



DUKE ENERGY CORPORATION

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VIA OVERNIGHT DELIVERY

November 29, 2012

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

RECEIVED

NOV 30 2012

PUBLIC SERVICE
COMMISSION

**Re: Case No. 2012-455
In the Matter of the Application of Duke Energy Kentucky, Inc. for Approval to
Continue its GoGreen Kentucky Program**

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of *Duke Energy Kentucky, Inc.'s Responses to Commission Staff's Second Set of Data Requests* in the above captioned case.

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

Sincerely,

Kristen Cocanougher

cc: Dennis Howard II.

VERIFICATION

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 28TH day of November 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)
)
County of Mecklenburg) SS:

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 26th day of November 2012.

Patricia W. Townsend
NOTARY PUBLIC

My Commission Expires: June 24, 2014

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Duke Energy Kentucky
Case No. 2012-455
Staff Second Set Data Requests
Date Received: November 20, 2012

STAFF-DR-02-001

REQUEST:

Refer to Duke Kentucky's application, Attachment C, page 2. It states, "Duke Energy Kentucky proposes to remove the residential customer class limitation so that all customers may have an opportunity to elect to participate in the program."

- a. Explain whether there have been any inquiries from customer classes, other than residential, with respect to the GoGreen Kentucky and Carbon Offset programs.
- b. Explain whether Duke Energy Indiana ("Duke Indiana") and Duke Energy Ohio ("Duke Ohio") have commercial and industrial customers who participate in similar GoGreen and Carbon Offset programs.
- c. Explain whether there will be additional marketing and promotional expenses incurred by Duke Kentucky if the customer class limitation is removed. If yes, provide the projected amount of expense and revenue for 2013 and 2014.
- d. If the customer class limitation is removed, explain when the GoGreen Kentucky and Carbon Offset programs are expected to be self-sustaining.

RESPONSE:

- a. Duke Energy has received a few inquiries from other classes, mostly in Indiana and Ohio from non residential customers as more facilities pursue sustainability reporting on their energy source mix. Additionally, RECs are one way of meeting Green Building design requirements or corporate sustainability goals and customers have inquired about the GoGreen program when direct renewable energy installations are not feasible or other alternatives are being explored.
- b. Duke Energy has 27 non residential customers that participate in GoGreen Indiana and GoGreen Ohio which support about 509 monthly blocks of green power.
- c. The program content, application form and process have the same elements for residential and business customers and there would be no additional cost to cross link residential and non residential applications. Duke Energy does not expect any significant

additional expenses would be incurred by making this offer available to a non-residential customers.

- d. The additional revenues would help accelerate the GoGreen program to become self sustaining though an estimate of that acceleration is difficult to render. The goal of a self sustaining Carbon Offsets program would not be helped by including other classes.

PERSON RESPONSIBLE: Casey Mather

**Duke Energy Kentucky
Case No. 2012-455
Staff Second Set Data Requests
Date Received: November 20, 2012**

STAFF-DR-02-002

REQUEST:

Refer to Duke Kentucky's response to Commission Staffs First Data Request ("Staffs First Request"), Item 1. Explain whether Duke Kentucky's proposed GoGreen Kentucky Rider GP is patterned after Duke Ohio's Rider GP for ease of advertising and promotional effort and cost, rather than for the program to be self-sustaining.

RESPONSE:

The Company believes that the proposed GoGreen Kentucky Rider GP will be self-sustaining, but consistency of the program between Duke Energy's jurisdictions will enhance the efficiency of advertising and promotional effort and cost. Eliminating the carbon offset program from the offering will assist in the programming becoming self- sustaining.

PERSON RESPONSIBLE: James E. Ziolkowski

Duke Energy Kentucky
Case No. 2012-455
Staff Second Set Data Requests
Date Received: November 20, 2012

STAFF-DR-02-003

REQUEST:

Refer to Duke Kentucky's response to Staffs First Request, Item 2b. It states the following:

Revenue has grown by 62% over the past 12 months due to increased customer awareness of the offer and the convergence of successful marketing campaigns and strategy. The GoGreen concept is gaining traction with customers. Duke Energy Kentucky expects to see further participation growth with continued promotion and a price reduction in 2013, to generate a self sustaining program by 1 Q 2015.

The following data is provided in Duke Kentucky's response to Staffs First Request, Item 3e:

| <u>Green Power Projections</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|------------------------------------|-------------------|------------------|------------------|
| Participants | 128 | 161 | 226 |
| Revenues | \$8,340 | \$10,508 | \$14,712 |
| Expenses | <u>\$18,908</u> | <u>\$16,151</u> | <u>\$16,571</u> |
| Net Revenue | <u>(\$10,568)</u> | <u>(\$5,642)</u> | <u>(\$1,859)</u> |
| <u>Carbon Projections</u> | | | |
| Participants | 6 | 6 | 6 |
| Revenues | \$624 | \$624 | \$624 |
| Expenses | <u>\$6,360</u> | <u>\$6,360</u> | <u>\$6,360</u> |
| Net Revenue | <u>(\$5,736)</u> | <u>(\$5,736)</u> | <u>(\$5,736)</u> |

The projected GoGreen Kentucky net revenue shortfall for 2012, 2013, and 2014 appear to be declining based on projections, but the projected Carbon Offsets net revenue shortfall for the same time-periods remain the same. Explain whether Duke Kentucky anticipates that the Carbon Offset program will become self-sustaining, and if so, when.

RESPONSE:

Duke Energy Kentucky does not expect the Carbon Offsets program to be self sustaining. As a result, we would recommend discontinuing the program and directing the few participants to the GoGreen program.

Customers have not been attracted to the offer and it has often been confused with the GoGreen program. Duke Energy Kentucky has not seen the participation levels as initially expected, having only 6 customers taking advantage of the program with an impact of only 13 monthly blocks. Our experience with the Carbon offset program is not unique. Duke Energy Indiana is seeing similar results with its carbon offset program. Additionally, the most heralded program in the U.S., PG&E, has discontinued their program due to the lack of customer interest. Given low participation and little prospect for new growth, the Carbon Offsets program cannot cover its fixed costs and has/will operate at a loss. As a result, Duke Energy Kentucky recommends discontinuing the Carbon offset part of the program in favor of developing the GoGreen portion in to a self-sustaining program.

PERSON RESPONSIBLE: Casey Mather

Duke Energy Kentucky
Case No. 2012-455
Staff Second Set Data Requests
Date Received: November 20, 2012

STAFF-DR-02-004

REQUEST:

Refer to Duke Kentucky's response to Staff's First Request, Item 4. It states the following:

Duke Energy Kentucky's GoGreen program revenues have grown over 60% this year. GoGreen expects continued promotion and a price reduction in 2013 to build a self-sustaining program by 2015. This assumes most customers, given a choice to opt to the lower billing rate, will maintain their current contribution rate, thereby doubling their value of Renewable Energy Credits. In addition to creating more value for current subscribers, the new lower price will reach more new subscribers and help to build a larger revenue base.

- a. Explain whether the assumption that most customers, given a choice to opt to the lower billing rate, will maintain their current contribution rate, thereby doubling their value of Renewable Energy Credits ("REC") has occurred with Duke Ohio's Rider GP.
- b. Explain whether the \$1.00 per unit per month for all GoGreen units reached more new subscribers and helped to build a larger revenue base in Duke Ohio's service territory.
- c. Explain whether Duke Indiana is considering revising its Standard Contract Rider No. 56 GoGreen Green Power Rate.

RESPONSE:

- a. GoGreen Ohio was processed differently and this assumption was not tested.
- b. GoGreen Ohio participation has grown 12% from 2011 to 2012 compared to GoGreen Indiana's 4% growth. Both states had similar branding and used similar marketing channels so the primary difference between the offers was the price. The difference in growth rates could be attributed to the lower rate of \$1 in Ohio compared to \$2 per block rate in Indiana.
- c. Duke Energy Indiana is considering revisions to Rider No. 56 to include lowering the rate from \$2 to \$1 per block and discontinuing the Carbon Offset program.

PERSON RESPONSIBLE: Casey Mather

Duke Energy Kentucky
Case No. 2012-455
Staff Second Set Data Requests
Date Received: November 20, 2012

STAFF-DR-02-005

REQUEST:

Refer to Duke Kentucky’s response to Staff’s First Request, Item 5a. Also, refer to pages 5 and 6 of Duke Kentucky’s GoGreen Power and Carbon Offset Annual Information Filing for Calendar Year 2010, filed March 30, 2011 with the Commission, and page 6 of the GoGreen Power and Carbon Offset Annual Information Filing for Calendar Year 2011, filed March 22, 2012 with the Commission. Data in the following table was provided to the Commission in Duke Kentucky’s response to Staff’s First Request, Item 5a., and Duke Kentucky’s GoGreen Power and Carbon Offset Annual Information Filing Calendar Years 2010 and 2011:

| <u>Carbon Offset</u> | <u>2010</u> | <u>2011</u> | <u>Total</u> |
|----------------------------------------------------------|-------------------|-------------------|-------------------|
| Revenues Billed | <u>\$176</u> | <u>\$672</u> | <u>\$848</u> |
| Campaign Promotion | \$37,288 | \$5,691 | \$42,979 |
| Administration Costs (Labor and Call Center Costs) | <u>\$13,915</u> | <u>\$9,304</u> | <u>\$23,219</u> |
| Total | <u>\$51,203</u> | <u>\$14,995</u> | <u>\$66,198</u> |
| Shortfall | <u>(\$51,027)</u> | <u>(\$14,323)</u> | <u>(\$65,350)</u> |

The Marketing expense for 2010, per the response to Item 5a., is \$39,503, but on page 6 of Duke Kentucky’s GoGreen Power and Carbon Offset Annual Information Filing Calendar Year 2010 Campaign Promotion, the number is \$37,288.

- a. Explain whether the Carbon Offset program Marketing expense in response to Item 5a. is the same as the Campaign Promotion in Duke Kentucky’s GoGreen Power and Carbon Offset Annual Information Filing for Calendar Year 2010 for the Carbon Offset program.
- b. If the answer to part a. is yes, explain the difference between Campaign Promotion of \$37,288 and the Marketing expense of \$39,503.

- c. Provide the Carbon Offset program shortfall for 2010 and 2011.

RESPONSE:

- a. The Campaign Promotion expenses of \$37,288 reported in the 2010 Annual Report were for launching and marketing the new program and included the Kentucky Balance Your Equation Microsite design, the creative and professional fees, and promotion of the launch event tree planting at Turkey Foot Middle School. The promotional expense did not include cost of the trees planted, the memorial plaque or the t-shirts.
- b. The difference of \$2,215 is as follows:
 - 20 trees from Arbor Day Foundation: \$200
 - Engraved Boulder for the School: \$550
 - T-shirts for all volunteers and participants in the ceremony: \$1,465
 - Total: \$2,215
- c. Shortfall for 2010: (\$53,242) and 2011: (\$16,123)*
*The 2011 total shortfall includes the settlement for a volume Carbon Credit purchase of \$1,800.

PERSON RESPONSIBLE: Casey Mather

Duke Energy Kentucky
Case No. 2012-455
Staff Second Set Data Requests
Date Received: November 20, 2012

STAFF-DR-02-006

REQUEST:

Provide a breakdown of Marketing and Administrative expenses for the GoGreen and Carbon Offset programs for year-to-date 2012 and the projected Marketing and Administrative expenses for the GoGreen and Carbon Offset programs for 2013 and 2014.

RESPONSE:

| | 2012-YTD | 2013 | 2014 |
|-----------------------------------------------------|----------|--------|--------|
| | Oct | | |
| GoGreen Kentucky | | | |
| Marketing Costs (Dev. Of Material and Distribution) | 10,645 | 11,000 | 11,000 |
| Administrative costs (Labor & Call Center) | 5,923 | 4,100 | 4,100 |
| Total Marketing & Administrative Costs | 16,568 | 15,100 | 15,100 |

| | 2012-YTD | 2013 | 2014 |
|--------------------------------------------|----------|-------|-------|
| | Oct | | |
| Carbon Offset Kentucky | | | |
| Marketing Costs | | - | - |
| Administrative costs (Labor & Call Center) | 5,307 | 6,360 | 6,360 |
| Total Marketing & Administrative Costs | 5,307 | 6,360 | 6,360 |

PERSON RESPONSIBLE: Casey Mather