COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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	)))))	CASE NO. 2012-00085

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION 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 April 27, 2012. 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 pages 2-3 of Duke Kentucky's March 6, 2012 Demand-Side Management ("DSM") Application ("Application"). There are 12 programs listed as current DSM programs. Also refer to pages 5-6 of the Application, where 10 programs are listed that are to continue as part of Duke Kentucky's DSM portfolio.

a. Provide an explanation of how and which of the 12 current DSM programs are folded into the 10 programs.

b. Explain whether the Program Administration, Development & Evaluation Funds and the Energy Efficiency Website are to continue, and if so, in which of the 10 programs they will be included.

2. Refer to page 7 of the Application, Item 16. It states, "this new portfolio is consistent with the Company's most recent IRP filed in Case No. 2011-00235 and is estimated to increase impacts for the period 2012-2016 beyond those described in the High EE Case in the 2011 IRP by approximately 23 percent or 23,000 MWh, assuming full projected participation in all of the measures offered in the proposed portfolio."

a. Provide, by year, the projected 23,000 MWh impacts for 2012-2016.

b. Provide the projected energy savings, by program and by year, for the period 2012-2016.

c. Provide the projected peak demand load savings, by year, for the period 2012-2016.

3. Refer to page 8 of the Application, Item 18. It states, "[i]n accordance with KRS 278.285(1)(f), this filing, including the proposed programs was developed with the input of the Company's Collaborative. And the Company is proceeding with this Application with the consensus support of this Collaborative."

a. Provide a list of the Residential and Commercial Collaborative members and representatives that were part of the consensus.

b. Provide a list of all the Collaborative members and their appointed representative(s).

4. Refer to page 9 of the Application, Item 22. It states:

> [i]n order to encourage future development of DSM programs and innovation, the Company is also requesting the Commission to approve a limited automatic approval process for pilot programs with the following parameters:
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> - 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.

a. Explain when Duke Kentucky would notify the Commission of a new pilot program, noting that a pilot program would be part of the annual DSM update filed on November 15 of each year.

b. Explain whether the total cost of a pilot program includes lost revenues and shared savings.

c. Explain whether Duke Kentucky would have a threshold of pilot program expenditures as a percent of total portfolio program expenditures.

d. Provide an explanation of the word "limited" in limited automatic approval process for pilot programs.

e. Explain how cost recovery would occur if the Commission were to approve the $75,000 automatic approval process for pilot DSM programs.

5. Refer to page 9 of the Application, Item 23.

a. Explain whether Duke Kentucky would be ready to begin implementation of its proposed DSM portfolio if the Commission issued an Order approving the Application by July 1, 2012.

b. Explain whether implementing the proposed DSM portfolio will require additional staffing, and if so, how the costs of this staffing will be recovered.

6. Refer to page 4, lines 16-20, of the Direct Testimony of Timothy J. Duff ("Duff Testimony"). It states, "Duke Energy Kentucky's service territory is adjacent to the service territory of its parent company, Duke Energy Ohio, Inc. (Duke Energy Ohio). As a result, the two companies share a common media market and Duke Energy Kentucky customers are often exposed to advertisements that are specific to Duke Energy Ohio."

a. Explain whether the advertisements are run under the name of Duke Energy or Duke Energy Ohio ("Duke Ohio").

b. Once Duke Kentucky receives an Order from the Commission, explain how the cost of advertisement will be allocated between Duke Ohio and Duke Kentucky.

c. Identify the account in which the cost of advertisement will be charged on Duke Kentucky's books.

d. Identify and explain what impacts, if any, the proposal would have on other DSM expenses that are allocated between Duke Kentucky and Duke Ohio, or other Duke Energy affiliates.

7. Refer to page 6, lines 12-14, of the Duff Testimony. It states, "[t]he indirect savings are the bill savings that customers will realize over time from the avoided system costs associated with the overall reduction in energy consumption and demand." Explain the phase "indirect savings are the bill savings that customers will realize."

8. Refer to page 7, lines 20-22, of the Direct Testimony of Ashlie J. Ossege ("Ossege Testimony"). It states, "[o]ur research is beginning to show that the very order in which we offer programs to customers affects the uptake and participation rate."

a. Explain the process of determining the order in which programs are offered to customers.

b. Explain how the order affects the uptake and participation rate.

9. Refer to page 12, lines 7-10, of the Ossege Testimony. It states, "[t]he initial estimates of participation and initial estimates of measure/program level load

impacts are used to develop the projected benefits (avoided costs) to determine the incentive amounts included in the proposed rider."

a. Explain whether the incentives referenced in this sentence are Duke Kentucky's shared savings or incentives to customers for participation in certain programs.

b. Explain whether the impacts are used in determining lost revenues.

10. Refer to page 19 of the Ossege Testimony. There is a list of residential and non-residential programs that were analyzed.

a. Explain whether the combining of programs to form another program affects the kW impacts of any program, whether it be an increase or decrease.

b. Explain whether the combining of programs to form another program affected the kWh or Ccf impacts per participant and whether that affected lost revenues.

11. Refer to page 5, lines 4-8, of the Direct Testimony of Casey Mather ("Mather Testimony"). It states, "[i]n addition to the current Energy Efficiency Education program, Duke Energy Kentucky is adding a live, theatrical production category to the program. Each performance is performed by two professional actors and lasts approximately 25 minutes. The performances enforce lessons learned in the classroom."

a. Explain how many live performances Duke Kentucky is considering.

b. Provide the projected cost per live performance and how the cost would be charged.

c. Explain whether there is any potential liability Duke Energy might incur using professional actors in a live performance in a classroom setting.

d. Explain whether there is a contract between Duke Kentucky and The National Theatre for Children, and if so, provide a copy of the contract.

e. If a contract has been signed with The National Theatre for Children, explain whether there is a regulatory out-provision in the contract if approval of the theatrical production category is not approved by the Commission.

f. Explain whether Duke Kentucky has consulted and/or sought approval from schools systems, schools where live performances would occur, site-based councils, and parent-teacher organizations in the Duke Kentucky operating area.

g. Explain whether Duke Kentucky considered other options that might be more cost effective to enforce lessons learned, such as video-taping a live performance by two professional actors and then playing the video in the classroom.

h. Explain whether a theatrical production category with live performances might be considered for a limited automatic approval process for a pilot program.

i. Explain whether the theatrical production category with live performances is cost effective.

12. Refer to page 6, lines10-11, of the Mather Testimony. It states, "[t]he Appliance Recycling program will encourage customers to responsibly dispose of older, functioning but inefficient refrigerators and freezers."

a. Explain whether Duke Energy has begun the process of contracting a vendor to pick up the refrigerators and freezers.

b. If the answer to part a. is yes, explain how a vendor or vendors will be selected.

c. Provide a copy of any contract(s) signed with vendor(s) for pick-up of inefficient refrigerators and freezers.

d. Explain how the material is recycled and whether Duke Kentucky receives any funds for the recycled scrap, and if so, explain how it is accounted for.

e. Explain whether there is a fee to dispose of material that is not recycled and placed in a landfill and, if so, explain how that fee is accounted for.

13. Refer to page 6, lines 19-23, and page 7, lines 1-4, of the Mather Testimony. Mr. Mather states:

> [t]he My Home Energy Report compares household electric usage to similar, neighboring homes, and provides recommendations to lower energy consumption. The report also promotes the Company's other energy efficiency programs when applicable. These normative comparisons are intended to induce an energy consumption behavior change. The My Home Energy Report will be delivered in printed or online form to targeted customers with desirable characteristics who are likely to respond to the information. The printed reports are distributed up to 12 times per year; however delivery may be interrupted during the off-peak energy usage months in the fall and spring.

a. Explain whether all residential customers can participate in this program and how targeted customers are chosen.

b. Explain what is meant by "desirable characteristics."

c. Explain how comparing household electric usage to similar neighboring homes is accomplished without revealing confidential customer information that is subject to privacy laws.

d. Explain how this information will be used to induce energy consumption behavior change.

e. Explain whether additional employees will be required to handle the reports, and if so, explain how the cost of these additional employees will be charged.

14. Refer to page 7, lines 13-15, of the Mather Testimony wherein Mr. Mather states:

> [t]argeted low income neighborhoods qualify for the program if at least *50%* of the households are at or below 200% of the federal poverty guidelines. Duke Energy Kentucky will analyze electric usage data and previous program participation to prioritize neighborhoods that have the greatest need and propensity to participate. While the goal is to serve neighborhoods where the majority of residents are lower income, the program is available to all Duke Energy Kentucky customers in the defined neighborhood.

a. Explain how a residential area is defined as a neighborhood.

b. Explain the process of targeting a defined neighborhood.

c. Explain how the electric usage data will be analyzed and used in determining a defined neighborhood.

d. Once a neighborhood is selected as a defined neighborhood, explain how a customer is selected based on energy usage history and how a customer's energy usage will be used in determining what measures will be provided.

e. Explain whether Duke Kentucky is working with any Community Action Agencies in defining and selecting a neighborhood and organizing kick-off events.

15. Refer to page 3, lines 20-22, of the Direct Testimony of Kevin A. Bright ("Bright Testimony"). It states, "Duke Energy Kentucky seeks to expand the measures included in the Smart $aver® Prescriptive program to include over 220 measures

covering the five broad technology categories." Explain whether all 220 measures covering the five broad technology categories have been determined as cost effective.

16. Refer to page 4, lines 11-13, of the Bright Testimony. Mr. Bright states: "[a] key difference between the Prescriptive and Custom programs is that the Custom program requires that the customer submit an application before they begin their project." On page 4, lines 4-6, of the Bright Testimony, it states, "The incentive amounts are known to the customer before they undertake their project, so the customer can proceed with their project and submit documentation after installation." Explain how the customer knows the incentive amount without submitting an application.

17. Refer to page 5, lines 3-7, of the Bright Testimony. It states, "Duke Energy Kentucky recently filed an application to implement this program as a pilot in Case No. 2011-00471.[1] Now, with this filing requesting to expand the entire portfolio of EE and DR programs, Duke Energy Kentucky seeks to expand this program to all eligible commercial and industrial customers on a more permanent basis." [Footnote added.] Explain why Duke Kentucky seeks to expand this program to all eligible commercial and industrial customers on a more permanent basis.

18. Refer to page 5, line 23, and page 6, line 4, of the Bright Testimony. Mr. Bright states:

> [t]he cost of the on-site assessment varies depending on the length of time an assessor spends at a customer's facility. The cost of the audit is shared by Duke Energy Kentucky and the customer. The customer pays 50% of the cost, and Duke Energy Kentucky pays 50%, but the customer's cost

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[1] Case No. 2011-00471, Application of Duke Energy Kentucky, Inc. to Implement a Pilot Nonresidential Smart Saver Custom Energy Efficiency Program (Ky. PSC April 12, 2012).

can be further reduced if they proceed with adopting the recommendations made in the audit.

Provide and explain the possible range of costs per audit that could be the responsibility of the customer and the costs that could be recovered through the DSM rider.

19. Refer to page 7, line 13, of the Bright Testimony. Duke Kentucky is exploring a possible expansion of the PowerShare program. Explain when a possible expansion might be implemented and how the Commission would be notified.

20. Refer to page 7, line 21, and page 8, line 1, of the Bright Testimony. Mr. Bright states: "it is possible that Duke Energy Kentucky may need to change incentives in the future which would be filed in a revised tariff. At this time, two programs in particular are expected to be impacted in the 2012/2013 fiscal year."

a. One program to be impacted is the PowerShare program. Identify the other program to be affected.

b. Explain whether incentives might be changed and whether the cost effectiveness of the programs might be impacted.

c. Explain the impact on Duke Kentucky's shared savings if the incentives are changed.

21. Refer to page 4, lines 12-13, of the Direct Testimony of James A. Ziolkowski ("Ziolkowski Testimony"). Mr. Ziolkowski states: "[t]he revenue requirement recovers program costs, lost revenues, measurement and verification costs, and incentives." In its application in Case No. 2011-00448,[2] Duke Kentucky provided

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[2] Case No. 2011-00448, Application of Duke Energy Kentucky, Inc. for the Annual Cost Recovery Filing for Demand-Side Management (Ky. PSC April 13, 2012).

Appendix B, page 2 of 6, which includes projected program costs, lost revenues, and shared savings for 2012. Appendix B also provides an allocation of costs between electric and gas customers.

a. Provide a similar schedule of program costs, lost revenues, and shared savings for the programs proposed in this case.

b. Provide a schedule, in electronic format with formulas intact and unprotected, of the total DSM revenue requirement amounts on Attachment JEZ-1, page 8, by program, consisting of program costs, lost revenues, and shared savings.

22. Refer to Attachment JEZ-2 of the Ziolkowski Testimony, pages 1-4 of 8, referencing Case No. 2006-00172[3] and Attachment JEZ-2, pages 5-8 of 8, referencing Case No. 2009-00202.[4]

a. Page 2 of the tariff states, "[r]ecovery of revenues from lost sales calculated for a twelve-month period for non-residential rate classes shall be included in the LR until January 1, 2000 or until terminated by the implementation of new rates pursuant to a general rate case, whichever comes first." Explain the January 1, 2000 date, since the last electric general rate case was Case No. 2006-00172[5] and the last gas general rate case was Case No. 2009-00202.[6]

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[3] Case No. 2006-00172, Application of the Union Light, Heat and Power Company D/B/A Duke Energy Kentucky for an Adjustment of Electric Rates (Ky. PSC Dec. 21, 2006).

[4] Case No. 2009-00202, Application of Duke Energy Kentucky, Inc. for an Adjustment of Rates (Ky. PSC Dec. 29, 2009).

[5] Case No. 2006-00172, Union Light, Heat and Power Company d/b/a Duke Energy Kentucky (Ky. PSC Dec. 21, 2006).

[6] Case No. 2009-00202, Duke Energy Kentucky, Inc. (Ky. PSC Dec. 29, 2009).

b. Refer to pages 3 and 6 of Attachment JEZ-2. The tariff states, "[t]he DSM Program Incentive (PI) amount shall be computed by multiplying the net resource savings expected from the approved programs which are to be installed during the upcoming twelvemonth period times fifteen (15) percent." Explain the 15 percent considering that in Case No. 2004-00389,[7] on page 37 of the Application, it states, "ULH&P proposes to recover ten percent of the savings, a sharing of the value created, as an incentive to aggressively pursue implementation of DSM programs" and that 10 percent is used to calculate shared savings in this Application.

23. Refer to Attachment JEZ-2, pages 6-7, of the Ziolkowski Testimony. Duke Kentucky's gas tariff states that program benefits for calculation of the DSM Program Incentive ("PI") will be the present value of Duke Kentucky's avoided cost over the life of the program and will include both commodity and capacity costs. Provide the PI calculations for both the residential and non-residential gas customers, so that the commodity and capacity costs, discount rate, and program life can be identified. Include the source document(s) of the avoided commodity and capacity costs if it is something other than Duke Kentucky's own Gas Cost Recovery rate.

24. Refer to Duke Kentucky's response to Item 44 of Commission Staff's First Information Request in its pending Integrated Resource Plan case.[8] Identify and describe what impacts Duke Kentucky has experienced in the Power Share program as

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[7] Case No. 2004-00389, The Annual Cost Recovery Filing for Demand Side Management by the Union Light, Heat and Power Company (Ky. PSC Feb. 14, 2005).

[8] Case No. 2011-00235, 2011 Integrated Resource Plan of Duke Energy Kentucky, Inc. (filed July 1, 2011).

a result of its move from the Midwest Independent System Operator to PJM as it relates to participation and cost effectiveness.

25. Provide, in electronic format with formulas intact and unprotected, how the kWh and Ccf impacts were determined for each program, by program participant. Also, explain if this is how lost revenues were determined for each program. If not, explain how lost revenues were determined by program.

26. Compare, by program, the kWh and Ccf impacts per program participant in this Application versus the kWh and Ccf impacts per program participant used in Case No. 2011-00448,[9] and explain the differences.

27. Compare, by program, the projected number of participants in the first year of the proposed DSM portfolio versus the actual number of 2011 participants of the current DSM portfolio.

28. With the Commission approval of Case No. 2011-00448,[10] the DSM rates that will become effective will include a large credit over-recovery for electric and gas DSM rates.

a. Provide by electric and gas DSM rider the amount of DSM recovery from July 2011 to March 2012, and the projected amount of recovery by electric and gas DSM rider based on forecasted sales for April 2012 to June 2012. And also, provide the projected electric and gas rider rates.

[9] Case No. 2011-00448, Duke Energy Kentucky, Inc. (Ky. PSC April 13, 2012).

[10] Id.

b. If the Commission issues an Order in this case before July 1, 2012 as requested, and the amount of the over or under-recovery remains the same as filed in Case No. 2011-00448, provide the electric and gas DSM rates, by tariff.

c. If the rates proposed in Case No. 2011-00448 became effective for the months of May and June of 2012 and an Order is issued in this case by July 1, 2012, for each month, May through July, explain how the DSM rates will be calculated.

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Dated APR 13 2012

cc: Parties of Record

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