

# Goss • Samford PLLC



**David S. Samford**  
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March 11, 2013

RECEIVED

MAR 11 2013

PUBLIC SERVICE  
COMMISSION

***Via Hand-Delivery***

Mr. Jeffrey Derouen  
Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, KY 40602

Re: In the Matter of: The Application of Duke Energy Kentucky Inc.  
To Expand Its Smart Saver Custom Energy Efficiency Program  
PSC Case No. 2013-\_\_\_\_\_

Dear Mr. Derouen:

Enclosed please find for filing with the Commission in the above-referenced case an original and ten (10) copies of Duke Energy Kentucky, Inc.'s Application to Expand Its Smart Saver Custom Energy Efficiency Program. Please return a file-stamped copy to me.

Do not hesitate to contact me if you have any questions.

Very truly yours,

David S. Samford

Enclosures

M:\Clients\2000 - Duke Energy\7500 - DSM Application\  
Correspondence\Ltr. to Jeff Derouen - 130311.docx

RECEIVED

MAR 11 2013

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE  
KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DUKE	)	
ENERGY KENTUCKY, INC. TO	)	
EXPAND ITS SMART SAVER®	)	CASE NO. 2013-_____
CUSTOM ENERGY	)	
EFFICIENCY PROGRAM	)	

**APPLICATION OF DUKE ENERGY KENTUCKY, INC. TO AMEND ITS  
SMART SAVER® CUSTOM ENERGY EFFICIENCY PROGRAM BUDGET AND  
COSTS AND REQUEST FOR EXPEDITED TREATMENT**

Comes now Duke Energy Kentucky, Inc. (“Duke Energy Kentucky” or the “Company”), pursuant to KRS 278.285, and other applicable law, and does hereby request the Commission to approve an increase in the budget for the Smart Saver® Custom Incentive program (“Custom Program”) for the remainder of the current fiscal year, which ends on June 30, 2013. In support of its Application, Duke Energy Kentucky respectfully states as follows:

1. Duke Energy Kentucky is a Kentucky corporation and, as a public utility as that term is defined in KRS 278.010(3), is subject to the Commission’s jurisdiction. Duke Energy Kentucky is engaged in the business of furnishing gas and electric services to various municipalities and unincorporated areas in Boone, Campbell, Gallatin, Grant, Kenton and Pendleton Counties in the Commonwealth of Kentucky.

2. Duke Energy Kentucky’s business address is 139 East Fourth Street, Cincinnati, Ohio 45202. The Company’s local office in Kentucky is Duke Energy Envision Center, 4580

Olympic Boulevard, Erlanger, Kentucky 41018. The Company's email address is KYfilings@duke-energy.com.

3. A certified copy of Duke Energy Kentucky's Articles of Incorporation is attached hereto as exhibit A.

4. On December 21, 2011, Duke Energy Kentucky filed an Application to implement a pilot Smart Saver® Custom Energy Efficiency Incentive program for non-residential customers in the Company's service territory (the "Pilot Program"). This Pilot Program was an expansion of the Company's pre-existing Smart Saver® Custom Incentive program that was only available to schools (grades K-12) ("School Smart Saver® Program"). The Company's application was docketed as Case No. 2011-00471.

5. The Pilot Program was designed to operate similarly to the School Smart Saver® Program with two notable exceptions: (1) eligibility would be expanded to include other non-residential customers; and (2) no energy assessment opportunities would be offered to non-residential participants as part of the Custom Program. The Pilot Program would be offered to customers under rates DS (Service at Secondary Distribution Voltage); DP (Service at Primary Distribution Voltage); DT (Time-of-Day Rate for Serve at Distribution Voltage); EH (Electric Space Heating); SP (Seasonal Sport Service); or GS-FL (General Service Rate for Small Fixed Loads). Customers taking service under rate TT were excluded from the Pilot Program because they do not participate in the Company Demand Side Management ("DSM") rate Rider DSMR.

6. The Pilot Program was limited to a budget of up to \$500,000 in incentives offered for the fiscal year, which ends on June 30<sup>th</sup>, and authority was requested from the Commission to offer the Pilot Program through June 30, 2013.

7. Duke Energy Kentucky estimated that the pilot program would result in an annual energy savings of 5,569,142 kWh resulting in projected Lost Revenues of \$151,730. Duke Energy Kentucky also estimated that the projected Shared Savings would be \$2,496,795, with the Company's ten percent share amount to \$249,680. Total program costs were estimated to be \$658,799.

8. In an Order entered on April 12, 2012, the Commission approved Duke Energy Kentucky's Application in Case No. 2011-00471 and authorized the Company to implement the Pilot Program on an experimental basis.

9. Meanwhile, Duke Energy Kentucky filed another Application on March 6, 2012, which sought Commission approval to implement a new portfolio of DSM programs that would synchronize its DSM programs with those offered by its corporate affiliate, Duke Energy Ohio, Inc. The new portfolio of DSM programs included the ten existing programs in the Company's DSM portfolio with some notable enhancements, and three new programs. This Application was docketed as Case No. 2012-00085.

10. As part of the Application to adopt a new portfolio of DSM programs in Case No. 2012-00085, Duke Energy Kentucky proposed that the Pilot Program would be henceforth known simply as the Smart Saver® Custom Program ("Custom Program"). High-efficiency lighting; high-efficiency HVAC installations; high-efficiency motors, pumps and variable frequency drives; high-efficiency food service installations; high-efficiency process equipment installations, including compressed air systems; and other high-efficiency installations as determined by the Company on a case-by-case basis continued to be eligible for Custom Program incentives. The amount of each incentive would continue to be calculated based upon the avoided energy and avoided capacity produced by each high-efficiency installation. The

Company requested that the Custom Program be expanded to all eligible commercial and industrial customers.

11. Duke Energy Kentucky also requested that the Commission expedite its review of the new portfolio of DSM programs so that they could be used during the summer peak period. Thus, approval was requested on or before July 1, 2012.

12. The Commission issued an Order on June 29, 2012 that approved Duke Energy Kentucky's Application in Case No. 2012-00085 and approved the new portfolio of DSM programs – including the changes to the Custom Program. The budget for the Custom Program approved as part of Case No. 2012-00085 was \$32,979.

13. Response to the Custom Program has been robust and, through the first six months of Duke Energy Kentucky's current fiscal year (December 31, 2012), the Company has nearly expended its budget for the entire fiscal year (which ends on June 30, 2013). Duke Energy Kentucky had budgeted a participation level of 46, but has seen an actual participation level of 375 over this same period. Duke Energy Kentucky estimates that the Custom Program could approach double that participation by June 30, 2013, if it was not constrained.

14. The Custom Program has already resulted in a savings of 384,358 net kWh, which surpasses the annual budgeted estimate of 261,986 kWh. Duke Energy Kentucky believes that it could achieve as much as over 1,100,000 net kWh over the first full year – a level just under 300% of what was originally estimated.

15. Duke Energy Kentucky, Inc. believes that the Custom Program offers a significant source of additional energy efficiency savings and demand side management. However, the lack of additional budgeted funds to support the program means that its full potential is not being realized. First, Duke Energy is hesitant to proactively seek out large loads

which may be eligible for the Custom Program because the savings which may be realized from such a customer's participation would, at this point, likely exceed the remaining budgeted funds for the rest of the Company's fiscal year. Second, there is currently no flexibility in the Custom Program to accommodate customer requests to participate in the program once annual authorized budgeted amount are exceeded. While each of these factors would be sufficient to slow the benefits that could be achieved under the Custom Program, in combination, they will effectively bring the Custom Program to a halt throughout the remainder of the Company's fiscal year.

16. In light of the foregoing, Duke Energy Kentucky requests that the Commission increase the budget (including program costs, lost revenues and shared savings) for the Custom Program to \$195,000 for the remainder of the current fiscal year. Duke Energy Kentucky will recommend a more permanent adjustment in the course of filing its next annual DSM application. Duke Energy Kentucky believes the above circumstances constitute good cause for the Commission to expand the Custom Program as set forth herein. This increase to the Program budget will impact the Company's projections for lost margins and shared savings under the DSM rider adjustment. The impact of these changes are reflected in Exhibit B, attached hereto.

17. Increasing the budget for the Custom Program at this time will not impact the Company's current Rider DSM rates or the rates proposed as part of Case No. 2012-495. Rather, Duke Energy Kentucky proposes to handle the true-up for the Custom Program increased budget as part of its next annual DSM filing that will encompass the current fiscal year (July 1, 2012 to June 30, 2013). This next filing will be made on or about November 15, 2013. This proposal is consistent with prior DSM filings whereby the Company reconciles the prior fiscal year's program portfolio as part of the annual DSM application and makes a new application for effective rates. As a result, the Company's DSM rates will not be immediately impacted, but

rather will be reviewed by the Commission separately and as part of the comprehensive review of the Company's annual DSM Rider filing.

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission grant the relief requested herein.

Respectfully submitted,



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and

Rocco D'Ascenzo  
Associate General Counsel  
Duke Energy Kentucky, Inc.  
139 East Fourth Street, 1313 Main  
Cincinnati, Ohio 45201-0960  
(513) 287-4320  
(513) 287-4385 (f)  
Rocco.D'ascenzo@duke-energy.com

*Counsel for Duke Energy Kentucky, Inc.*

**CERTIFICATE OF SERVICE**

This is to certify that a true and correct copy of the foregoing was provided, as a courtesy, by depositing same into the custody and care of the U.S. Mails, postage pre-paid, on this 11<sup>th</sup> day of March 2013, addressed to the following:

Ms. Jennifer Hans  
Office of Rate Intervention  
Office of the Attorney General  
1024 Capital Center Drive  
Frankfort, KY 40601



*Counsel for Duke Energy Kentucky, Inc.*





**Alison Lundergan Grimes  
Secretary of State**

**Certificate**

I, Alison Lundergan Grimes, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF

THE UNION LIGHT, HEAT AND POWER COMPANY FILED MAY 7, 1976.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 4th day of February, 2013.



*Alison Lundergan Grimes*

Alison Lundergan Grimes  
Secretary of State  
Commonwealth of Kentucky  
mmooore/0052929 - Certificate ID: 135295

68-14-1-1-78

# Commonwealth of Kentucky

52929

OFFICE OF  
SECRETARY OF STATE

DREXELL R. DAVIS  
*Secretary*



FRANKFORT,  
KENTUCKY

## RESTATED CERTIFICATE OF INCORPORATION OF

UNION LIGHT, HEAT & POWER COMPANY

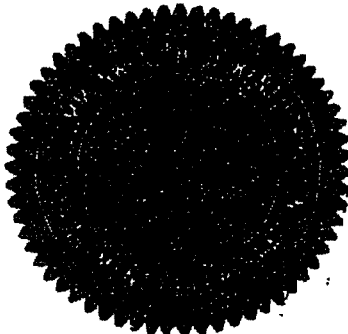
*I, DREXELL R. DAVIS, Secretary of State of the Commonwealth of Kentucky, hereby certify that triplicate originals of Restated Articles of Incorporation of*

UNION LIGHT, HEAT & POWER COMPANY (COVINGTON, KENTUCKY)

*duly signed and verified pursuant to the provisions of Chapter 271A of the Kentucky Revised Statutes, have been received in this office and are found to conform to law. Therefore, as Secretary of State and by virtue of the authority vested in me by law, I hereby issue this Restated Certificate of Incorporation of*

UNION LIGHT, HEAT & POWER COMPANY (COVINGTON, KENTUCKY)

*and attach hereto one of the originals of the Restated Articles of Incorporation.*



SECRETARY OF STATE

*Given under my hand and seal of Office as Secretary of State, at Frankfort, Kentucky, this* 7TH *day of* MAY, 1976

*Drexell R. Davis*  
SECRETARY OF STATE

ASSISTANT SECRETARY OF STATE

# Commonwealth of Kentucky

52929

OFFICE OF  
SECRETARY OF STATE

DREXELL R. DAVIS  
Secretary



SECRETARY OF STATE  
FRANKFORT  
KENTUCKY  
MAY 7 1976

## RESTATED ARTICLES OF INCORPORATION

Pursuant to the provisions of Chapter 271A of the Kentucky Revised Statutes, the undersigned corporation hereby adopts the attached Restated Articles of Incorporation as adopted by a resolution of its Board of Directors.

Except for ARTICLE FIFTH thereof (previously Section 4 of the Articles), which was amended to read as shown through the adoption of an amendatory resolution by the affirmative vote of a majority of the shareholders at the Annual Meeting held on May 5, 1976, the attached Restated Articles of Incorporation correctly set forth without change the corresponding provisions of the Articles of Incorporation as heretofore amended, and supersede the original Articles of Incorporation and all amendments thereto.

Dated May 5, 1976

The Union Light, Heat and Power Company  
Corporate Name

ORIGINAL COPY  
FILED  
SECRETARY OF STATE OF KENTUCKY  
FRANKFORT, KENTUCKY

[Signature]  
President

MAY 7 - 1976

[Signature]  
Secretary

Drexell R. Davis  
SECRETARY OF STATE

(Verification on reverse side)

SECRETARY OF STATE  
**RECEIVED**  
MAY 07 1976  
*Ch 630.00*  
Commonwealth of Kentucky

**Restated** **18810**  
**Articles of Incorporation**  
**of**  
**The Union Light, Heat and Power Company**

---

**Effective**  
**May , 1976**

**RESTATED ARTICLES OF INCORPORATION**

of

**THE UNION LIGHT, HEAT AND POWER COMPANY**

The Union Light, Heat and Power Company, a corporation for profit, heretofore organized in the year 1901 and now existing under the laws of the Commonwealth of Kentucky, adopts, makes and files, pursuant to Kentucky Revised Statutes Section 271A.320, these Restated Articles of Incorporation to supersede and take the place of its heretofore existing Articles of Incorporation and all previously adopted Amendments thereto:

**ARTICLE FIRST**

The name of the corporation is The Union Light, Heat and Power Company (hereinafter referred to as the "Company").

**ARTICLE SECOND**

The Company commenced its existence on the Twentieth day of March, 1901, and shall have perpetual duration.

**ARTICLE THIRD**

The place in the Commonwealth of Kentucky where the registered office and principal place of business of the Company is located is 107 Brent Spence Square, in the City of Covington, and the County of Kenton.

**ARTICLE FOURTH**

The corporate purposes of the Company are as follows:

(a) The construction, operation and maintenance of works and plants for the manufacture, generation, production, purchase, delivery and sale of steam, hot water, water, electricity and of gas, both natural and artificial, and of their by-products, and for the production, delivery and sale of any other kind of light; and the furnishing, supplying and selling said electricity and natural and artificial gas, or any kind of light for lighting the streets, roads, avenues, alleys, lands, squares, public places and buildings of cities, villages, towns, districts, and counties; and, also furnishing, supplying and selling said steam, hot water, water, and

electricity, and natural and artificial gas, or any kind of light to said cities, villages, towns, districts, and counties, and to the inhabitants thereof, for light, heat, water and power purposes, and for all other purposes for which steam, hot water, water, electricity and natural and artificial gas, or any kind of light, may be used; and to enable it to carry out said purposes, the Company is authorized and empowered to construct, purchase or otherwise acquire, own, lease, operate and maintain all necessary plants, buildings, pipes, wires, machinery, apparatus and appliances and other material and property, both real and personal, necessary or convenient therefor, and to lease, let, sell, or otherwise dispose of the same, or any part thereof; and to conduct, distribute and supply said steam, hot water, water, electricity and gas, or any kind of light, both natural and artificial, by means of any material, pipes, conduits, apparatus, or other devices, either on, above or under the ground;

(b) To subscribe for, or to purchase, or otherwise acquire the possession of, and sell shares of stock or bonds, or other securities of any other company or corporation, resident or non-resident of the State of Kentucky; and

(c) To do and perform all other matters and things which may be necessary or desirable to carry out any or all of said objects or purposes.

#### ARTICLE FIFTH

The capital stock of the Company shall be Fifteen Million Dollars (\$15,000,000) divided into 1,000,000 shares of the par value of Fifteen Dollars (\$15) each.

The holders of Capital Stock shall not be entitled to subscribe for or purchase or receive any part of any new or additional issue of, or any warrant, option or other right for the purchase of, stock of any class or securities convertible into stock of any class whether now or hereafter authorized and whether issued for cash, property, by way of dividends or otherwise, except as authorized by the Board of Directors.

#### ARTICLE SIXTH

The Company shall have the power to borrow money and to issue bonds, bills, promissory notes or other evidences of indebtedness and to pledge or mortgage its property, real and personal, to secure the same.

#### ARTICLE SEVENTH

The affairs of the Company shall be conducted by a Board of no fewer than five, nor more than fifteen directors, who need not be stockholders in the Company, and by the officers who may be chosen by said Board. The Board of Directors of the Company shall be chosen by the stockholders at the regular annual meeting of the Company in each year, or at such other time and place as the stockholders may designate. All directors shall continue in office until their successors are elected and have entered upon the discharge of their duties.

**DUKE ENERGY KENTUCKY  
NEW PORTFOLIO  
KENTUCKY REVENUE REQUIREMENT (excluding Lost Revenues) WORKPAPER**  
In \$

Attachment JEZ-1  
Page 1

Discount Rate	7.330%
M&V cost estimate	5.0%
Shared Savings Rate	10.0%

adder to program cost and overhead

Adjusted for Custom Pilot

**SUMMARY REVENUE REQUIREMENT, excluding Lost Revenue**

	1	2	3	4	5	Total
Res from Portfolio	\$436,439	\$447,549	\$548,590	\$567,086	\$595,697	\$2,595,360
NonRes from Portfolio	1,222,233	1,076,737	1,155,121	1,235,237	1,248,307	5,937,635
<b>Total</b>	<b>1,658,671</b>	<b>1,524,286</b>	<b>1,703,711</b>	<b>1,802,323</b>	<b>1,844,004</b>	<b>8,532,995</b>

**TOTAL PORTFOLIO**

	1	2	3	4	5	Total
Total Avoided Costs	\$5,424,797	\$5,071,915	\$5,550,589	\$6,064,573	\$6,271,313	\$28,383,187
Program Costs & Overhead	(1,174,939)	(1,070,626)	(1,209,107)	(1,258,806)	(1,280,918)	(5,994,396)
Shared Savings	4,249,858	4,001,289	4,341,482	4,805,767	4,990,395	22,388,791
x Utility Sharing Rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Utility Share	424,986	400,129	434,148	480,577	499,040	2,238,879
+ Program Cost & Overhead Recovery	1,174,939	1,070,626	1,209,107	1,258,806	1,280,918	5,994,396
+ M&V Cost Recovery	58,747	53,531	60,455	62,940	64,046	299,720
<b>Total Revenue Requirement</b>	<b>1,658,671</b>	<b>1,524,286</b>	<b>1,703,711</b>	<b>1,802,323</b>	<b>1,844,004</b>	<b>8,532,995</b>

**RES CONSERVATION**

	1	2	3	4	5	Total
NPV Avoided Costs: T&D	\$0	\$0	\$0	\$0	\$0	\$0
NPV Avoided Costs: Energy	0	0	0	0	0	0
NPV Avoided Costs: Capacity	0	0	0	0	0	0
NPV Avoided Costs: Gas Production	0	0	0	0	0	0
NPV Avoided Costs: Gas Capacity	0	0	0	0	0	0
Total Avoided Costs	0	0	0	0	0	0
Program Costs & Overhead	0	0	0	0	0	0
Shared Savings	0	0	0	0	0	0
x Utility Sharing Rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Utility Share	0	0	0	0	0	0
+ Program Cost & Overhead Recovery	0	0	0	0	0	0
+ M&V Cost Recovery	0	0	0	0	0	0
<b>Total Revenue Requirement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**NONRES CONSERVATION**

	1	2	3	4	5	Total
NPV Avoided Costs: T&D	\$0	\$0	\$0	\$0	\$0	\$0
NPV Avoided Costs: Energy	0	0	0	0	0	0
NPV Avoided Costs: Capacity	0	0	0	0	0	0
NPV Avoided Costs: Gas Production	0	0	0	0	0	0
NPV Avoided Costs: Gas Capacity	0	0	0	0	0	0
Total Avoided Costs	0	0	0	0	0	0
Program Costs & Overhead	0	0	0	0	0	0
Shared Savings	0	0	0	0	0	0
x Utility Sharing Rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Utility Share	0	0	0	0	0	0
+ Program Cost & Overhead Recovery	0	0	0	0	0	0
+ M&V Cost Recovery	0	0	0	0	0	0
<b>Total Revenue Requirement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**RES DEMAND RESPONSE**

	1	2	3	4	5	Total
1-Year Avoided Costs: T&D	\$785,326	\$798,387	\$838,540	\$887,642	\$939,764	\$4,249,659
1-Year Avoided Costs: Capacity	869,689	883,722	927,713	981,557	1,038,686	4,701,366
Total Avoided Costs	1,655,014	1,682,109	1,766,252	1,869,199	1,978,450	8,951,025
Program Costs & Overhead	(285,197)	(294,040)	(391,541)	(400,175)	(418,791)	(1,789,745)
Shared Savings	1,369,817	1,388,069	1,374,711	1,469,025	1,559,658	7,161,280
x Utility Sharing Rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Utility Share	136,982	138,807	137,471	146,902	155,966	716,128
+ Program Cost & Overhead Recovery	285,197	294,040	391,541	400,175	418,791	1,789,745
+ M&V Cost Recovery	14,260	14,702	19,577	20,009	20,940	89,487
<b>Total Revenue Requirement</b>	<b>436,439</b>	<b>447,549</b>	<b>548,590</b>	<b>567,086</b>	<b>595,697</b>	<b>2,595,360</b>

**NONRES DEMAND RESPONSE**

	1	2	3	4	5	Total
1-Year Avoided Costs: T&D	\$1,788,810	\$1,608,919	\$1,796,639	\$1,992,292	\$2,039,111	\$9,225,771
1-Year Avoided Costs: Capacity	1,980,972	1,780,886	1,987,698	2,203,082	2,253,752	10,206,391
Total Avoided Costs	3,769,782	3,389,805	3,784,337	4,195,374	4,292,863	19,432,162
Program Costs & Overhead	(889,742)	(776,586)	(817,566)	(858,631)	(862,127)	(4,204,651)
Shared Savings	2,880,041	2,613,219	2,966,771	3,336,742	3,430,737	15,227,511
x Utility Sharing Rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Utility Share	288,004	261,322	296,677	333,674	343,074	1,522,751
+ Program Cost & Overhead Recovery	889,742	776,586	817,566	858,631	862,127	4,204,651
+ M&V Cost Recovery	44,487	38,829	40,878	42,932	43,106	210,233
<b>Total Revenue Requirement</b>	<b>1,222,233</b>	<b>1,076,737</b>	<b>1,155,121</b>	<b>1,235,237</b>	<b>1,248,307</b>	<b>5,937,635</b>

**DUKE ENERGY KENTUCKY  
NEW PORTFOLIO  
KENTUCKY REVENUE REQUIREMENT (excluding Lost Revenues) WORKPAPER**  
in \$

Attachment IEZ-1  
Page 2

Discount Rate	7.330%	
M&V cost estimate	5.0%	adder to program cost and overhead
Shared Savings Rate	10.0%	

As Filed

**SUMMARY REVENUE REQUIREMENT, excluding Lost Revenue**

	1	2	3	4	5	Total
Res from Portfolio	\$5,745,727	\$3,938,770	\$4,113,887	\$4,134,250	\$4,314,316	\$22,246,950
NonRes from Portfolio	2,385,881	3,132,190	3,448,029	3,793,130	4,081,895	16,841,126
<b>Total</b>	<b>8,131,609</b>	<b>7,070,960</b>	<b>7,561,916</b>	<b>7,927,380</b>	<b>8,396,211</b>	<b>39,088,076</b>

**TOTAL PORTFOLIO**

	1	2	3	4	5	Total
Total Avoided Costs	\$23,427,642	\$21,557,793	\$23,669,938	\$26,062,826	\$28,550,923	\$129,269,123
Program Costs & Overhead	(6,093,521)	(5,173,874)	(5,468,339)	(5,601,156)	(5,832,757)	(28,169,646)
Shared Savings	17,334,121	16,383,919	18,201,599	20,461,671	22,718,166	95,099,476
x Utility Sharing Rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Utility Share	1,733,412	1,638,392	1,820,160	2,046,167	2,271,817	9,509,948
+ Program Cost & Overhead Recovery	6,093,521	5,173,874	5,468,339	5,601,156	5,832,757	28,169,646
+ M&V Cost Recovery	304,676	258,694	273,417	280,058	291,638	1,408,482
<b>Total Revenue Requirement</b>	<b>8,131,609</b>	<b>7,070,960</b>	<b>7,561,916</b>	<b>7,927,380</b>	<b>8,396,211</b>	<b>39,088,076</b>

**RES CONSERVATION**

	1	2	3	4	5	Total
NPV Avoided Costs: T&D	\$2,169,268	\$1,301,422	\$1,342,284	\$1,383,792	\$1,495,872	\$7,692,637
NPV Avoided Costs: Energy	8,240,794	4,099,960	4,242,429	4,444,658	4,929,765	25,957,605
NPV Avoided Costs: Capacity	1,841,621	1,278,585	1,336,464	1,397,835	1,509,293	7,363,797
NPV Avoided Costs: Gas Production	0	0	0	0	0	0
NPV Avoided Costs: Gas Capacity	202,503	220,238	235,446	254,679	273,294	1,186,160
Total Avoided Costs	12,454,185	6,900,205	7,156,624	7,480,963	8,208,223	42,200,200
Program Costs & Overhead	(4,277,758)	(2,948,632)	(2,999,616)	(2,967,440)	(3,050,313)	(16,243,758)
Shared Savings	8,176,428	3,951,573	4,157,008	4,513,523	5,157,910	25,956,442
x Utility Sharing Rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Utility Share	817,643	395,157	415,701	451,352	515,791	2,595,644
+ Program Cost & Overhead Recovery	4,277,758	2,948,632	2,999,616	2,967,440	3,050,313	16,243,758
+ M&V Cost Recovery	213,888	147,432	149,981	148,372	152,516	812,188
<b>Total Revenue Requirement</b>	<b>5,309,289</b>	<b>3,491,221</b>	<b>3,565,298</b>	<b>3,567,164</b>	<b>3,718,619</b>	<b>19,651,590</b>

**NONRES CONSERVATION**

	1	2	3	4	5	Total
NPV Avoided Costs: T&D	\$804,688	\$1,303,527	\$1,453,807	\$1,621,973	\$1,810,196	\$6,994,191
NPV Avoided Costs: Energy	3,855,117	6,842,912	7,904,543	9,106,237	10,265,471	37,974,280
NPV Avoided Costs: Capacity	888,855	1,439,235	1,604,375	1,789,080	1,995,719	7,717,264
NPV Avoided Costs: Gas Production	0	0	0	0	0	0
NPV Avoided Costs: Gas Capacity	0	0	0	0	0	0
Total Avoided Costs	5,548,660	9,585,674	10,962,725	12,517,290	14,071,387	52,685,736
Program Costs & Overhead	(640,824)	(1,154,616)	(1,259,616)	(1,374,910)	(1,501,526)	(5,931,492)
Shared Savings	4,907,836	8,431,058	9,703,109	11,142,380	12,569,861	46,754,244
x Utility Sharing Rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Utility Share	490,784	843,106	970,311	1,114,238	1,256,986	4,675,424
+ Program Cost & Overhead Recovery	640,824	1,154,616	1,259,616	1,374,910	1,501,526	5,931,492
+ M&V Cost Recovery	32,041	57,731	62,981	68,745	75,076	286,575
<b>Total Revenue Requirement</b>	<b>1,163,649</b>	<b>2,055,453</b>	<b>2,292,908</b>	<b>2,557,899</b>	<b>2,833,568</b>	<b>10,903,491</b>

**RES DEMAND RESPONSE**

	1	2	3	4	5	Total
1-Year Avoided Costs: T&D	\$785,326	\$798,387	\$838,540	\$887,642	\$939,764	\$4,249,659
1-Year Avoided Costs: Capacity	869,689	883,722	927,713	981,557	1,038,686	4,701,366
Total Avoided Costs	1,655,014	1,682,109	1,766,252	1,869,199	1,978,450	8,951,025
Program Costs & Overhead	(285,197)	(294,040)	(391,541)	(400,175)	(418,791)	(1,789,745)
Shared Savings	1,369,817	1,388,069	1,374,711	1,469,025	1,559,658	7,161,280
x Utility Sharing Rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Utility Share	136,982	138,807	137,471	146,902	155,966	716,128
+ Program Cost & Overhead Recovery	285,197	294,040	391,541	400,175	418,791	1,789,745
+ M&V Cost Recovery	14,260	14,702	19,577	20,009	20,940	89,487
<b>Total Revenue Requirement</b>	<b>436,439</b>	<b>447,549</b>	<b>548,590</b>	<b>567,086</b>	<b>595,697</b>	<b>2,595,360</b>

**NONRES DEMAND RESPONSE**

	1	2	3	4	5	Total
1-Year Avoided Costs: T&D	\$1,788,810	\$1,608,919	\$1,796,639	\$1,992,292	\$2,039,111	\$9,225,771
1-Year Avoided Costs: Capacity	1,980,972	1,780,886	1,987,698	2,203,082	2,253,752	10,206,391
Total Avoided Costs	3,769,782	3,389,805	3,784,337	4,195,374	4,292,863	19,432,162
Program Costs & Overhead	(889,742)	(776,586)	(817,566)	(858,631)	(862,127)	(4,204,651)
Shared Savings	2,880,041	2,613,219	2,966,771	3,336,742	3,430,737	15,227,511
x Utility Sharing Rate	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Utility Share	288,004	261,322	296,677	333,674	343,074	1,522,751
+ Program Cost & Overhead Recovery	889,742	776,586	817,566	858,631	862,127	4,204,651
+ M&V Cost Recovery	44,487	38,829	40,878	42,932	43,106	210,233
<b>Total Revenue Requirement</b>	<b>1,222,233</b>	<b>1,076,737</b>	<b>1,155,121</b>	<b>1,235,237</b>	<b>1,248,307</b>	<b>5,937,635</b>





**KENTUCKY LOST REVENUE ESTIMATE WORKPAPER**

In \$

Attachment JEZ-1  
Page 4

Line Losses	5.141%
VOM rate, \$/KWH	\$0.0019

With Custom P&ot Adjustment

SUMMARY	1	2	3	4	5	6	7	8	Total
<b>Half-year Convention</b>									
Res	\$842,456	\$1,892,305	\$2,295,959	\$1,988,678	\$1,470,980	\$1,061,069	\$507,615	\$174,958	\$10,234,019
NonRes	158,706	577,542	1,124,611	1,555,316	1,790,890	1,597,005	986,167	330,512	8,120,747
<b>Total</b>	<b>1,001,161</b>	<b>2,469,846</b>	<b>3,420,569</b>	<b>3,543,994</b>	<b>3,261,870</b>	<b>2,658,073</b>	<b>1,493,782</b>	<b>505,469</b>	<b>18,354,766</b>
<b>Start of Fiscal Year Convention</b>									
Res	1,684,911	2,099,698	2,492,219	1,485,137	1,456,824	665,314	349,916	n/a	10,234,019
NonRes	317,411	837,672	1,411,549	1,699,082	1,882,698	1,311,311	661,023	n/a	8,120,747
<b>Total</b>	<b>2,002,322</b>	<b>2,937,370</b>	<b>3,903,768</b>	<b>3,184,219</b>	<b>3,339,522</b>	<b>1,976,625</b>	<b>1,010,939</b>	<b>0</b>	<b>18,354,766</b>

RES CONSERVATION	1	2	3	4	5	6	7	Total
<b>Lost Revenues with VOM from DSMore</b>								
Vintage 1 Cumulative Elec Last Rev Net of Fuel NF	1,749,300	1,365,396	1,393,933	0	0	0	0	4,508,629
2 Cumulative Elec Last Rev Net of Fuel NF	0	812,837	397,401	405,706	0	0	0	1,615,944
3 Cumulative Elec Last Rev Net of Fuel NF	0	0	792,125	363,623	371,223	0	0	1,526,970
4 Cumulative Elec Last Rev Net of Fuel NF	0	0	0	769,025	327,049	333,884	0	1,429,958
5 Cumulative Elec Last Rev Net of Fuel NF	0	0	0	0	809,648	354,270	361,674	1,525,593
<b>Total Lost Revenues with VOM</b>	<b>1,749,300</b>	<b>2,178,233</b>	<b>2,583,458</b>	<b>1,538,354</b>	<b>1,507,920</b>	<b>688,155</b>	<b>361,674</b>	<b>10,607,094</b>
<b>KWH at Meter, Net FR from DSMore</b>								
Vintage 1 Cumulative kWh w/losses NF	33,888,681	25,909,906	25,909,906	0	0	0	0	85,708,492
2 Cumulative kWh w/losses NF	0	15,424,487	7,386,737	7,386,737	0	0	0	30,197,960
3 Cumulative kWh w/losses NF	0	0	14,723,721	6,620,521	6,620,521	0	0	27,964,762
4 Cumulative kWh w/losses NF	0	0	0	14,001,712	5,832,712	5,832,712	0	25,667,136
5 Cumulative kWh w/losses NF	0	0	0	0	14,439,561	6,188,836	6,188,836	26,817,233
<b>Total KWH at Meter, Net FR</b>	<b>33,888,681</b>	<b>41,334,392</b>	<b>48,070,363</b>	<b>28,008,969</b>	<b>26,892,794</b>	<b>12,021,548</b>	<b>6,188,836</b>	<b>196,355,583</b>
<b>Variable O&amp;M</b>								
Vintage 1	64,388	49,229	49,229	0	0	0	0	162,846
2	0	29,307	14,035	14,035	0	0	0	57,376
3	0	0	27,975	12,579	12,579	0	0	53,133
4	0	0	0	26,603	11,082	11,082	0	48,768
5	0	0	0	0	27,435	11,759	11,759	50,953
<b>Total Variable O&amp;M</b>	<b>64,388</b>	<b>78,535</b>	<b>91,239</b>	<b>53,217</b>	<b>51,096</b>	<b>22,841</b>	<b>11,759</b>	<b>373,076</b>
<b>Lost Revenues net VOM</b>								
Vintage 1	1,684,911	1,316,167	1,344,704	0	0	0	0	4,345,762
2	0	783,591	383,366	391,672	0	0	0	1,558,568
3	0	0	764,150	351,044	358,644	0	0	1,473,837
4	0	0	0	742,422	315,967	322,802	0	1,381,191
5	0	0	0	0	782,213	342,511	349,916	1,474,640
<b>Total Lost Revenues net VOM</b>	<b>1,684,911</b>	<b>2,099,698</b>	<b>2,492,219</b>	<b>1,485,137</b>	<b>1,456,824</b>	<b>665,314</b>	<b>349,916</b>	<b>10,234,019</b>
<b>Implicit \$/KWH</b>								
Vintage 1	\$0.0497	\$0.0508	\$0.0519	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0507
2	\$0.0000	\$0.0508	\$0.0519	\$0.0530	\$0.0000	\$0.0000	\$0.0000	\$0.0516
3	\$0.0000	\$0.0000	\$0.0519	\$0.0530	\$0.0542	\$0.0000	\$0.0000	\$0.0527
4	\$0.0000	\$0.0000	\$0.0000	\$0.0530	\$0.0542	\$0.0553	\$0.0000	\$0.0538
5	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0542	\$0.0553	\$0.0565	\$0.0550
<b>Implicit \$/KWH</b>	<b>\$0.0497</b>	<b>\$0.0508</b>	<b>\$0.0519</b>	<b>\$0.0530</b>	<b>\$0.0542</b>	<b>\$0.0553</b>	<b>\$0.0565</b>	<b>\$0.0521</b>

NONRES CONSERVATION	1	2	3	4	5	6	7	Total
<b>Lost Revenues with VOM from DSMore</b>								
Vintage 1 Cumulative Elec Last Rev Net of Fuel NF	330,655	337,566	330,950	0	0	0	0	999,172
2 Cumulative Elec Last Rev Net of Fuel NF	0	534,314	545,481	506,468	0	0	0	1,586,262
3 Cumulative Elec Last Rev Net of Fuel NF	0	0	591,534	603,897	559,904	0	0	1,755,335
4 Cumulative Elec Last Rev Net of Fuel NF	0	0	0	655,180	668,874	619,276	0	1,943,330
5 Cumulative Elec Last Rev Net of Fuel NF	0	0	0	0	716,000	741,173	685,267	2,152,440
<b>Total Lost Revenues with VOM</b>	<b>330,655</b>	<b>871,880</b>	<b>1,467,965</b>	<b>1,765,545</b>	<b>1,954,778</b>	<b>1,360,449</b>	<b>685,267</b>	<b>8,436,539</b>
<b>KWH at Meter, Net FR from DSMore</b>								
Vintage 1 Cumulative kWh w/losses NF	6,970,609	6,970,609	6,694,089	0	0	0	0	20,635,307
2 Cumulative kWh w/losses NF	0	11,033,367	11,033,367	10,034,534	0	0	0	32,101,267
3 Cumulative kWh w/losses NF	0	0	11,964,876	11,964,876	10,866,160	0	0	34,795,912
4 Cumulative kWh w/losses NF	0	0	0	12,980,945	12,980,945	11,772,357	0	37,734,247
5 Cumulative kWh w/losses NF	0	0	0	0	14,089,600	14,089,600	12,760,153	40,939,353
<b>Total KWH at Meter, Net FR</b>	<b>6,970,609</b>	<b>18,003,976</b>	<b>29,692,332</b>	<b>34,980,355</b>	<b>37,936,705</b>	<b>25,861,957</b>	<b>12,760,153</b>	<b>166,206,087</b>
<b>Variable O&amp;M</b>								
Vintage 1	13,244	13,244	12,719	0	0	0	0	39,207
2	0	20,963	20,963	19,066	0	0	0	60,992
3	0	0	22,733	22,733	20,646	0	0	66,112
4	0	0	0	24,664	24,664	22,367	0	71,695
5	0	0	0	0	26,770	26,770	24,244	77,785
<b>Total Variable O&amp;M</b>	<b>13,244</b>	<b>34,208</b>	<b>56,415</b>	<b>66,463</b>	<b>72,080</b>	<b>49,138</b>	<b>24,244</b>	<b>315,792</b>

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<b>Lost Revenues net VOM</b>								
Vintage 1	317,411	324,322	318,232	0	0	0	0	959,965
2	0	513,350	524,517	487,402	0	0	0	1,525,270
3	0	0	568,801	581,164	539,259	0	0	1,689,223
4	0	0	0	630,517	644,210	596,909	0	1,871,635
5	0	0	0	0	699,229	714,403	661,023	2,074,655

<b>NONRES CONSERVATION</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>Total</b>
<b>Total Lost Revenues net VOM</b>		<b>317,411</b>	<b>837,672</b>	<b>1,411,549</b>	<b>1,699,082</b>	<b>1,882,698</b>	<b>1,311,311</b>	<b>661,023</b>	<b>8,120,747</b>
<b>Implicit \$/KWH</b>									
<b>Vintage</b>	<b>1</b>	\$0.0455	\$0.0465	\$0.0475	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0465
	<b>2</b>	\$0.0000	\$0.0465	\$0.0475	\$0.0486	\$0.0000	\$0.0000	\$0.0000	\$0.0475
	<b>3</b>	\$0.0000	\$0.0000	\$0.0475	\$0.0486	\$0.0496	\$0.0000	\$0.0000	\$0.0485
	<b>4</b>	\$0.0000	\$0.0000	\$0.0000	\$0.0486	\$0.0496	\$0.0507	\$0.0000	\$0.0496
	<b>5</b>	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0496	\$0.0507	\$0.0518	\$0.0507
<b>Implicit \$/KWH</b>		<b>\$0.0455</b>	<b>\$0.0465</b>	<b>\$0.0475</b>	<b>\$0.0486</b>	<b>\$0.0496</b>	<b>\$0.0507</b>	<b>\$0.0518</b>	<b>\$0.0489</b>

**Worksheet Notes:**

Lost Revenues have been shown for 36 months.

The Lost Revenue and KWH shown assume a fiscal year start date for all participants. In practice, participation for lost margins would be tracked on a monthly basis.

**DUKE ENERGY KENTUCKY  
 RIDER DSM NEW PORTFOLIO FILING  
 KWH SALES FORECAST JULY 2012 THROUGH JUNE 2013 .**

**Attachment JEZ-1  
 Page 6**

Fall 2011 Forecast - Mwh	Before EE									
	Residential	Commercial	Industrial	Street Lighting	OPA	Interdepartmental	Company Use	Other		Total Retail
Jul-12	145,236	135,929	70,648	1,285	23,215	71	71	-		376,385
Aug-12	151,966	133,034	73,767	1,435	24,803	82	71	-		385,087
Sep-12	135,619	131,981	73,009	1,270	26,486	67	66	-		368,433
Oct-12	98,105	113,082	67,187	1,354	23,051	61	61	-		302,839
Nov-12	96,227	108,189	65,835	1,307	20,178	52	53	-		291,789
Dec-12	136,525	121,206	67,411	1,317	21,493	94	88	-		348,046
Jan-13	166,817	125,159	70,169	1,340	23,775	93	81	-		387,353
Feb-13	147,458	114,460	65,720	1,341	22,193	77	58	-		351,249
Mar-13	129,120	112,900	67,905	1,356	22,514	92	85	-		333,886
Apr-13	105,120	110,904	66,066	1,340	21,701	65	58	-		305,194
May-13	92,607	112,361	67,992	1,332	22,376	69	70	-		296,737
Jun-13	118,582	129,142	71,024	1,351	24,712	62	57	-		344,872
<b>Total</b>	<b>1,523,382</b>	<b>1,448,347</b>	<b>826,733</b>	<b>16,028</b>	<b>276,497</b>	<b>885</b>	<b>819</b>	<b>-</b>		<b>4,091,870</b>

**DUKE ENERGY KENTUCKY  
RIDER DSM NEW PORTFOLIO FILING  
MCF SALES FORECAST JULY 2012 THROUGH JUNE 2013**

**Attachment JEZ-1  
Page 7**

Fall 2011 Forecast - Mcf

	RES MCF FULL	RES MCF FIRM TOTL.
Jul-12	118,799	118,799
Aug-12	104,221	104,221
Sep-12	114,930	114,930
Oct-12	170,889	170,889
Nov-12	387,650	387,650
Dec-12	932,117	932,117
Jan-13	1,265,331	1,265,331
Feb-13	1,190,554	1,190,554
Mar-13	1,012,591	1,012,591
Apr-13	537,120	537,120
May-13	241,523	241,523
Jun-13	154,274	154,274
		6,229,999
		62,299,990

**Duke Energy Kentucky  
 Demand Side Management Cost Recovery Rider (DSMR)  
 Summary of Calculations for Programs**

**Attachment JEZ-1  
 Page 8**

July 2012 through June 2013

	Program Costs (A)	Lost Revenues	Total
<u>Electric Rider DSM</u>			
Residential Rate RS	\$ 5,150,692	\$ 842,456	\$ 5,993,148
Distribution Level Rates Part A DS, DP, DT, GS-FL, EH & SP	\$ 1,338,745	\$ 158,706	\$ 1,497,451
Transmission Level Rates & Distribution Level Rates Part B	\$ 1,222,233	\$ -	\$ 1,222,233
<u>Gas Rider DSM</u>			
Residential Rate RS	\$ 595,035	\$ -	\$ 595,035
Total Utility Costs of Residential Programs With Gas Impacts From Sheet R1	\$ 937,063		
Allocation of Program Costs to Gas (63.5%)	\$ 595,035		
	<u>Cost Allocation Between Gas and Electric</u>		
Elec. Only	52,212	36.50%	
Gas + Combo	90,955	63.50%	

**Duke Energy Kentucky  
Demand Side Management Cost Recovery Rider (DSMR)  
Summary of Billing Determinants**

**Attachment JEZ-1  
Page 9**

Year	July 2012 - June 2013
Projected Annual Electric Sales kWh	
Rates RS	1,523,382,000
Rates DS, DP, DT, GS-FL, EH, & SP	2,325,304,804
Rates DS, DP, DT, GS-FL, EH, SP, & TT	2,551,577,000
Projected Annual Gas Sales CCF	
Rate RS	62,299,990

**Duke Energy Kentucky  
 Demand Side Management Cost Recovery Rider (DSMR)  
 Summary of Calculations**

**Attachment JEZ-1  
 Page 10**

July 2012 through June 2013

Rate Schedule Riders	True-Up Amount (A)	Revenue Requirement (B)	Total DSM Revenue Requirements	Estimated Billing Determinants (C)	DSM Cost Recovery Rider (DSMR)
<u>Electric Rider DSM</u> Residential Rate RS	\$ (1,281,012)	\$ 5,993,148	\$ 4,712,136	1,523,382,000 kWh	\$ 0.003093 \$/kWh
Distribution Level Rates Part A DS, DP, DT, GS-FL, EH & SP	\$ (662,467)	\$ 1,497,451	\$ 834,984	2,325,304,804 kWh	\$ 0.000359 \$/kWh
Transmission Level Rates & Distribution Level Rates Part B TT	\$ 718,627	\$ 1,222,233	\$ 1,940,880	2,551,577,000 kWh	\$ 0.000761 \$/kWh
Distribution Level Rates Total DS, DP, DT, GS-FL, EH & SP					\$ 0.001120 \$/kWh
<u>Gas Rider DSM</u> Residential Rate RS	\$ (4,419,719)	\$ 595,035	\$ (3,824,684)	62,299,990 CCF	\$ (0.061391) \$/CCF
Total Rider Recovery			\$ 3,663,296		
Customer Charge for HEA Program <u>Electric No. 4</u> Residential Rate RS			Annual Revenues \$ 144,085	Number of Customers 120,071	Monthly Customer Charge \$ 0.10
<u>Gas No. 5</u> Residential Rate RS			\$ 103,979	86,649	\$ 0.10
Total Customer Charge Revenues			\$ 248,064		
Total Recovery			\$ 3,911,360		

(A) No true-up associated with this new portfolio filing.  
 (B) Includes Lost Revenues  
 (C) From Sales Summary Sheet