

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ANNUAL COST RECOVERY FILING FOR	)	CASE NO.
DEMAND-SIDE MANAGEMENT BY DUKE	)	2010-00445
ENERGY KENTUCKY, INC.	)	

COMMISSION STAFF'S SECOND INFORMATION REQUEST  
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before February 18, 2011. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Duke Kentucky fails or refuses to furnish all or part of the requested information, it shall

provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the table in the response to Item 5.a. of Commission Staff's First Information Request ("Staff's First Request"), which includes Participation, Administration, Implementation, Incentives, and Other Utility Costs.

a. Explain whether these costs are solely outside contractor costs or if they also include in-house costs incurred by Duke Kentucky.

b. If some of the costs are in-house costs, explain how Duke Kentucky insures that these costs are excluded from recovery through its base rates.

2. Refer to the attachment to the response to Item 5.b. of Staff's First Request in which Lost Revenue Rates ("LR Rates") are listed for Years 1, 2 and 3. In Year 1, the LR Rate is \$0.051619 (Rate RS \$0.085379 less Rider FAC \$0.033760). In Year 2, the LR Rate is \$0.052828, an increase of 2.34 percent from the Year 1 rate. And in Year 3, the LR Rate is \$0.054066, an increase of 2.34 percent from the Year 2 rate.

a. If the LR Rate is the applicable marginal block energy rate net of fuel costs and other variable costs, then are there no other known variable costs? Explain.

b. Explain why the LR Rate increases from Year 1 to Year 2 and from Year 2 to Year 3.

3. Refer to footnote (A) on page 5 of 5 of the attachment to the response to Item 5.b. of Staff's First Request. The footnote indicates that, in 2010, a factor of 1.002733 is used to include interest on over- or under-recovery for the average three-month commercial paper rate. If the purpose of Rider DSMR is the recovery of actual program expenditures almost in real-time along with shared savings, which are calculated based on actual program expenditures, and the LR Rate remains constant until there is a change in base rates, explain the purpose of this factor in adjusting the prior period over- or under-recovery.

4. Refer to the footnotes on page 5 of 5 of the attachment to the response to Item 5.b. of Staff's First Request. Confirm whether the footnotes should reference Appendix B rather than Appendix J, in footnote (A), and Appendix I in footnotes (B) and (C).

5. Refer to the attachment to the response to Item 7 of Staff's First Request.

a. Pages 1 to 4 of 11 for the various programs were not labeled. Provide a revised version of the attachment with data on the pages clearly identified on a program-by-program basis.

b. It appears that the first calculation at the top of page 4 of 11 pertains to the High Efficiency Program. It is unclear what the remainder of the data on pages 4 to 11 of 11, after that first calculation, is meant to represent. Provide a thorough description of the data on these pages and explain how it is used by Duke Kentucky.

c. Provide this attachment in an electronic Excel format with all formulas intact and unprotected.

6. The response to Item 8.c. of Staff's First Request indicates that projected program costs of \$903,772 are from a previous filing, Case No. 2006-00426<sup>1</sup> (Revised Appendix D, Page 2 of 5). Also, the response to Item 8.d. indicates that projected lost revenues of \$657,466 were developed in Case No. 2007-00369<sup>2</sup> (Appendix J, Page 2 of 6).

a. Explain whether Duke Kentucky believes that it is preferable to (1) use projected program costs and lost revenues from prior filings or (2) use recent actual program expenditures and actual participation levels, together with future projected activity.

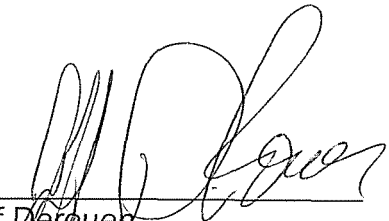
b. Explain whether Duke Kentucky's (Over)/Under-Recovery amount would be expected to be smaller under method (1) or (2) described in part a. of this request.

7. The response to Item 8.d. of Staff's First Request shows the individual costs for the various programs of the Commercial & Industrial High Efficiency Program. The sum of these individual amounts is \$710,419. Explain whether the Program Expenditures from 07/2009 to 06/2010 should be \$719,739, the total shown on Appendix B Reconciliation - Revised, Page 1 of 5, or \$710,419, the sum of the amounts included in the response. If the appropriate sum is \$710,419, provide all revised schedules as in Response to Staff's First Request, 5b.

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<sup>1</sup> Case No. 2006-00426. The Annual Cost Recovery Filing for Demand Side Management by The Union Light, Heat and Power Company D/B/A Duke Energy Kentucky (Ky. PSC May 15, 2007).

<sup>2</sup> Case No. 2007-00369. The Annual Cost Recovery Filing for Demand Side Management by Duke Energy Kentucky, Inc. (Ky. PSC May 14, 2008).



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Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED: FEB 03 2011

cc: Parties of Record

Rocco O D'Ascenzo  
Duke Energy Kentucky, Inc.  
139 East 4th Street, R. 25 At II  
P. O. Box 960  
Cincinnati, OH 45201

Dianne Kuhnell  
Duke Energy Kentucky, Inc.  
139 East 4th Street, R. 25 At II  
P. O. Box 960  
Cincinnati, OH 45201