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John J. Finnigan, Jr.
Associate General Counsel

VIA OVERNIGHT MAIL

August 14, 2007

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

RE: The Annual Cost Recovery Filing For Demand Side Management By Duke
Energy Kentucky, Inc.
KyPSC Case No. 2007- 00369

Dear Ms. O'Donnell:

I am enclosing an original and twelve copies of the Motion of Duke Energy Kentucky, Inc. for Extension of Time to file Annual DSM Applications, and for Approval to Continue DSM Programs and DSM Rates until Issuance of Commission Orders on Annual DSM Applications. Please assign a new case number and docket this motion.

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

If you have any questions, please do not hesitate to call me.

Sincerely,

John J. Finnigan, Jr.
Associate General Counsel

JJF/bjl

Enclosure

cc: Larry Cook, Assistant Attorney General (w/encl.)
Anita L. Mitchell, Public Service Commission (w/encl.)
Florence W. Tandy, N. Kentucky Community Action Commission (w/encl.)
Carl Melcher, Northern Kentucky Legal Aid, Inc. (w/encl.)

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**BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

In The Matter Of:

THE ANNUAL COST RECOVERY)	
FILING FOR DEMAND SIDE)	CASE NO. 2007- <u>00369</u>
MANAGEMENT BY DUKE ENERGY)	
KENTUCKY, INC.)	

**MOTION OF
DUKE ENERGY KENTUCKY, INC. FOR EXTENSION OF TIME
TO FILE ANNUAL DSM APPLICATIONS, AND FOR APPROVAL TO
CONTINUE DSM PROGRAMS AND DSM RATES UNTIL ISSUANCE
OF COMMISSION ORDERS ON ANNUAL DSM APPLICATIONS**

Duke Energy Kentucky, Inc. ("DE-Kentucky") moves the Commission for an Order: (1) to amend the Application filing deadline and the effective date of DE-Kentucky's Demand Side Management ("DSM") programs; and (2) to continue DE-Kentucky's existing DSM programs and DSM rates until the Commission issues its Orders on DE-Kentucky's annual DSM Applications. In support of this Motion, DE-Kentucky states as follows:

1. For the past several years, the Commission has reviewed DE-Kentucky's DSM programs annually. The Commission's scheduling orders in these cases have required DE-Kentucky to file its Applications by September 30 each year, and the Commission used its best efforts to rule on the Applications by January 1.

2. DE-Kentucky revised its PowerShare® program in 2007 as a result of the Company's commitment in the Settlement Agreement in Case No. 2006-00172, its last electric base rate case, to seek revisions to its PowerShare® program ("Settlement Agreement"). The Commission approved the Settlement Agreement by Order dated

December 21, 2006.

4. The PowerShare® program began in 2000. The PowerShare® program is a peak load management program where DE-Kentucky pays credits to qualifying commercial and industrial customers for curtailing load. Prior to 2007, the customer credits were based on short-term wholesale energy market prices. These prices were somewhat volatile and customer participation in the PowerShare® program would greatly decrease when wholesale energy prices decreased. This reduced the effectiveness of the PowerShare® program, even though DE-Kentucky needed the program because the Company was consistently setting new peak demand records. To resolve this problem, the Settlement Agreement provided that the Company would seek Commission approval to change the pricing for customer credits under the PowerShare® CallOption® program from market-based pricing to avoided cost pricing, and would recover incremental costs through DSM rates.

5. Per the Settlement Agreement, DE-Kentucky applied for approval in Case No. 2006-00426, its annual DSM case, to amend its DSM programs to incorporate the new PowerShare® CallOption® program. The Commission approved the new PowerShare® CallOption® program as part of DE-Kentucky's DSM programs by Order dated May 15, 2007 in Case No. 2006-00426.

6. The PowerShare® CallOption® program operates throughout the year, but is most active during June through September, when customer demand is highest. As part of the Company's annual DSM Application process, DE-Kentucky must: (1) assemble the data on customer participation and costs; (2) analyze the demand reduction impacts to perform a cost-benefit analysis; (3) develop recommendations for continuation/termination

of existing DSM programs and introduction of new programs including the Power Manager direct load program; (4) attempt to get consensus for the DSM programs for the customer collaborative groups; and (5) prepare and file an Application with the Commission for approval of the following year's DSM programs. Currently, the Commission requires DE-Kentucky to file its annual DSM Application by September 30 each year. This does not allow sufficient time to adequately evaluate the demand response impacts of the Power Manager and PowerShare® CallOption® programs. The switch to avoided cost pricing has increased customer participation in this program. In addition, the Company would like to have an adequate opportunity to analyze the summer program data for both the Power Manager and PowerShare® CallOption® demand response programs before deciding on what to recommend for the upcoming year. DE-Kentucky believes that it would have adequate time to complete the DSM Application process if it is allowed to file its DSM Application by November 15. DE-Kentucky believes that the Power Manager and PowerShare® CallOption® programs are an integral component of its DSM programs in the future, so DE-Kentucky requests approval to change its DSM Application deadline to November 15 on a permanent basis.

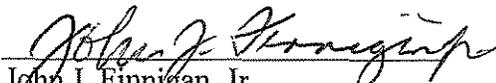
7. Consistent with the new Application deadline, DE-Kentucky suggests that the Commission would probably rule on its new DSM programs on or around February 15 each year. DE-Kentucky requests approval to continue existing DSM programs and DSM rates until the Commission issues its Order on the Company's annual Application each year. If the Commission does not approve any program(s) for which DE-Kentucky requests continued approval, DE-Kentucky requests that the Commission's annual Orders allow adequate time for DE-Kentucky to notify customers and terminate the program(s)

after issuance of the Orders.

WHEREFORE, DE-Kentucky respectfully requests that the Commission grant the relief requested in this Motion.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.

By: 
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CERTIFICATE OF SERVICE

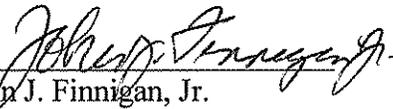
I hereby certify that a copy of the foregoing filing was served on the following via ordinary United States mail, postage prepaid, this 14th day of August, 2007:

Larry Cook
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The Kentucky Office of the Attorney General
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Frankfort, Kentucky 40602-2000

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