



March 4, 2008

Mr. David R McDowell
Assistant Dir, Filings
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

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COMMISSION

Dear Mr. McDowell:

The Alliance to Save Energy, the American Council for an Energy-Efficient Economy, the Energy Future Coalition, and Duke Energy recently announced an agreement regarding Duke Energy's proposed "Save A Watt" energy efficiency plan. Our support for the Save A Watt initiative is premised on five key commitments by Duke Energy that we consider essential to the success of their program and the advancement of energy efficiency in the region. We write to urge you to include the first four of the elements of the agreement in any ruling on the Save A Watt proceeding.

Specifically, we ask that the Save A Watt regulatory proceeding require Duke Energy to:

- 1) Identify and pursue every cost-effective energy efficiency program (reducing both kWh and peak kW). And further, neither the Commission nor Duke Energy should impose any predetermined cap on the company's total energy efficiency investment.
- 2) Achieve an overall energy efficiency target for Save A Watt in ongoing annual electricity savings of at least 1 percent of its 2009 retail electricity sales by 2015 (i.e., 1% savings in 2015, an additional 1% to total 2% in 2016, etc.), with savings each year over the 2009-2014 period ramping up to this 1% per year target. The rule should allow flexibility should the Commission and Duke Energy agree that there are not enough *cost-effective programs* to support the energy efficiency target so that the target is reduced to the maximum achievable with cost-effective programs. ("Cost effective programs" should be defined as those where the system avoided-cost savings are greater than the total costs of the program.)
- 3) Use accepted best practices in program evaluation, measurement, and verification (EM&V) and allocate approximately 5% of energy efficiency program expenditures to EM&V.
- 4) Make the program evaluation results available to all interested parties, establish a broad-based peer review and advisory process, and use evaluation results as feedback to continuously improve Duke Energy's programs.

Under the terms of our agreement (see attachment), Duke Energy is prepared for your commission to include these four provisions in its regulatory decision.

Duke Energy's Save A Watt initiative is an innovative and promising new direction for the company and its customers. We support the overall direction Duke Energy is taking to significantly expand, measure, verify and continuously improve its energy efficiency programs,¹³ and welcome the company's commitment to a specific – and more aggressive than originally proposed – energy savings target.

As detailed in the attached agreement, we defer to you and your colleagues, as well as the regulators in the other states where Duke Energy has proposed the Save A Watt initiative, to **determine an appropriate and reasonable level of compensation** based upon the interests of Duke, ratepayers, and other interested parties. We take no position on the percentage of avoided cost that is appropriate and reasonable for Duke to receive, including whether the percentage should be fixed or variable. We believe Save a Watt represents a workable approach, provided levels of compensation are “appropriate and reasonable.”

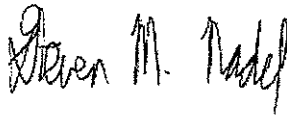
As part of our agreement, Duke and our three organizations also agreed to continue exploring with state regulators and advocates regulatory approaches that have the objective of eliminating any linkage between the utility's financial health and its customers' electricity consumption. Our organizations support decoupling electricity sales from the profits earned by utilities, and we encourage your commission to be an active participant in these discussions.

We look forward to working with you and other parties engaged in this important regulatory proceeding to advance energy efficiency. We urge you to move swiftly. Energy efficiency is the cheapest, cleanest, and fastest way to deliver power to residential, commercial, and industrial customers.

Sincerely yours,



Kateri Callahan
President
Alliance to Save Energy



Steven Nadel
Executive Director
American Council for an
Energy-Efficient Economy



Reid Detton
Executive Director
Energy Future
Coalition

¹³ Energy efficiency as it appears here includes both conservation and demand side management programs.