



DUKE ENERGY CORPORATION

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VIA HAND DELIVERY

May 17, 2012

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

RECEIVED

MAY 17 2012

PUBLIC SERVICE
COMMISSION

**Re: Case No. 2012-00085
In the Matter of the Application of Duke Energy Kentucky, Inc., for an
Energy Efficiency Cost Recovery Mechanism and for Approval of
Additional Programs for Inclusion in its Existing Portfolio**

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of the Responses of Duke Energy Kentucky, Inc. to Commission Staff's Second Set of Data Requests and Petition for Confidential Treatment in the above captioned case. Also enclosed in the white envelope is one set of the confidential responses being filed under seal.

Please date-stamp the two copies of the letter and the Petition and return to me in the enclosed envelope.

Sincerely,

Kristen Cocanougher

cc: Jennifer Hans (w/enclosures)
Richard Raff (w/enclosures)
Florence W. Tandy (w/enclosures)
Carl Melcher (w/enclosures)

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of the Application of Duke Energy)
Kentucky, Inc., for an Energy Efficiency Cost)
Recovery Mechanism and for Approval of) Case No. 2012-00085
Additional Programs for Inclusion in its Existing)
Portfolio)

**PETITION OF DUKE ENERGY KENTUCKY, INC.
FOR CONFIDENTIAL TREATMENT OF INFORMATION CONTAINED IN ITS
RESPONSE TO COMMISSION STAFF'S SECOND SET OF DATA REQUESTS**

Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), pursuant to 807 KAR 5:001, Section 7, respectfully requests the Commission to classify and protect certain information provided by Duke Energy Kentucky in its response to data request No. 12, as requested by Commission Staff (Staff) in this case on May 7, 2012. The information that Staff seeks in data request No. 12 and for which Duke Energy Kentucky now seeks confidential treatment (Confidential Information) shows the cost and avoided cost information, projected lost revenues and shared savings for DSMore residential and non-residential programs. The response contains sensitive information, the disclosure of which would provide a list of costs and avoided costs, projected lost revenues and shared savings, which could provide competitors, vendors and suppliers an obvious advantage.

In support of this Petition, Duke Energy Kentucky states:

1. The Kentucky Open Records Act exempts from disclosure certain commercial information. KRS 61.878 (1)(c). To qualify for this exemption and, therefore, maintain the confidentiality of the information, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors of that party. Public disclosure of

the information identified herein would, in fact, prompt such a result for the reasons set forth below.

2. The information contained in the Attachment Staff-DR-02-012 contains sensitive information, the disclosure of which would injure Duke Energy Kentucky and its competitive position and business interest. This information was developed internally by Duke Energy Kentucky personnel, is not on file with any public agency, and is not available from any commercial or other source outside Duke Energy Kentucky. The aforementioned information is distributed within Duke Energy Kentucky only to those employees who must have access for business reasons. If publicly disclosed, this information setting forth Duke Energy Kentucky's costs and avoided costs, projected lost revenues and shared savings for the DSMore residential and non-residential programs gives the Company's competitors, vendors and suppliers an obvious competitive advantage. Release of these costs would provide potential vendors, vendors and competitors insight into Duke Energy Kentucky's business model and operations. Finally, public disclosure would give Duke Energy Kentucky's contractors, vendors and competitors access to Duke Energy Kentucky's cost and operational parameters. Such access would impair Duke Energy Kentucky's ability to negotiate with prospective contractors and vendors, and could harm the Duke Energy Kentucky's competitive position in the power market, ultimately affecting the costs to serve customers.

3. Duke Energy Kentucky does not object to limited disclosure of the confidential information described herein, pursuant to an acceptable protective agreement, with the Attorney General or other intervenors with a legitimate interest in reviewing the same for the purpose of participating in this case.

4. This information was, and remains, integral to Duke Energy Kentucky's effective execution of business decisions. And such information is generally regarded as confidential or proprietary. Indeed, as the Kentucky Supreme Court has found, "information concerning the inner workings of a corporation is generally accepted as confidential or proprietary." *Hoy v. Kentucky Industrial Revitalization Authority, Ky.*, 904 S.W.2d 766, 768.

5. In accordance with the provisions of 807 KAR 5:001 Section 7, the Company is filing with the Commission one copy of the Confidential Material highlighted and ten (10) copies without the confidential information.

WHEREFORE, Duke Energy Kentucky, Inc. respectfully requests that the Commission classify and protect as confidential the specific information described herein.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.



Rocco O. D'Ascenzo (92796)
Associate General Counsel
Amy B. Spiller (85309)
Deputy General Counsel
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served on the following via overnight mail, postage prepaid, this _____ day of May 2012:

Jennifer B. Hans Assistant Attorney General's Office 1024 Capital Center Drive, Ste 200 Frankfort, Kentucky 40601-8204	Richard Raff Public Service Commission 730 Schenkel Lane Frankfort, Kentucky 40602
Florence W. Tandy Northern Kentucky Community Action Commission P.O. Box 193 Covington, Kentucky 41012	Carl Melcher Northern Kentucky Legal Aid, Inc. 302 Greenup Covington, Kentucky 41011



Rocco O. D'Ascenzo

VERIFICATION

RECEIVED

MAY 17 2012

PUBLIC SERVICE
COMMISSION

State of Ohio)
County of Hamilton)

SS:

The undersigned, Jim Ziolkowski, being duly sworn, deposes and says that he is the Rates Manager, and that the matters set forth in the foregoing testimony are true and accurate to the best of his knowledge, information and belief.

Jim Ziolkowski
Jim Ziolkowski, Affiant

Subscribed and sworn to before me by JIM ZIOLKOWSKI on this 8TH day of May 2012.

ADELE M. DOCKERY
Notary Public, State of Ohio
My Commission Expires 01-05-2014


Adele M. Dockery
NOTARY PUBLIC

My Commission Expires: 1/5/2014

VERIFICATION

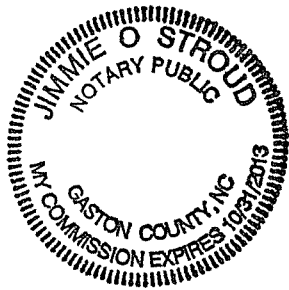
State of North Carolina)
) SS:
County of Mecklenburg)

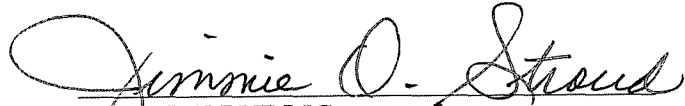
The undersigned, Timothy Duff, being duly sworn, deposes and says that he is the General Manager, Retail Customer & Regulated Strategy, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.



Timothy Duff, Affiant

Subscribed and sworn to before me by Timothy Duff on this 8th
day of May 2012.





NOTARY PUBLIC

My Commission Expires: October 31, 2013

VERIFICATION

State of North Carolina)
) SS:
County of Mecklenburg)

The undersigned, Casey Mather, being duly sworn, deposes and says that he is the Managing Director, Mass Market Strategy & Market Plans, and that the matters set forth in the foregoing testimony are true and accurate to the best of his knowledge, information and belief.

Casey Mather
Casey Mather, Affiant

Subscribed and sworn to before me by Casey Mather on this 10th day of May 2012.

Patricia W. Townsend
NOTARY PUBLIC

My Commission Expires: 6/24/2014

VERIFICATION

State of Ohio)
)
County of Hamilton)

The undersigned, Ashlie Ossege, being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Manager, Market Analytics; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.

Ashlie Ossege
Ashlie Ossege, Affiant

Subscribed and sworn to before me by Ashlie Ossege on this 14th day of May
2012.

E. Minna Rolfes
NOTARY PUBLIC

My Commission Expires: 6/10/12



E. MINNA ROLFES
Notary Public, State of Ohio
My Commission Expires
June 10, 2012

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**Duke Energy Kentucky
Case No. 2012-085
Staff Second Set Data Requests
Date Received: May 7, 2012**

STAFF-DR-02-001

REQUEST:

Refer to the response to Commission Staff's First Request for Information ("Staff's First Request"), Item 1.b., which states "[P]rogram Administration, Development & Evaluation Funds will continue but is not a separate program. In the past, this program was established to cover the evaluation, measurement, and verification for the portfolio. These costs are still calculated in the rider, however, will not be stated as a separate program within the portfolio." Explain how and to what programs the Program Administration, Development & Evaluation Funds will be charged and recovered through the Demand-Side Management ("DSM") rider.

RESPONSE:

The Program Administration, Development & Evaluation Funds are now called Measurement and Verification costs (M&V). These costs are recovered from all programs, and they are calculated as a five percent adder to the program costs for each program.

PERSON RESPONSIBLE: James E. Ziolkowski

**Duke Energy Kentucky
Case No. 2012-085
Staff Second Set Data Requests
Date Received: May 7, 2012**

STAFF-DR-02-002

REQUEST:

Refer to the response to Staff's First Request, Item 1.b., where it states:

For the Energy Efficiency Website, customers will still have the capability to participate in the program and print a copy of their report. Duke Energy Kentucky will discontinue distributing the free six CFLs to avoid confusing this offer with the Residential Smart Saver® program.

The personalized Energy Report (PER)® will no longer be available to customers. Customers can still receive a report by participating in the Energy Efficiency Website.

Explain whether the cost of the Energy Efficiency Website will be recovered through base rates or the DSM rider.

RESPONSE:

The cost of the Energy Efficiency website will be recovered through the DSM rider. The Energy Efficiency website plays an important role in educating customers about their usage, providing insight and recommendations for lowering usage and promoting the Company's Energy Efficiency programs.

PERSON RESPONSIBLE: Casey Mather

STAFF-DR-02-003

REQUEST:

Refer to the response to Staff's First Request, Item 4.b. It states, "[t]he \$75,000 threshold for the automatic pilot approval process only pertains to the program costs and associated EM&V for the pilot. While Duke Energy Kentucky would seek to collect both a shared savings incentive and lost revenues for the pilot, it is not intending to include the projected shared savings incentive or lost revenues in the calculation of what would apply to the \$75,000 threshold."

- a. Since this is a pilot program, explain how Duke Kentucky would determine the energy savings impacts and cost/benefit evaluation to calculate lost revenues and shared savings.
- b. Explain whether Duke Kentucky will provide the results of the California tests for all pilot programs at the time of notifying the Commission of a new pilot program.

RESPONSE:

- a. Just as it does today for new programs and pilots, Duke Energy Kentucky would use documented results from other utility programs, engineering estimates, or academic studies to estimate the initial program impacts that would be used to calculate the cost benefit evaluation and calculation of shared savings and lost revenues. These initial impacts would be used until Duke Energy Kentucky receives the EM&V results from its independent third-party evaluator and at that time Duke Energy Kentucky will apply those impacts prospectively, should the pilot warrant commercialization.
- b. Yes, Duke Energy Kentucky would intend to provide the results of the California Tests (Total Resource Cost Test, Utility Cost Test, Ratepayer Impact Measure, and Participant Cost Test) for all pilot programs at the time of notifying the Commission of the new pilot program.

PERSON RESPONSIBLE: Tim Duff

**Duke Energy Kentucky
Case No. 2012-085
Staff Second Set Data Requests
Date Received: May 7, 2012**

STAFF-DR-02-004

REQUEST:

Refer to the response to Staff's First Request, Item 4.c. It states, "[t]he Company does not foresee bringing a high number of pilots to market under the automatic approval process, but if a threshold would give the Commission more comfort with the proposal, the Company would be willing to propose that the pilot program expenditures under the automatic pilot process not exceed 5% of the total annual portfolio program expenditures." Explain whether the automatic pilot approval process of not exceeding five percent of total annual portfolio program expenditures is per-pilot program or for all pilot programs.

RESPONSE:

In its response to Staff's First Request, Item 4c, Duke Energy Kentucky was proposing to put the 5% limit on the total annual cost of all of the pilots under the automatic approval process. So for example, if the total annual program expenditure for the entire portfolio was \$5,000,000, Duke Energy Kentucky would not be able to exceed \$250,000 for all pilots under the automatic approval process.

PERSON RESPONSIBLE: Tim Duff

Duke Energy Kentucky
Case No. 2012-085
Staff Second Set Data Requests
Date Received: May 7, 2012

STAFF-DR-02-005

REQUEST:

Refer to the response to Staff's First Request, Item 6.b.

- a. Provide the total number of customers by class as of December 31, 2011 and March 31, 2012 separately for Ohio and Kentucky.
- b. If the Commission agrees to approve Duke Kentucky's proposed DSM portfolio plan, provide the eligible number of customers by class separately for Ohio and Kentucky to whom the cost of advertisement will be allocated.
- c. Explain whether future advertisement cost will be allocated based on the applicable number of customers in Ohio and Kentucky at a specific point in time or the most current applicable number of customers in Ohio and Kentucky as each new advertisement is run.

RESPONSE:

a.

Customer Class	December 31, 2011		March 31, 2012	
	Duke Energy Kentucky	Duke Energy Ohio	Duke Energy Kentucky	Duke Energy Ohio
Commercial	13,572	67,805	13,623	67,975
Industrial	375	2,215	377	2,216
Other Public Authority	991	3,584	992	3,592
Residential	120,954	615,064	121,245	616,072
Street Light	587	2,888	588	2,904
Grand Total	136,479	691,556	136,825	692,759

- b. If the Commission approves Duke Energy Kentucky's proposed DSM portfolio plan, Duke Energy Kentucky proposes to allocate the cost of all advertisement not directly charged to a state specific program based upon the eligible customers in Ohio and Kentucky as of December 31, 2011 that is shown in the table answering Staff's Second Request 5a (See above).

- c. The costs associated with future advertisement costs will be allocated based upon the applicable number of customers in Ohio and Kentucky as of December 31st of the previous year. So for example, the advertisement costs incurred in 2013, would be allocated based upon the applicable number of customers as of December 31, 2012.

PERSON RESPONSIBLE: Tim Duff

STAFF-DR-02-006

REQUEST:

Refer to the response to Staff's First Request, Item 7. It states:

The Indirect savings that are referenced on page 6, lines 12-14 of Duff Testimony are the bill savings that all customers will realize over time from the aggregate impact of all customer participation in the energy efficiency and demand response programs offered by the Company. For example, because energy efficiency programs cause participating customers to use less energy, which leads the Company to generate less energy and thereby consume less fuel (coal or natural gas); all customers will share a portion of the fuel savings reflected in the Company's fuel rider.

If all customers do not participate in energy efficiency programs, explain how all customers will share of portion of the fuel savings reflected in Duke Kentucky's fuel rider.

RESPONSE:

As referenced in Duke Energy Kentucky's response to Staff's First Request, Item 7, one of the system benefits of energy efficiency is that less energy needs to be generated, so less fuel is consumed at Duke Energy Kentucky's generating plants. Obviously, not all fuel costs are the same, so logically; Duke Energy Kentucky will avoid using the most expensive fuel first. Since the costs associated with fuel are passed through to all customers on a per kWh basis, all customers will recognize the benefit of the lower total fuel cost that resulted from the impact of Duke Energy Kentucky's energy efficiency programs. Below is a very simple example illustrating how the fuel savings associated with the impacts of energy efficiency would be realized by all customers.

Fuel Savings Example			
	Prior to Energy Efficiency	Energy Efficiency Impact	After Energy Efficiency
Annual Sales (kWh)	1,000,000	(40,000)	960,000
Fuel Cost	\$ 250,000	\$ (15,000)	\$ 235,000
Fuel per kWh	\$ 0.250		\$ 0.245

PERSON RESPONSIBLE: Tim Duff

Duke Energy Kentucky
Case No. 2012-085
Staff Second Set Data Requests
Date Received: May 7, 2012

STAFF-DR-02-007

REQUEST:

Refer to the response to Staff's First Request, Item 11.h. It states:

Given Duke Energy's experience from 1,500 performances in nearly 1,000 schools, the program's 'pay for result' vendor construct and feedback from educators, students and customers we do not believe that the level of program uncertainty necessitates a pilot. However, Duke Energy would certainly be agreeable to a pilot if that were the Commission's preference.

- a. If the Commission were to approve a pilot program, provide the time period that Duke Kentucky would suggest for such a pilot.
- b. Explain whether representatives of Duke Kentucky or The National Theatre for Children will accumulate the necessary student information after each live performance, so that Energy Efficiency Starter Kits can be shipped directly to eligible customers and The National Theatre for Children can receive pay for results.
- c. Provide when the National Theatre for Children contract would begin and end, at what point it would be signed, and whether there is a regulatory out-provision.
- d. Explain whether the contract would be a stand-alone contract for Duke Kentucky, or would Duke Kentucky be part of an existing contract with Duke Energy subsidiaries in other jurisdictions.

RESPONSE:

- a. We would recommend a one academic semester pilot. Work would need to begin 60 days prior to the first school performance. Ideally, performances could begin in September.
- b. After each performance, students are encouraged to complete a home energy survey with their family (found in their activity book sent to the school prior to a performance). Once the home energy survey has been completed with parent/guardian authorization, the child may be eligible to receive an Energy

Efficiency Starter Kit containing specific energy efficiency measures to reduce home energy consumption. Both paper and online home energy surveys are sent directly to our data management and reporting vendor for immediate processing. We have found this process minimizes customer wait time and improves customer satisfaction.

- c. Duke Energy Corporation is currently under contract with The National Theatre for Children, Inc as this particular program is already being offered in its other jurisdictions. The contract was effective October 11, 2011 and extends through June 30, 2013. A separate contract will not be required for Kentucky. The current contract includes the option to expand to additional states if Commission approval for the program is granted.
- d. If approved, the program in Kentucky would be part of the existing contract.

PERSON RESPONSIBLE: Casey Mather

STAFF-DR-02-008

REQUEST:

Refer to the response to Staff's First Request, Item 13.d. It states:

The program's theory for successful energy reduction rests upon the concept of "social norms." A large body of research in the social sciences has shown that people tend to conform to the social norms around them. This program has been piloted for almost 2 years in Ohio and South Carolina and has proven to reduce energy usage. In addition, a number of utilities have leveraged this effect and found that customers can reduce energy use anywhere between 1.5 to 2.5% when they can compare their energy usage to the social norm of similar homes.

- a. Explain whether the 1.5 percent to 2.5 percent reduced energy savings was per year or an average over the two-year time period of the pilot.
- b. In the two years that this type of program has been piloted in Ohio and South Carolina, explain whether there was any change in energy savings by participating customers in the second year from the initial year.
- c. Explain how the reduction in energy usage was measured and verified in Ohio and South Carolina.

RESPONSE:

- a. Per year
- b. Energy savings have only been calculated for a single 12 month period for each state. Ohio beginning in February and South Carolina beginning in May.
- c. The reduction in energy usage was measured and verified in Ohio and South Carolina using a statistical monthly meter based assessment of consumption changes. A multivariate regression model was used to analyze the consumption data. The impact analysis applied the fixed effects billing analysis using consumption data beginning 9 to 12 months prior to the initial report issuance, and month-by-month changes over a 6 to 12 month period following the initial participation date.

Details of the impact evaluation efforts are described beginning on page 10 of the Process and Impact Evaluation of the Home Energy Comparison Report in Ohio, September 9, 2011. This report was provided in response to Staff-01-025.

PERSON RESPONSIBLE: Ashlie J. Ossege

**Duke Energy Kentucky
Case No. 2012-085
Staff Second Set Data Requests
Date Received: May 7, 2012**

STAFF-DR-02-009

REQUEST:

Refer to the response to Staff's First Request, Item 13.e. It states "[a] product manager and data analyst support the program. Program delivery is also supported by a vendor. Program costs, including labor, are shared among other jurisdictions. Rule based automation is used to control production cost and ensure timely report delivery." Explain how program costs, including labor, are shared among other jurisdictions and whether these are included in the DSM rider or recovered in base rates.

RESPONSE:

Shared program costs, including labor are distributed amongst the Company's jurisdictions based on program participation. For example, if there are 1,200,000 Duke Energy customers participating in the My HER program and 45,000 of those participants are Kentucky customers, then 3.75% of the program costs would be allocated to Kentucky. These costs would be included in the DSM rider.

PERSON RESPONSIBLE: Casey Mather

**Duke Energy Kentucky
Case No. 2012-085
Staff Second Set Data Requests
Date Received: May 7, 2012**

STAFF-DR-02-010

REQUEST:

Refer to the response to Staff's First Request, Item 14. Explain whether the Low Income Neighborhood Program has been implemented in other jurisdictions of Duke Energy. Describe the results and state how long this type of program has been in place.

RESPONSE:

The Company has filed the Low Income Neighborhood Program in other jurisdictions, and the first approval was received on May 9, 2012. Accordingly, there are no program results to report.

PERSON RESPONSIBLE: Casey Mather

Duke Energy Kentucky
Case No. 2012-085
Staff Second Set Data Requests
Date Received: May 7, 2012

STAFF-DR-02-011

REQUEST:

Refer to the response to Staff's First Request, Item 23. Gas-related program incentives are referred to as a "relatively small amount."

- a. Provide the dollar amount of gas-related incentives charged through the electric Rider DSMR charge, and explain the basis for their inclusion in the electric charge in light of Duke Kentucky's gas and electric Rider DSMR tariff language concerning the recovery of gas and electric incentives.
- b. Explain whether Duke Kentucky will continue to use 37.1 percent for electric and 62.9 percent for gas for the allocation of total DSM program costs.

RESPONSE:

- a. The following table shows the calculation of the dollar amount of gas-related incentives charged through the electric Rider DSMR charge:

Calculation of Gas-Related Incentives

Avoided Costs: Gas Capacity from Attachment JEZ-1, page 1	A	\$ 202,503
Program Costs Allocated to Gas from Attachment JEZ-1, page 6	B	<u>\$ 595,035</u>
Shared Savings	C = A - B	\$ (392,532)
10% of Shared Savings	10% X C	\$ (39,253)

The calculated Shared Savings for the gas-related programs are negative, i.e., the allocated costs exceed the gas-related avoided costs. Duke Energy Kentucky has bundled the gas-related avoided costs with the electric avoided costs in an effort to continue to offer customers a variety of cost-effective electric programs. The gas Rider DSMR charge recovers only the allocated program costs associated with those programs that have gas impacts.

- b. In this filing, Duke Energy Kentucky used updated allocation percentages. The updated allocation percentages (36.5%/63.5%) appear on Attachment JEZ-1, page 6. Duke Energy Kentucky intends to use updated numbers going forward.

PERSON RESPONSIBLE: James E. Ziolkowski

Duke Energy Kentucky
Case No. 2012-085
Staff Second Set Data Requests
Date Received: May 7, 2012

STAFF-DR-02-012 PUBLIC

REQUEST:

Refer to the response to Staff's First Request, Item 25. In its response to Item 18 of the Commission Staff's First Request for Information in Case No. 2011-00448,¹ Duke Kentucky provided lost revenue calculations and shared savings by program. These calculations by program included the number of new participants, number of cumulative participants, kWh by participant, cumulative kWh, lost revenue rate, the lost revenue amount, and the shared savings amount. Provide the information requested in Item 25 of Staff's First Request in a format similar to that filed in the referenced response in Case No. 2011-00448² to support the projected lost revenues and shared savings to be considered in this filing.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

This response has been filed with the Commission under a Petition for Confidential Treatment.

PERSON RESPONSIBLE: Legal

¹ Case No. 2011-00448, Application of Duke Energy Kentucky, Inc. for the Annual Cost Recovery Filing for Demand-Side Management (Ky.PSC April 13, 2012).

² Id.