF NEW, DEMAND-	)	2014-00003
SIDE MANAGEMENT AND ENERGY	)	
EFFICIENCY PROGRAMS	)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO  
LOUISVILLE GAS AND ELECTRIC COMPANY AND  
KENTUCKY UTILITIES COMPANY

Pursuant to 807 KAR 5:001, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively the "Companies"), are to file with the Commission the original of the following information, with a copy to all parties of record. The information requested herein is due no later than March 3, 2014. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

The Companies shall make timely amendment to any prior response if they obtain information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which the Companies fail or refuse to furnish all or part of the requested information, they shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to paragraph 11, pages 6-7, of the cover letter ("Cover Letter") of the joint application ("Joint Application"). Provide the cost of the Energy Efficiency Potential Study ("EE Potential Study"), the Louisville Gas and Electric/Kentucky Utility Company DSM Program Review ("Program Review"), and any other third-party studies or reports, and explain how those costs were allocated to the Companies and by demand-side management ("DSM") program.

2. Refer to paragraph 18, pages 9-10, of the Cover Letter of the Joint Application, which states:

The Companies are requesting an additional \$24 million in this proposal to support modifications to the Commercial Load Management Program/Demand Conservation Program, Residential Incentives Program, Commercial Conservation/Commercial Incentive Program, and Residential Conservation Program/Home Energy Performance Program. These funds will also support the continuation of the Companies' Customer Education and Public Information Program through the end of 2018, as well as the implementation of Advanced Metering Systems.

a. By program and year, provide the proposed \$24 million incremental cost for years 2015-2018 for both electric and gas DSM programs.

b. By program and year, provide the incremental lost sale component, incentive component, and capital-cost recovery component for years 2015-2018 for both electric and gas DSM programs.

c. By program and year provide the incremental impacts (i.e., MWh, MW, and Ccf) for years 2015-2018.

3. Refer to paragraph 19, page 10, of the Cover Letter of the Joint Application. Provide the cost of the LG&E and KU Smart Meter Business Case Assessment.

4. Refer to page 5 of KU Electric Tariffs Supporting Calculations for DSM Cost Recovery Mechanism ("KU Supporting Calculations"), Exhibit RMC-1, of the Direct Testimony of Robert M. Conroy ("Conroy Testimony") of the Joint Application.

a. Provide, by DSM program within each rate schedule, the lost sales factor.

b. Explain, by DSM program, how the lost sales were determined.

c. Explain the methodology for determining kWh savings that was used in calculating lost net revenues for 2015. For example, were the projected kWh savings based on annual savings for new participants in 2015, cumulative (period of time greater than one year) of participant savings for 2015, or was some other methodology used?

5. Refer to page 7 of KU Supporting Calculations, Exhibit RMC-1, of the Conroy Testimony of the Joint Application.

- a. Provide, by program within each rate schedule, the incentive rate.
  - b. Explain, by program, how each incentive was determined.
6. Refer to pages 10-11 of KU Supporting Calculations, Exhibit RMC-1 of the Conroy Testimony of the Joint Application.
  - a. Provide, in electronic format, with formulas intact and cells unprotected, the support upon which the 10.89 percent Return on Rate Base is based.
  - b. Provide a breakdown of operation and maintenance (“O&M”) expenses for both residential and commercial demand-load conservation (“DLC”).
  - c. Provide a breakdown of O&M expenses for both the residential and the commercial automated meter infrastructure (“AMI”)/Smart Grid (“SG”).
  - d. Provide the depreciation rate used for AMI/SG.
7. Refer to P.S.C No. 16, Second Revision of Original Sheet No. 86.4, KU Electric Tariffs Red-Line Version (“KU Red-Line Version”), Exhibit RMC-1 of the Conroy Testimony of the Joint Application. Explain why the proposed range of incentives in the Residential Conservation/Home Energy Performance Program is revised from “incentives of \$500 or \$1,000” to “incentives ranging from \$150 to \$1,000.”
8. Refer to P.S.C No. 16, Second Revision of Original Sheet No. 86.9, KU Red-Line Version, Exhibit RMC-1 of the Conroy Testimony of the Joint Application. The following sentence, “The Company will continue to enroll program participants until 10 MW curtailable load is achieved,” is proposed to be deleted from the Customer Equipment Interface Option of the Commercial Load Management/Demand Conservation program.
  - a. State whether KU has achieved the 10 MW curtailable load.

b. If the response to part a. is yes, explain how and when this was achieved.

9. Refer to page 5 of LG&E Electric Tariffs Supporting Calculations for DSM Cost Recovery Mechanism ("LG&E Electric Supporting Calculations"), Exhibit RMC-2, of the Conroy Testimony of the Joint Application.

a. Provide, by DSM program within each rate schedule, the lost sales factor.

b. Explain, by DSM program, how the lost sales were determined.

c. Explain the methodology for determining kWh savings that was used in calculating lost net revenues for 2015. For example, were the projected kWh savings based on annual savings for new participants in 2015, cumulative (period of time greater than one year) of participant savings for 2015, or was some other methodology used?

10. Refer to page 7 of LG&E Tariffs Supporting Calculations, Exhibit RMC-2, of the Conroy Testimony of the Joint Application.

a. Provide, by program within each rate schedule, the incentives rate.

b. Explain, by program, how each incentive was determined.

11. Refer to pages 10-11 of LG&E Electric Supporting Calculations, Exhibit RMC-2 of the Conroy Testimony of the Joint Application.

a. Provide, in electronic format, with formulas intact and cells unprotected, the support on which the 11.18 percent Return on Rate Base is based.

b. Provide a breakdown of O&M expenses for both residential and commercial DLC.

c. Provide a breakdown of O&M expenses for both residential and commercial AMI/SG.

d. Provide the depreciation rate used for AMI/SG.

12. Refer to P.S.C No. 9, Second Revision of Original Sheet No. 86.4, LG&E Electric Tariffs Red-Line Version (“LG&E Electric Tariffs Red-Line Version”), Exhibit RMC-2 of the Conroy Testimony of the Joint Application. Explain why the proposed range of incentives in the Residential Conservation/Home Energy Performance Program is revised from “incentives of \$500 or \$1,000” to “incentives ranging from \$150 to \$1,000.”

13. Refer to P.S.C No. 9, Second Revision of Original Sheet No. 86.9, LG&E Electric Tariffs Red-Line Version, Exhibit RMC-2 of the Conroy Testimony of the Joint Application. The following sentence, “The Company will continue to enroll program participants until 10 MW curtailable load is achieved,” is proposed to be deleted from the Customer Equipment Interface Option of the Commercial Load Management/Demand Conservation program.

a. State whether LG&E achieved the 10 MW curtailable load.

b. If the response to part a. is yes, explain how and when this was achieved.

14. Refer to page 5 of LG&E Gas Tariffs Supporting Calculations for DSM Cost Recovery Mechanism (“LG&E Gas Supporting Calculations”), Exhibit RMC-3, of the Conroy Testimony of the Joint Application.

a. Provide, by DSM program, the lost sales factor.

- b. Explain, by DSM program, how the lost sales were determined.
- c. Explain the methodology for determining Ccf savings that was used

in calculating lost sales for 2015. For example, were the projected Ccf savings based on annual Ccf savings for new participants in 2015, cumulative (period of time greater than one year) savings of participant savings for 2015, or was some other methodology used?

15. Refer to page 7 of LG&E Gas Tariffs Supporting Calculations, Exhibit RMC-3, of the Conroy Testimony of the Joint Testimony.

- a. Provide, by program, the incentive rate.
- b. Provide, by program, how each incentive was determined.

16. Refer to P.S.C No. 9, Second Revision of Original Sheet No. 86.4, LG&E Gas Tariffs Red-Line Version (“LG&E Gas Tariffs Red-Line Version”), Exhibit RMC-3 of the Conroy Testimony of the Joint Application. Explain why the proposed range of incentives in the Residential Conservation/Home Energy Performance Program is revised from “incentives of \$500 or \$1,000” to “incentives ranging from \$150 to \$1,000.”

17. Refer to lines 17-19, page 6 of the Direct Testimony of Michael E. Hornung (“Hornung Testimony”) of the Joint Application, which state, “As the EE Potential Study notes, the Companies are currently on track to exhaust their achievable energy efficiency potential by 2018.”

- a. Explain whether all potential homes in the Companies’ service territories that could be weatherized will have been weatherized by 2018.

b. Explain whether all potential homes in the Companies' service territories that have electric resistance heat will have been changed to energy-efficiency ("EE") heat pumps by 2018.

c. Explain what energy-efficiency potential will have been exhausted in the Companies' territories by 2018.

d. Discuss DSM and EE measures the Companies may consider after 2018.

18. Refer to lines 4-10, page 16 of the Hornung Testimony of the Joint Application, which state:

. . . the Companies seek to enhance the Commercial Load Management/Demand Conservation Program by moving the large commercial load management effort to a full commercial deployment and being able to modify financial incentives to encourage customers to participate in this voluntary program capped at the approved program budgets. The expansion of the Commercial Load Management / Demand Conservation Program to include large commercial customers will allow the Companies to further reduce electricity usage during peak times.

a. Explain how the Companies plan to move the large commercial load-management effort to a full commercial deployment.

b. Explain how the Companies plan to modify financial incentives to encourage customers to participate in this voluntary program.

19. Refer to lines 9-11, page 18 of the Hornung Testimony of the Joint Application, which state that "the Companies seek approval for an increased incentive budget to fund the program through 2018. The Companies' goal is to have 35,100 rebates annually in LG&E and KU's combined service territory." Explain whether there



is any change as to the kind and range of incentives proposed to be offered in the increased incentive budget of the Residential Incentives Program.

20. Refer to lines 12-17, page 19 of the Hornung Testimony of the Joint Application as to the Commercial Conservation/Commercial Incentive Program, which state:

The Companies seek to enhance this program in several ways: (1) eliminating the on-site commercial audits; (2) further developing their online audit tool as well as additional special-purpose energy tools to support commercial customers; (3) providing rebates for new construction efforts where efficiency is above standard building code; and (4) reducing demand reduction and the associated rebate funding.

a. Explain how the Companies plan to further develop their online audit tool, as well as additional special-purpose energy tools, to support commercial customers.

b. Explain how the Companies plan to determine that new construction efforts for energy-efficiency are above standard building code, should receive a rebate, and in what amount.

c. Explain what is meant by “reducing demand reduction and the associated rebate funding.”

21. Refer to lines 4-10, page 20 of the Hornung Testimony of the Joint Application, which state:

In addition, one of the findings in the *Program Review* was the realization of fewer economic and achievable measures due to the current market conditions and costs. Therefore, the Companies propose to reduce their prior approved annual commercial incentive amount from \$2.0 million to \$1.5 million. Although the Companies are requesting to eliminate onsite commercial audits from the DSM/EE

portfolio, they intend to rebate commercial customers who have an onsite commercial audit independently and implement recommended energy saving measures.

a. Explain what is meant by “the realization of fewer economic and achievable measures due to the current market conditions and costs.”

b. Explain whether the Companies considered revising their rebates in this program, considering current market conditions and costs.

c. Explain what quality-assurance measures the Companies will take to ensure that the proposed independent onsite commercial audits and recommendations will provide the desired energy-saving measures.

22. Refer to lines 11-16, page 21 of the Hornung Testimony of the Joint Application, which state:

. . . . the Companies are seeking approval for continuation in the following aspects: (1) continuing funds that will allow for further outreach to the current residential and commercial segments through mass media outlets and “future customer” education efforts through school based programming; (2) adding training opportunities for home construction professionals; and (3) extending the Customer Education and Public Information Program through 2018.

a. Explain how the Companies plan further outreach through education efforts through school-based programming.

b. Explain how the Companies plan to train home construction professionals in the Customer Education and Public Information Program.

23. Refer to lines 14-16, page 22 of the Hornung Testimony of the Joint Application, which state, “The Companies seek to enhance this program by implementing a tier structure for multi-family properties and implementing a tier structure for insulation and weatherization efforts as identified in the Program Review.” Explain

how the Companies plan to implement recommendations from the Program Review for the Residential Conservation/Home Energy Performance Program.

24. Refer to page 24 of the Hornung Testimony of the Joint Application, which states that “the Companies use a third-party contractor to examine program design, delivery, impacts, and return on investment. This contractor ensures quality and effectiveness of the programs, optimal use of resources, and responsiveness to customers’ need.” Explain whether the Companies have revised or enhanced their evaluation, measurement, and verification since the filing made in Case No. 2011-00134.<sup>1</sup>

25. Refer to page 25 of Exhibit MEH-1 of the Hornung Testimony of the Joint Application, which states,

. . . . the Companies are requesting additional funds to support the continuation of this highly utilized program through its approved 2018 funding cycle. The Companies recognize that program participation may become more standardized as the program continues; however, to continue support for our current residential customer segment at its current rate the Companies request to increase the incentive dollars by 65% for 2015-2018 to mirror the historic 2012-2013 customer participation.

Provide the proposed measures that are represented by the increase in customer rebates for years 2015-2018 in the Companies’ proposed request for the Residential Incentives Program.

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<sup>1</sup> Case No. 2011-00134, 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. 9, 2011).

26. Refer to page 35 of Exhibit MEH-1 of the Hornung Testimony of the Joint Application, which states, "The Customer Education and Public Information Program was approved in the Companies' DSM/EE Plan in Case No. 2007-00319,<sup>2</sup> which granted approval through 2014." Confirm that the Companies desire this program to continue through 2018.

27. Refer to page 47 of Exhibit MEH-1 of the Hornung Testimony of the Joint Application, which states, "The offering is limited to 5,000 LG&E and 5,000 KU RS and GS customers on a first-come-first-serve basis. Advanced meters would be installed for customers who elect to participate." Explain whether there are any circumstances that might prevent a customer from participating.

28. Refer to page 47 of Exhibit MEH-1 of the Hornung Testimony of the Joint Application, which states, "The Companies did not calculate TRC or other California benefit-cost metrics for Advanced Metering Systems, and did not include the expense of this program in the California benefit-cost metrics for the Companies' proposed DSM-EE portfolio because the benefits from these meters are uncertain." Explain the uncertainty of the benefits and how benefits will be determined.

29. Refer to page 47 of Exhibit MEH-1 of the Hornung Testimony of the Joint Application, which states, "The average monthly bill for all LG&E and KU residential customers combined is approximately \$104.75."

a. Provide the 2012 and 2013 average monthly bill and usage for LG&E residential customer and KU residential customers.

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<sup>2</sup> Case No. 2007-00319, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company Demand-Side Management for the Review, Modification, and Continuation of Energy Efficiency Programs and DSM Cost Recovery Mechanisms (Ky. PSC Mar. 31, 2008).

b. Provide the 2012 and 2013 average monthly bill and usage for an LG&E GS customer and a KU GS customer.

30. Describe the type of equipment and systems for the proposed Advanced Metering Systems.

31. Refer to Appendix B, LG&E and KU Input Summary Reports, Exhibit MEH-1 of the Hornung Testimony of the Joint Application. Provide in electronic format, with formulas intact and cells unprotected, the 130 pages of the Appendix B in readable form. Also, provide one printed copy, in readable form, of the information provided on the 130 pages of Appendix B, so that Commission Staff can properly review the information filed.

32. Discuss the types of inputs used in the DSMore Input Summary Report.

33. Refer to Appendix C, LG&E and KU Output Reports, Exhibit MEH-1 of the Hornung Testimony of the Joint Application. Provide in electronic format, with formulas intact and cells unprotected, Appendix C.

34. Refer to pages 6 through 24 of Appendix C, LG&E and KU Output Reports, Exhibit MEH-1 of the Hornung Testimony of the Joint Application. Explain the Participant Test result 65535.

35. Refer to Appendix D of Exhibit MEH-1 of the Hornung Testimony of the Joint Application. Provide a list of all those invited to EE DSM Advisory Group meetings.

36. Refer to page 32 of Exhibit MEH-2, LG&E and KU DSM Potential Review, of the Hornung Testimony of the Joint Application. Cadmus recommends that the Companies include the Commercial Demand Conservation program, which was

launched as a pilot program in 2012, in its 2015-2018 program cycle. Explain whether the Companies are requesting to move this program from its pilot status to that of a regular program through 2018.

37. Refer to pages 32-39 of Exhibit MEH-2, LG&E and KU DSM Potential Review, of the Hornung Testimony of the Joint Application. Explain what recommendations presented by Cadmus for the Home Energy Rebates the Companies are considering and how those recommendations would be implemented, including any expansions or enhancements considered by the Companies.

38. Refer to pages 39-48 of Exhibit MEH-2, LG&E and KU DSM Potential Review, of the Hornung Testimony of the Joint Application. Explain what recommendations presented by Cadmus for the Commercial Energy Analysis the Companies are considering and how those recommendations would be implemented, including any expansions or enhancements considered by the Companies.

39. Refer to pages 48-55 of Exhibit MEH-2, LG&E and KU DSM Potential Review, of the Hornung Testimony of the Joint Application. Explain what recommendations presented by Cadmus for the Customer Education and Public Information and Children's Energy Education Programs the Companies are considering and how those recommendations would be implemented, including any expansions or enhancements considered by the Companies.

40. Refer to pages 55-61 of Exhibit MEH-2, LG&E and KU DSM Potential Review, of the Hornung Testimony of the Joint Application. Explain what recommendations presented by Cadmus for the Home Energy Analysis program the

Companies are considering and how those recommendations would be implemented, including any expansions or enhancements considered by the Companies.

41. Refer to pages 64-68 of Exhibit MEH-2, LG&E and KU DSM Potential Review, of the Hornung Testimony of the Joint Application. Explain what recommendations presented by Cadmus for the Residential Demand Conservation program the Companies are considering and how those recommendations would be implemented, including any expansions or enhancements considered by the Companies.

42. Refer to pages 72-75 of Exhibit MEH-2, LG&E and KU DSM Potential Review, of the Hornung Testimony of the Joint Application. Explain what recommendations presented by Cadmus for the WeCare program the Companies are considering and how those recommendations would be implemented, including any expansions or enhancements considered by the Companies.

43. Refer to pages 76-82, Table 25 - Residential Measure Gap Analysis, of Exhibit MEH-2, LG&E and KU DSM Potential Review, of the Hornung Testimony of the Joint Application.

a. Explain what measures currently offered by the Companies may be dropped, if any, due to low ranking or low energy savings.

b. Explain what measures not currently offered by the Companies may be considered, if any, due to potential energy savings.

44. Refer to page 47, Exhibit MEH-3, EE Potential Study, of the Hornung Testimony of the Joint Application, which states:

While this study indicates that the Company will exhaust the discretionary residential and commercial electric energy-

efficiency potential in less than six years, small amounts of non-discretionary savings from new construction and replacement of existing equipment upon burnout will remain. While Cadmus only considered current equipment costs and existing technologies, potential declines in the cost of energy-efficient existing energy-efficiency technologies and emergence of new technologies could provide additional opportunities for further savings.

Also, refer to page 8, Exhibit MEH-3, EE Potential Study, of the Hornung Testimony of the Joint Application, which states, “the Company should consider the findings of this study as indicative of actual long-term potential and, to the extent possible, revisit the underpinning data and assumptions of the study periodically.” Explain what recommendations from the findings and conclusions of this study the Companies are considering.

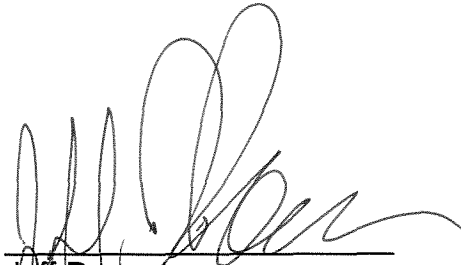
45. Refer to the Direct Testimony of David E. Huff (“Huff Testimony”) of the Joint Application. In paragraph 17, page 9 of the Cover Letter, it states, “For reasons explained in the testimony of David E. Huff, the Companies did not apply the California tests to the Advanced Metering Systems.” Provide where that explanation is found.

46. Refer to page 1, Exhibit DEH-1 of the Huff Testimony of the Joint Application, which states, “Average customer electric bills are low as compared to the region and nationally, which makes customer reported expectations for engaging in time-varying rates unrealistic and unlikely to be realized.” Also, refer to page 2, Exhibit DEH-1 of the Huff Testimony of the Joint Application, which states, “While customers responding to a Smart Meter survey indicated interest in time-varying rate options, their expectations for savings on the monthly bill are high - \$25 per month or 24 percent savings – when compared to actual pilot program savings of \$7.58 over the four month



summer period, or \$1.89 per month (1.4 percent bill savings).” Explain what may have led to customers’ unrealistic savings as to monthly bills and kWh usage.

47. Explain how the proposals in the Joint Application, with their proposed costs, benefit the customers, both those affected and unaffected by the proposals.



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DATED FEB 17 2014

cc: Parties of Record

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