



DUKE ENERGY CORPORATION

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RECEIVED

JUN 06 2012

PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

June 6, 2012

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

**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 are an original and twelve copies of Duke Energy Kentucky, Inc.'s Motion for Leave to File, Instant, and Reply Comments to the Attorney General's Comments in the above-referenced case.

Please date-stamp and return the two extra copies of comments in the enclosed envelope.

Sincerely,

Kristen Cocanougher

Enclosures

cc: Jennifer Hans (w/enclosures)
Richard Raff (w/enclosures)
Florence W. Tandy (w/enclosures)
Carl Melcher (w/enclosures)
Dennis G. Howard, II (w/enclosures)
Lawrence W. Cook (w/enclosures)

BEFORE THE

KENTUCKY PUBLIC SERVICE COMMISSION

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JUN 06 2012

PUBLIC SERVICE
COMMISSION

In the Matter of the Application of Duke)
 Energy Kentucky, Inc., for an Energy)
 Efficiency Cost Recovery Mechanism) Case No. 2012-0085
 and for Approval of Additional Programs)
 for Inclusion in its Existing Portfolio.)

**DUKE ENERGY KENTUCKY, INC's
 MOTION FOR LEAVE
 TO FILE INSTANTER AND ITS REPLY COMMENTS**

I. Motion for Leave to File and Memorandum in Support

Now comes Duke Energy Kentucky, Inc (Duke Energy Kentucky or the Company) and hereby respectfully moves the Kentucky Public Service Commission (Commission) for leave to file, Instanter, its Reply Comments to the Attorney General's Comments of May 31, 2012 (Comments) in the above-styled proceeding.

II. Memorandum in Support

On April 2, 2012, the Commission issued its Order in the above-styled proceeding setting forth a procedural schedule (Order). The Order, in relevant part, provided the following opportunities for comments to the Company's filing:

- Any party may file a request for hearing, supported by a detailed statement of factual issues to be raised therein; or, in the alternative, written comments on Duke Kentucky's proposal no later than.....05/24/12
- Any party may file comments no later than05/31/12

Thus, the Order provided intervening Parties two opportunities for comment on the Company's Application in the above-styled proceeding. However, the Order did not afford the

Company a reciprocal opportunity to respond to any comments filed by a Party electing only to file on the latter of the two dates.

The Attorney General timely filed Comments on May 31, 2012, as permitted by the Commission's Order. Duke Energy Kentucky respectfully requests an opportunity respond to the Attorney General's concerns through the Reply Comments attached hereto. As the Attorney General did not request a hearing in this matter, the case is otherwise submitted on the record absent the Commission permitting an opportunity for the Company to respond. Duke Energy Kentucky respectfully submits that that it is in the public interest to permit the filing of its Reply Comments. To do so will allow the Commission to fully consider all relevant facts pertaining to the new DSM programs proposed in its Application in this proceeding. The Attorney General's Comments were filed less than a week ago. As such, there is minimal delay, if any, in the Commission's ability to consider the Company's Application.

III. Reply Comments

The Attorney General's Comments address three specific issues in the Company's Application in this proceeding: 1) Separate Accounting of Employee-Related/Administrative DSM Cost; 2) Education Component-Energy Efficiency Education Program for Schools Program...; and 3) Automatic Approval Process for Pilot Programs.¹

With respect to the Attorney General's recommendation to continue separation of accounting for demand side management programs and personnel, Duke Energy Kentucky is not proposing to change how it accounts for its Employee-Related/Administrative costs in this proceeding. Thus, the Company does not express an opinion regarding the Attorney General's recommendation to continue the present accounting processes.

¹ See *Attorney General's Comments*, filed May 31, 2012, at 2-5.

For the second issue, Attorney General characterizes the Company's Energy Efficiency Education Program for Schools as good will in nature, but does not directly oppose the program as proposed. While the Company does not agree with the Attorney General's characterization of the program, it should be recognized that the Attorney General does not propose abandoning such programming. Further, the Attorney General does not recommend any changes to the Company's proposal. Duke Energy Kentucky continues to support energy efficiency educational programming that reaches out to students and faculty and their respective families located within the Company's service territory.

With respect to the third issue, the Attorney General expresses concern that an automatic approval process for small pilot energy efficiency programs would: 1) shift risk from shareholders to rate payers; 2) provide an automate enhancement of the Company's profit and performance levels; and 3) increase costs due to a lack of meaningful review.²

The Attorney General's concerns are misplaced. The purpose of the proposed limited automatic approval process is in no way to shift risk from the Company to its customers, but rather, to help facilitate bringing new and innovative energy efficiency offerings to customers. Given the increasingly dynamic nature of the market and rapidly changing technology that can impact energy efficiency, the Company was simply attempting to enhance its ability to bring new offerings to its customers at the speed of business. The Direct Testimony of Company Witness Timothy Duff³ sets forth the following criteria for the automatic approval process:

- The total pilot program cost including EM&V is projected to be less than \$75,000.
- The pilot program is found to be cost effective under the Total Resource Cost test (TRC) and Utility Cost Test (UCT).
- The pilot program has been vetted and approved by the Collaborative.

² *Id.* at 5.

³ See *Direct Testimony of Timothy J. Duff*, filed March 6, 2012, at 12-13.

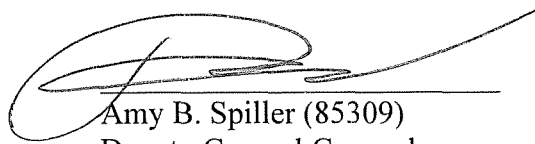
In addition to the aforementioned criteria, Duke Energy Kentucky will agree to file a notification with the Commission of the pilot at least ten business days prior to the pilots proposed start date. This notification would give a brief description of the pilot, the rationale for the pilot, including the market conditions and the projected cost and energy savings. Similarly, Attorney General's concern regarding "automatic enhancement" of profits and performance levels is not warranted. The Commission will maintain all of its current authority over the Company's Rider DSM. Rider DSM will continue to be filed annually and the Commission and Attorney General, will have every opportunity to review the Company's rates, including the incentive sharing mechanism. The Company can only charge a DSM rate that is approved by the Commission.

Finally, while the Company does not foresee bringing a high number of pilots to market under the automatic approval process, in order to alleviate concern about shifting risk, the Company would be willing to propose that the pilot program expenditures under the automatic pilot approval process not exceed 5% of the of total annual portfolio program expenditures.

IV. Conclusion

WHEREFORE, for the foregoing reasons, Duke Energy Kentucky respectfully requests the Commission approve the Company's request to file its Reply Comments, Instantly, and approve its Application in this proceeding.

Respectfully submitted,



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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 6th day of June 2012:

Jennifer Black Hans
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