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October 8, 2012

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Commissioner

Mr. Rick Lovekamp
Manager – Regulatory Affairs
Louisville Gas and Electric Company
220 West Main Street
Post Office Box 32010
Louisville, Kentucky 40232

Re: Case No. 2011-00440, Request of Louisville Gas and Electric Company to Cancel and Withdraw the Tariffs for its Responsive Pricing and Smart Metering Pilot Program

Dear Mr. Lovekamp:

On March 22, 2012, the Commission issued an order authorizing Louisville Gas and Electric Company ("LG&E") to discontinue its Responsive Pricing and Smart Metering Pilot Program ("RPP"). The Commission ordered LG&E to submit a report describing its efforts to develop a new smart Meter program every three months until it has submitted a dynamic pricing or smart meter application.

In its Order, the Commission stated the following: "In its Final Report, LG&E stated that it "...believes that pilots and trials designed to understand customer behavior (i.e., acceptance, use, sustainability of savings, etc.) and investigate emerging technology integration into existing system infrastructure should be continued." LG&E also broadly outlined the objectives it believed should be the focus of future pilots. Finally, LG&E stated that it plans to continue its dynamic pricing and smart metering efforts while developing and refining a number of issues and plans to ensure that deployment does not outpace technology. At the IC, LG&E stated that it had discussed the possibility of developing a new smart meter pilot with its Demand-Side Management ("DSM") Energy Efficiency Advisory Group ("EEAG") and was working to develop a

Letter to LG&E
Re: Smart Meter Update Reports
October 8, 2012

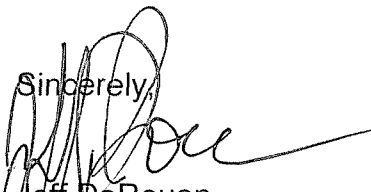
practical business case to pursue another pilot.”¹ The Commission further stated that it would monitor LG&E’s progress through the periodic reports.

At the time the Order was issued, LG&E gave the impression that it was working with the EEAG to develop another pilot; however, neither of the two reports submitted by LG&E mentions the EEAG. While the June 22, 2012 report provides some general discussion of some broad issues and notes some of PPL Corporation’s consideration of dynamic pricing, the reports do not provide any specific detailed discussion of LG&E’s efforts. The September 21, 2012 report briefly references the June 22, 2012 report and notes LG&E’s plan to participate in the proposed new Smart Grid and Smart Meter administrative proceeding described the final Order in Case No. 2008-00408.²

As a result of its review of the two Smart Meter Update Reports, it is unclear to the Commission what discussion LG&E has had with the EEAG or what specific effort it has undertaken to develop another dynamic pricing pilot. It appears that LG&E intends to wait until the new Smart Grid administrative case is established or perhaps complete before it moves forward on another pilot.

Although, the Commission recognizes from LG&E’s experience with its initial RPP that there are many obstacles to the development of another pilot, the Commission did expect that LG&E would make more progress than its periodic reports have indicated. As a result, the Commission directs, LG&E to submit another, more detailed report by October 31, 2012. That report should provide specific, detailed information of the discussions held with the EEAG regarding another dynamic pricing model and the status of LG&E’s plans regarding the development and submission of another pilot for Commission consideration.

If you have any questions or concerns, please contact Aaron Greenwell of my staff at 502-564-3940, ext. 273.

Sincerely,

Jeff DeRouen,
Executive Director

¹ Case No. 2011-00440, Request of Louisville Gas and Electric Company to Cancel and Withdraw the Tariffs for its Responsive Pricing and Smart Metering Pilot Program, (Ky. PSC, Mar. 22, 2012) Order at 8-9.

² Case No. 2008-00408, Consideration of the New Federal Standards of the Energy Independence and Security Act of 2007 (Ky. PSC, Oct. 6, 2011).