

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, )  
INC. FOR APPROVAL TO CONTINUE ITS ) CASE NO.  
GOGREEN KENTUCKY PROGRAM ) 2012-00455

ORDER

On October 2, 2012, Duke Energy Kentucky, Inc. ("Duke Kentucky") filed an application requesting Commission approval to extend the availability of its GoGreen Kentucky program ("GoGreen") to continue offering the program on a going forward basis. Rider GP expires on December 31, 2012.

BACKGROUND

In Case No. 2009-00408,<sup>1</sup> the Commission approved Duke Kentucky's Rider GP pilot program for three years, which includes the GoGreen and Carbon Offset programs. Rider GP enables residential customers to designate a monthly kWh purchase level for green power and/or carbon offsets, allowing them to manage their own carbon footprints. GoGreen participants are billed at their current rates, but they are able to purchase, voluntarily, 100 kWh blocks of green energy attributes at \$2.00 per block. If a customer decides to participate, a minimum purchase of 200 kWh, at a cost of \$4.00 per month, is required. Duke Kentucky also allows participants in GoGreen to voluntarily purchase a carbon offset block, which represents a 500-pound reduction in carbon dioxide ("CO<sub>2</sub>"), for a monthly charge of \$4.00 per block. A single 500-

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<sup>1</sup> Case No. 2009-00408, Application of Duke Energy Kentucky, Inc. for Approval of a New Green Power Pilot Program (Duke Energy's GoGreen Kentucky) (Ky. PSC Feb. 5, 2010).

pound block will be the minimum purchase; however, customers have the option to purchase as many blocks as they choose. The green power is 100 percent Green E Certified wind renewable energy credits.<sup>2</sup> The carbon offset is 100 percent Landfill Gas Certified Carbon Credits.<sup>3</sup>

A Renewable Energy Certificate (“REC”) is the tradable commodity unit which represents the generation of one mWh of renewable or environmentally friendly generation; and a Carbon Credit is a tradable commodity unit which represents one metric ton of CO<sub>2</sub> reduction or its equivalent. Each carbon offset offered under this program represents a 500 pound block of CO<sub>2</sub> reduction, which equates to approximately 1/4 of a Carbon Credit. The application states that GoGreen provides residential customers with the knowledge that they are helping preserve the environment through their energy usage;<sup>4</sup> and that similar green power offerings are currently available to customers of Duke Energy Ohio, Inc. and Duke Energy Indiana, Inc.

Marketing expenses are budgeted for promotion of GoGreen. Duke Kentucky uses diverse advertising and promotion efforts to build program recognition and public awareness in order to maximize customer participation. Promotional channels include bill inserts, email, educational video, e-newsletter, and thank you letters and welcome kits to subscribers.<sup>5</sup>

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<sup>2</sup> Duke Kentucky’s Response to Staff’s First Data Request, Item 7 a., filed Nov. 13, 2012.

<sup>3</sup> *Id.*

<sup>4</sup> App., ¶ 5, pp. 2-3.

<sup>5</sup> Duke Kentucky’s Response to Staff’s First Data Request, Item 1 a., filed Nov. 13, 2012.

Duke Kentucky files an annual report relating to GoGreen that includes: (1) The number of program participants; (2) The total number of REC and carbon offsets subscribed to by participants; (3) The expenditures for education and promotion of the program; (4) The expenditures for research (customer satisfaction and experience); (5) The actual costs of the RECs and carbon offsets; and (6) Administrative costs.

There are no intervenors in this proceeding, and the case now stands submitted for decision.

#### DISCUSSION

In support of its application, Duke Kentucky stated that its existing Rider GP, Sheet No. 88, is a three-year pilot program, approved by the Commission in Case No. 2009-00408.<sup>6</sup> Rider GP is a service option for residential customers that provides the opportunity for residential customers to contribute funds for green energy generated from renewable resources, or to purchase carbon offsets to reduce their carbon footprint. The funds could be used for the development of Duke Kentucky's own renewable energy projects, or to help offset costs for the purchase or development of green power sources through the purchase of RECs and/or carbon offsets related to such sources.

Duke Kentucky's application includes requests for Commission authorization: (1) To remove the expiration reference in the tariff of December 31, 2012 and continue GoGreen as a regular offering rather than as a pilot program; (2) To reduce the price of

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<sup>6</sup> Case No. 2009-00408, Duke Energy Kentucky, Inc. (Ky. PSC Feb. 5, 2010).

the REC component to \$1.00<sup>7</sup> per 100 kWh block with a minimum monthly purchase of two 100 kWh blocks,<sup>8</sup> and (3) Remove the residential customer restriction in the tariff so that non-residential customers may also elect to participate in the program.

Although, in its application, Duke Kentucky did not propose to discontinue its Carbon Offset program, it does not propose to continue the program going forward. In response to a Commission request for information, Duke Kentucky stated, "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."<sup>9</sup> Duke Kentucky's GoGreen Power and Carbon Offset Annual Information Filing Calendar Years 2010<sup>10</sup> and 2011<sup>11</sup> show that the revenues produced by the Carbon Offset program fall considerably short of the expenses incurred for the program. Additionally, Duke Kentucky's forecast for the

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<sup>7</sup> The current pricing structure for the REC component of the rate is \$2.00 per 100 kWh block with a minimum monthly purchase of two 100 kWh blocks. The Application states that the price per kWh block of RECs are intended to recover the costs of administration and promotion as well as for the power and offset itself. App., ¶¶ 6 at p. 3.

<sup>8</sup> Duke Kentucky states that it hopes that the reduced pricing will encourage more participation in the program (App., ¶¶ 7, p. 3) and that the program will be self-sustaining by the first quarter of 2015 (Duke Kentucky's Response to Staff's First Request for Information, Item 3b., filed Nov. 13, 2012.)

<sup>9</sup> Duke Kentucky's Response to Staff's Second Request for Information, Item 3, filed Nov. 30, 2012.

<sup>10</sup> The 2010 shortfall is \$51,027. Case No. 2009-00408, Duke Energy Kentucky, Inc.'s GoGreen Power and Carbon Offset Annual Information Filing Calendar Year 2010, pp. 5-6, filed Mar. 30, 2011.

<sup>11</sup> The 2011 shortfall is \$14,323. Case No. 2009-00408, Duke Energy Kentucky, Inc.'s GoGreen Power and Carbon Offset Annual Information Filing Calendar Year 2011, p.6, filed Mar. 22, 2012.

Carbon Offset program for the years 2012, 2013, and 2014 show that continuing shortfalls are expected.<sup>12</sup> Duke Kentucky further states that:

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.<sup>13</sup>

Based on the evidence in the record and being otherwise sufficiently advised, the Commission finds that:

1. Duke Kentucky's request to discontinue its Carbon Offset program and to attempt to direct the few participants to GoGreen should be approved.
2. Duke Kentucky's request, as set out in the application, to extend the availability of GoGreen on an ongoing basis, currently set to expire on December 31, 2012, should be approved.

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<sup>12</sup> The forecasted shortfall for 2012, 2013, and 2014 is projected to be \$5,736 per year. Duke Kentucky's Response to Staff's First Data Request, Item 3.e., filed Nov. 13, 2012.

<sup>13</sup> Duke Kentucky's Response to Staff's Second Request for Information, Item 3, filed Nov. 30, 2012.

3. Duke Kentucky's request to remove the residential customer restriction in the Rider GP tariff so that non-residential customers may also elect to participate in GoGreen should be approved.

4. Duke Kentucky's request to reduce the price of the REC component to \$1.00 per 100 kWh block with a minimum monthly purchase of two 100 kWh blocks should be approved.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky's request to discontinue its Carbon Offset program and attempt to direct the few participants to GoGreen is approved.

2. Duke Kentucky's request to extend the availability of GoGreen on an ongoing basis, currently set to expire on December 31, 2012, is approved.

3. Duke Kentucky's request to remove the residential customer restriction in the Rider GP tariff so that non-residential customers may also elect to participate in GoGreen is approved.

4. Duke Kentucky's request to reduce the price of the REC component to \$1.00 per 100 kWh block with a minimum monthly purchase of two 100 kWh blocks is approved.

5. Within 20 days of the date of this Order, Duke Kentucky shall file revised tariff sheets showing the date of this Order as their effective date and stating that they were issued by authority of this Order.

By the Commission

ENTERED  
DEC 14 2012  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

Executive Director

Case No. 2012-00455

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