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 THE REVIEW AND MODIFICATION OF THE SCHOOL ENERGY MANAGEMENT PROGRAM	)))))	CASE NO. 2015-00398

ORDER

On December 11, 2015, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively "Companies") filed a joint application ("Application") for the review and approval of the extension of the School Energy Management Program ("SEMP"). The Application included proposed tariffs and rates for the recovery of the costs associated with the SEMP program. The proposed tariff had an effective date of January 10, 2016, but was suspended by Commission Order up to and including June 9, 2016. The Application was filed pursuant to KRS 278.285 and in compliance with the Settlement Agreement, Stipulation, and Recommendation ("2014 Settlement") in Case Nos. 2014-00371[1] and 2014-00372.[2] The Companies requested a final Order in this proceeding by April 1, 2016. In a letter filed December 18, 2015, the Companies clarified that their request for approval by April 1, 2016, was intended to allow the Kentucky School Board Association ("KSBA") to properly budget for the

[1] Case No. 2014-00371, *Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates* (Ky. PSC June 30, 2015).

[2] Case No. 2014-00372, *Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates* (Ky. PSC June 30, 2015).

upcoming fiscal/school year; however, the Companies requested that the new rates be approved effective for service rendered on and after June 30, 2016. The Companies responded to one round of data requests from Commission Staff. There are no intervenors in this proceeding, and the matter now stands submitted to the Commission for a decision upon the evidentiary record.

BACKGROUND

In Case No. 2013-00067,[3] the Commission approved a two-year SEMP and the associated proposed changes in the Companies' respective Demand-Side Management ("DSM") rates and tariffs. The genesis of Case No. 2013-00067 was the settlement agreements which were approved by the Commission in Case Nos. 2012-00221[4] and 2012-00222 ("2012 Settlement").[5] Specifically, the 2012 Settlement provided that the Companies commit to a two-year DSM program to help fund SEMP for schools affected by KRS 160.325. The annual levels of funding pursuant to the 2012 Settlement were $500,000 for KU and $225,000 for LG&E. The proposed DSM program included: (1) the hiring and retention of qualified, trained energy specialists by public school districts; and (2) the utilization of $160,000 from the Development and Administration Program,

[3] Case No. 2013-00067, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for the Review and Approval of a Two-Year Demand Side Program Related to School Energy Management and Associated Cost* (Ky. PSC Apr. 30, 2013).

[4] Case No. 2012-00221, *Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates* (Ky. PSC Dec. 20, 2012).

[5] Case No. 2012-00222, *Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates, a Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Service Lines and Riders, and a Gas Line Surcharge* (Ky. PSC Dec. 20, 2012).

approved in Case No. 2011-00134[6] to support the Fayette County Schools Facility Automation Project. The Companies proposed in Case No. 2013-00067 that the KSBA manage and operate the SEMP.

In Case Nos. 2014-00371 and 2014-00372, the Commission approved the 2014 Settlement that included terms pertaining to DSM and energy efficiency ("EE"). Specifically, the 2014 Settlement provided that the SEMP approved in Case No. 2013-00067 would be extended through June 30, 2016. The extension was to be funded with the balance of $475,000 in funds that had not been requested by the schools during the first two SEMP program years. The 2014 Settlement also provided that the Companies would file an application with the Commission to extend the SEMP through June 30, 2018, at the funding levels approved in Case No. 2013-00067, and for approval of a DSM/EE program to provide $1 million in grants to schools to fund EE projects. The KSBA is currently managing and operating SEMP and the Companies intend to continue this arrangement.

SCHOOL ENERGY MANAGEMENT PROGRAM

The primary goal of the SEMP is to support school districts in the Companies' service territories in using energy more wisely, with a targeted reduction in energy consumption of 2.5 percent annually and achieving energy utilization indices ("EUI") of 50 or lower.[7] EUI is the total energy used for cooling or heating a building or facility over a year measured in British thermal unit per gross square footage cooled or

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[6] 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).

[7] Application at 5, paragraph 8.2.

heated.[8] The Companies contend that extending the SEMP will allow for continued expansion of EE improvements and will facilitate the continued hiring and retention of qualified, trained energy specialists. According to the Application, KSBA has stated that budgetary constraints have been a barrier to the installation of EE equipment, and that school districts would greatly benefit from the lifetime operating cost savings associated with installed EE measures and the increase in environmental comfort within the affected school facilities. KSBA further states that the execution of EE projects within schools can be more quickly realized and implemented with additional funding in place.[9] The levels of funding proposed are $725,000 per year for the Energy Managers ($225,000 from LG&E and $500,000 from KU) and $500,000 per year for the EE projects ($180,000 from LG&E and $320,000 from KU)[10] and is consistent with the Companies' obligations pursuant to the terms of the 2014 Settlement.

The SEMP, which is available to the 83 public and independent school districts served by the Companies, is managed and operated by KSBA. KSBA will invoice for recovery of project costs which the Companies will pay upon receipt until the approved funding is depleted.[11] On a combined basis, the Companies' anticipated annual energy impacts due to the SEMP are shown below.[12]

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[8] https://www.energystar.gov/buildings/facility-owners-and-managers/existing-buildings/use-portfolio-manager/understand-metrics/what-energy.

[9] Application at 6, paragraph 8.2.

[10] *Id.*, Appendix A.

[11] *Id.* at 7, paragraph 8.5.

[12] *Id.*, paragraph 8.6.

		2016	2017	2018	Total
Energy (MWh)	Program Total	8,043	8,043	7,592	23,776
	Energy Managers	7,592	7,592	7,592	7,592
	EE Projects	451	451	-	902
Demand (MW)	Program Total	1.95	1.95	1.76	5.67
	Energy Mangers	1.76	1.76	1.76	5.29
	EE Projects	0.19	0.19	-	0.38

COST-EFFECTIVENESS

The Companies performed a cost/benefit analysis for the SEMP according to the California Standard Practice Manual using energy and demand savings provided by KSBA using fiscal year 2015 as the baseline.[13] The SEMP energy manager and EE projects have a projected combined Total Resource Cost score of 1.00, with a score of 1.00 or greater indicating cost-effectiveness.[14]

RATE IMPACT ON DSM FACTORS

The proposed SEMP rate impact to LG&E's DSM cost recovery, as corrected through discovery, is $0.00024 per kWh for General Service Rate GS; $.0001 per kilowatt hour ("kWh") for commercial customers served under Power Service Rate PS; and $.00006 per kWh for commercial customers served under Time-of-Day Primary Service Rate TODP and Commercial Time-of-Day Secondary Service Rate TODS. There is no rate impact on residential customers.[15]

The proposed SEMP rate impact to KU's DSM cost recovery, as corrected through discovery, is $0.00036 per kWh for General Service Rate GS; $0.00013 per kWh for All Electric Schools AES; and $0.00015 per kWh for commercial customers

[13] *Id.* at 6, paragraph 8.4.

[14] *Id.*

[15] The Companies' response to Commission Staff's First Request for Information, Item 5.

served under Power Service Rate PS, Time-of-Day Primary Service Rate TODP, and Time-of-Day Secondary Service Rate TODS. There is no rate impact on residential customers.[16]

FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the Companies' proposed two-year SEMP extension and the projected program costs, lost revenues, and incentives as set out in the Application and corrected through discovery are reasonable and should be approved.

The Commission further finds that the Companies should request KSBA to continue to provide individual reports to LG&E and KU that describe district funding, initiatives implemented, EUIs, consumption reduction, the preceding and current-year peak demand and annual energy use, and associated energy and demand savings compared to the projected savings set out in this Application. The Companies should continue to submit to the Commission a copy of KSBA's reports within 30 days of their receipt of the reports.

IT IS THEREFORE ORDERED that:

1. The proposed two-year SEMP extension and the associated changes in the DSM rates and tariffs as set out in the Application and corrected through discovery are approved with service rendered on and after June 30, 2016.

2. Beginning in 2017 and for the duration of the SEMP, the Companies shall request the KSBA to provide annually, within 45 days of the fiscal year end June 30,

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[16] *Id.*

individual reports to LG&E and KU containing the information required herein. The Companies shall submit to the Commission a copy of the KSBA reports within 30 days of their receipt.

3. Within 20 days of the date of this Order, the Companies shall file their revised DSM tariffs with the Commission showing the date of issue, the effective date, and that they were issued by authority of this Order.

4. Any documents filed pursuant to ordering paragraph 2 of this Order shall reference the number of this case and shall be retained in the Companies' general correspondence file.

5. The Executive Director is delegated authority to grant reasonable extension of time for the filing of any documents required by ordering paragraph 2 of this Order upon the Companies' showing of good cause for such extension.

By the Commission

ENTERED
MAR 31 2016
KENTUCKY PUBLIC SERVICE COMMISSION

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