



DUKE ENERGY CORPORATION

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VIA OVERNIGHT DELIVERY

January 19, 2012

RECEIVED

JAN 20 2012

PUBLIC SERVICE
COMMISSION

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

Re: **Case No. 2011-471**

In the Matter of the Application of Duke Energy Kentucky, Inc. to Implement a Pilot Nonresidential Smart Saver Custom Energy Efficiency Program

Dear Mr. Derouen:

Enclosed please find an original and twelve copies each of *Duke Energy Kentucky, Inc.'s Responses to Commission Staff's First 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: Larry Cook
Richard Raff
Florence W. Tandy
Carl Melcher

VERIFICATION

State of Ohio)
)
County of Hamilton) **SS:**

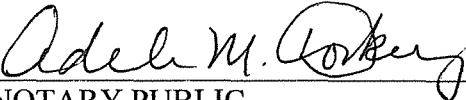
The undersigned, Kevin Bright, being duly sworn, deposes and says that he is the Managing Director, Large & Small Business Market Strategy & Products, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.



Kevin Bright, Affiant

Subscribed and sworn to before me by KEVIN BRIGHT on this 11TH day of January 2012.

ADELE M. DOCKERY
Notary Public, State of Ohio
My Commission Expires 01-05-2014




NOTARY PUBLIC

My Commission Expires: 1/5/2014

VERIFICATION

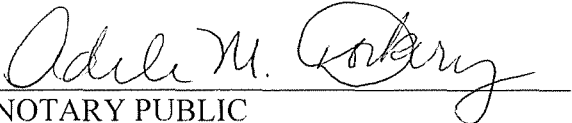
State of Ohio)
)
County of Hamilton) SS:

The undersigned, Thomas J. Wiles, being duly sworn, deposes and says that he is the General Manager, Market Analytics, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.


Thomas J. Wiles, Affiant

Subscribed and sworn to before me by THOMAS J. WILES on this 16TH day of January 2012.

ADELE M. DOCKERY
Notary Public, State of Ohio
My Commission Expires 01-05-2014


NOTARY PUBLIC

My Commission Expires: 1/5/2014

VERIFICATION

State of Ohio)
) SS:
County of Hamilton)

The undersigned, Jim Ziolkowski, being duly sworn, deposes and says that he is the Rates Manager, that he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief, after reasonable inquiry.

Jim Ziolkowski

Jim Ziolkowski, Affiant

Subscribed and sworn to before me by Jim Ziolkowski on this 16th day of January 2012.

E. Minna Rolfes

NOTARY PUBLIC



E. MINNA ROLFES
Notary Public, State of Ohio
My Commission Expires
June 10, 2012

My Commission Expires: 6/10/12

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**Duke Energy Kentucky
Case No. 2011-471
Staff First Set Data Requests
Date Received: January 6, 2012**

STAFF-DR-01-001

REQUEST:

Refer to page 3 of Duke Kentucky's December 1, 2011 Application ("Application") where, referring to the proposed expansion of the Smart Saver Custom Incentive Program, it states, "[the pilot will be limited to a maximum of \$500,000 in incentives offered for the fiscal year.]"

- a. Explain how incentives are to be disbursed.
- b. Explain whether Duke Kentucky has determined the expected cost effectiveness of the proposed program.
- c. Provide the results of the Utility Cost Test, Total Resource Cost Test, Ratepayer Impact Test, and the Participant Test for the proposed program.
- d. Provide projected lost revenues for the proposed program and the lost revenue factor to be used in calculating lost revenues in 2012.
- e. Provide the projected shared savings for 2012 and explain how this amount was determined.
- f. Provide a breakdown of the proposed program's projected costs for the first 12 months after implementation using the following format. Provide a description of all costs included in the "Other" category costs.

Description

Amount

Company Labor -
 Program Implementation
 Program Administration
 Program Evaluation

Contract Labor -
 Program Implementation
 Program Administration
 Program Evaluation

Direct Program Costs
 Customer Incentives
 Other
 Total

RESPONSE:

- a. Incentives will be reserved on a first-come, first-served basis and disbursed to applicants upon completion of their respective projects. Reservations for incentive dollars will be coupled with projected project completion dates to track the expected incentive payout in the fiscal year. If either the incentive limit is reached or the total non-residential program budget is reached, Duke Energy Kentucky will first seek approval to increase the program spending cap. If approval is not granted, incentive applications will be rejected and/or incentive offers postponed.
- b. The company did not perform discrete cost effectiveness testing for this filing. The cost effectiveness for this program is based upon experience in other jurisdictions, most notably Ohio.
- c. Cost effectiveness projections are provided in the table below. These values are projections based on the experience with Custom Incentive programs in other states as well as past participation in the K-12 Custom Incentive program in Kentucky. Because this pilot is limited and may not see the same average participant, actual cost effectiveness will be determined by the eventual participants in the program.

UCT	TRC	RIM	Participant
4.79	1.07	1.47	1.36

- d. Projected Lost Revenues are \$455,191 in total to be collected over a 36 month period. The Lost Revenue Factors used to calculate this value are 5,569,142 kwh per year with an average rate of approximately 2.72 cents per kwh based on DSMore estimated lost revenue net fuel and variable O&M. This value assumes the maximum proposed incentive value for incentives is paid to non-residential customers. As was noted for cost effectiveness results, ultimate lost revenues will be dependent on actual participation in the pilot. Additionally, the Lost Revenues proposed will, to the extent that funds from programs with lagging participation are re-allocated to this audience, replace Lost Revenues projected in previous filings.

- e. Projected Shared Savings are \$2,496,795, of which the utility's share of 10% will be \$249,680 and cost recovery of \$658,798, for a total shared savings revenue of \$908,478. This value assumes the maximum proposed incentive value for incentives is paid to non-residential customers. As was noted for cost effectiveness results, ultimate Shared Savings will be dependent on actual participation in the pilot. Additionally, the Shared Savings proposed will, to the extent that funds from programs with lagging participation are re-allocated to this audience, replace shared savings projected in previous filings.
- f. Program costs are outlined below. These values represent estimates of the maximum expected expenditure.

Description	Amount
Company Labor	
Program Implementation	\$0
Program Administration	\$90,000
Program Evaluation	*
Contract Labor	
Program Implementation	\$44,118
Program Administration	\$0
Program Evaluation	*
Direct Program Costs	\$24,681
Customer Incentives	\$500,000
Other	\$0
Total	\$658,798

* The EMV costs originally approved on June 7, 2011 in Case No. 2010-00445 for the total portfolio is \$200,000 called "Program Development Funds". The portion of these original EM&V funds towards the proposed Pilot of Nonresidential Smart Saver Custom Energy Efficiency Program will be determined upon participation and specific measures applied for in the pilot.

PERSON RESPONSIBLE: a, f. Kevin Bright
b,c. Tom Wiles
d, e. Jim Ziolkowski

STAFF-DR-01-002

REQUEST:

Refer to page 3 of the Application where it states, “the participation of schools under the program has declined in recent years, with no participation by schools in the custom incentive program during the 2011 fiscal year.”

- a. If participation has declined in recent years in the Smart Saver Custom Incentive Program, explain why Duke Energy is budgeting \$448,520 in program costs, \$50,150 in lost revenues, and \$53,822 in shared savings for 2012 instead of updating its projections based on more recent historical data.
- b. Explain what Duke Energy is doing to encourage participation in the Smart Saver Custom Incentive Program.
- c. Explain whether Duke Kentucky has plans to amend the Smart Saver Custom Incentive Program in the future.

RESPONSE:

- a. The costs inquired about in this question refer to the Residential Smart Saver program and not the Smart Saver Custom Incentive Program. The cost for the Schools Program (including Custom and Prescriptive) from Case No. 2011-00448 are as follows:

Program Costs: \$451,885
Lost Revenue: \$208,125
Shared Savings: \$249,916

Duke Energy Kentucky believes that it is preferable to use projected program costs. Duke Energy Kentucky had continued to use information from the past filing to remain consistent with the filing. Projected costs will be adjusted in the new portfolio application anticipated to be filed in the first quarter of 2012.

- b. The Company continues its outreach efforts for the currently approved program for K-12 schools via customer interaction from account management and community relations staff. Energy Assessments were provided to four (4) schools

in the fiscal year ending June 30, 2011 as a result of this outreach. Projects resulting from that assessment are under discussion. Additionally, the company has dialogue open at this time with four other school organizations. With school budgets constrained and a limited number of schools located with Duke Energy Kentucky's service territory, the Company has found that participation has dwindled despite these efforts. However, account management and trade ally service representative feedback indicates that a number of opportunities exist outside the K-12 customer base for Custom Incentives.

- c. Duke Energy intends to file a tariff for permanent expansion of its Custom Incentive program to all non-residential customers in an upcoming new portfolio filing. The Company's current DSM programs are approved through December 31, 2012. The Company will make a filing in the near future for an expanded suite of DSM programs and will include the program pending in this application. The decision to initiate this pilot was made prior to a decision to explore a broader portfolio update. The Company is proceeding with this current application in order to implement the program as soon as possible and independent of a broader portfolio expansion and review by the Commission.

PERSON RESPONSIBLE: Kevin Bright