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Mr. Jeff DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

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**Louisville Gas and Electric  
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October 22, 2012

**RE: Consideration of the New Federal Standards of the Energy  
Independence and Security Act of 2007 - Case No. 2008-00408**

Dear Mr. DeRouen:

Pursuant to the Commission’s Order of July 24, 2012, in the above-referenced proceeding, Louisville Gas and Electric Company (“LG&E”) hereby submits its policy to ensure that gas cost-effective energy efficiency is given the same priority as other gas cost-effective resources.

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

Sincerely,

Rick E. Lovekamp

# Louisville Gas and Electric Company

## **Overview**

The purpose of this policy is to ensure that gas energy efficiency is considered as a cost-effective resource for Louisville Gas and Electric Company (“LG&E”) gas customers. LG&E promotes gas energy efficiency through the operation of its Demand-side Management Program (“DSM”), which is tariffed under KRS 278.285. Also, trends in appliance efficiencies, saturations, and replacement cycles are reflected in LG&E’s forecast of future gas sales. Finally, the design of LG&E’s current gas base rates helps to promote energy efficiency.

## **Demand-side Management Program**

The DSM program aligns LG&E’s interest with that of the residential ratepayer, by providing recovery of the lost revenue associated with customer conservation and efficiency, an incentive to encourage customer conservation, and by providing for the recovery of the expenses associated with promoting the program.

## **Load Forecasting**

Annually, LG&E uses consumption data in its regression analysis for forecasting future load. The consumption data helps capture gas energy efficiency within our customers’ usage patterns and assists in determining future requirements. Additionally, the forecast attempts to capture the impacts of the Company’s DSM programs.

## **Rate Design**

To partially decouple the revenue LG&E earns from the volumes of gas sold, LG&E promotes rate design which allocates a portion of any increase in base rates to the monthly customer charge rather than the volumetric rate. Such rate design sends the appropriate price signal to customers for gas energy conservation. In future rate proceedings, LG&E will continue to address efficiency in its rate design.