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COMMISSION

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John J. Finnigan, Jr.
Associate General Counsel

VIA OVERNIGHT DELIVERY

February 8, 2008

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: In the Matter of The Annual Cost Recovery filing for Demand Side Management
by Duke Energy Kentucky, Inc. Case No. 2007-00369

Dear Ms. O'Donnell:

I have enclosed for filing the original and eleven copies of Duke Energy Kentucky, Inc.'s Motion to Amend DSM Application to Include Home Energy Assistance Program.

Please file-stamped the extra copy of the motion and return in the enclosed, return-addressed envelope.

Sincerely,

John J. Finnigan, Jr.
Associate General Counsel

JJF/bsc

cc: Paul Adams (w/encl.)
Anita L. Mitchell (w/encl.)
Florence W. Tandy (w/encl.)
Carl Melcher (w/encl.)

225369

**BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

In The Matter Of:

THE ANNUAL COST RECOVERY)
FILING FOR DEMAND SIDE)
MANAGEMENT BY DUKE ENERGY)
KENTUCKY, INC.)

CASE NO. 2007-00369

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**MOTION OF
DUKE ENERGY KENTUCKY, INC. TO AMEND DSM APPLICATIONS
TO INCLUDE HOME ENERGY ASSISTANCE PROGRAM**

Pursuant to KRS 278.285, Duke Energy Kentucky, Inc. (“DE-Kentucky”) moves the Commission for an Order to amend its application to re-institute its Home Energy Assistance (“HEA”) program for a three-year period (2008-2010) to be administered under the umbrella of its WinterCare program. In support of this Motion, DE-Kentucky states as follows:

1. The Commission approved DE-Kentucky’s one-year HEA pilot program in 2006.¹ The present HEA proposal is structured in the same manner as the original HEA pilot program.

2. For the past several years, DE-Kentucky has operated a voluntary financial assistance program known as WinterCare. The WinterCare program provides financial assistance to low income DE-Kentucky customers to help pay their gas and/or electric bill. Eligibility is based upon need and does not necessarily follow government assistance guidelines. Eligible customers can receive up to \$300.00 in assistance for their utility bill. WinterCare is completely funded by DE-Kentucky employees, customers,

¹ *In the Matter of: the Annual Cost Recovery Filing for Demand Side Management by The Union Light,*

and shareholders. Beginning in the 2005 winter season, DE-Kentucky matched \$1.00 for every \$1.00 donated by employees and customers, up to \$25,000 in contributions, resulting in a potential total contribution from employees, customers and shareholders of up to \$50,000 (or more if employee and customer contributions would exceed \$25,000). Previously, DE-Kentucky matched \$1.00 for every \$2.00 donated.

3. DE-Kentucky is concerned that, with high energy costs, low income customers may need additional assistance to be able to pay their energy bills during the next few years. In addition to the programs described in its original application, DE-Kentucky proposes a new DSM energy assistance program under the umbrella of the WinterCare program. DE-Kentucky has consulted with the Residential DSM Collaborative to seek its support for this program.

4. This program would be eligible to customers who meet an income qualification level of up to 200% of the federal poverty level. DE-Kentucky estimates that approximately 24,700 customers could be eligible for this program (based on the number of single family owner-occupied households within DE-Kentucky's service area that have qualifying income levels). Program participants must be current DE-Kentucky customers.

5. DE-Kentucky proposes to charge residential electric customers and residential gas customers \$0.10 per account per month for the twelve-month period following Commission approval. Customers who receive electric and gas service have two accounts and would pay a total of \$0.20 per month. As of the end of December 2007, there were 20,344 gas only customers, 58,840 electric only customers, and 75,303 combination gas and electric customers. This is expected to generate approximately

Heat and Power Company, Case No. 2005-00402 (Opinion and Order) (April 4, 2006).

\$24,413 annually in revenues from gas only customers; \$70,608 from electric only customers; and \$180,727 from combination gas and electric customers for a total of \$275,748. The total annual bill cost impacts to customers are expected to be approximately \$1.20 for gas customers and approximately \$1.20 for electric customers. The worksheet at Attachment A shows the estimated bill impacts and the estimated revenues.

6. DE-Kentucky would notify customers of these charges through a bill message to be included on customers' bills during the time period these charges would be in effect. The funds generated would not be administered under the purely discretionary basis as are the current WinterCare funds, but rather would be used to provide bill credits for eligible customers, and would initially target customers at the 150-200% federal poverty guideline level, as these low income customers are not eligible for assistance under existing financial aid programs. The funds DE-Kentucky raises through the current voluntary component of the WinterCare program will continue to be administered by Northern Kentucky Community Action Commission ("CAC") on a discretionary basis, to allow CAC the flexibility to address the particular hardship situations they may encounter.

7. DE-Kentucky started an additional \$25,000 in new shareholder funding for the 2005 winter season's WinterCare program, also administered by CAC on this discretionary basis. This could result in up to \$75,000 in total voluntary WinterCare funding, if customers and employees would donate at the maximum matching level. DE-Kentucky made this additional contribution to support the one-year HEA pilot program in Case No. 2005-00402. If the Commission approves the current HEA proposal, DE-

Kentucky commits to continue this level of funding through the duration of the three-year HEA program proposed herein.

8. The new program would also be administered by the CAC, which also administers DE-Kentucky's current Home Energy Assistance Plan known as "Payment Plus." The CAC would income qualify the participants and provide the relevant information to DE-Kentucky. DE-Kentucky would apply the bill credits to eligible customer bills and notify the customers of the credits through a bill message. A formula will be used for calculating the bill credit. The formula may be based on factors such as the size of the participants' household and income, the amount of the household's utility bills, the amount of arrearages, the number of heating degree days versus normal heating degree days for the billing period under consideration, and any significant changes in costs of utility service. CAC's additional cost for administering this program would be included as part of the DSM program administration costs.

The Collaborative's review is pending, and DE-Kentucky will notify the Commission of the outcome as soon as the Collaborative reaches its decision. If approved, DE-Kentucky will report on the results of this program as part of its next annual DSM report in November 2008. Attachment B-1 consists of the proposed Rider DSMR tariff sheets for gas and electric services based on the currently applicable DSM rates but with the residential portion of the riders modified to include the Heat Fund incremental rates of \$0.10 per account. Attachment B-2 contains the DSMR gas and electric riders which DE-Kentucky filed on or around November 15, 2007, which have now been modified to likewise include the incremental Heat Fund charges shown above.

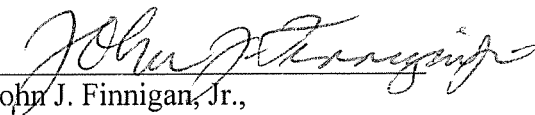
DE-Kentucky submits that the above circumstances constitute good cause and

therefore requests the Commission to approve this application after 20 days notice, as provided in KRS 278.180(1). Additionally, DE-Kentucky requests that the Commission issue an interim order approving this DSM program after 20 days notice, so that DE-Kentucky can implement this program while the Commission completes its review of the remainder of DE-Kentucky's pending DSM application.

WHEREFORE, DE-Kentucky respectfully requests that the Commission grant the relief requested in this Motion.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.

By: 

John J. Finnigan, Jr.,
Assistant General Counsel
(Attorney No. 86657)
Duke Energy Shared Services, Inc.
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Cincinnati, Ohio 45201-0960
phone: (513) 287-3601
fax: (513)287-3810
e-mail: john.finnigan@duke-energy.com

CERTIFICATE OF SERVICE

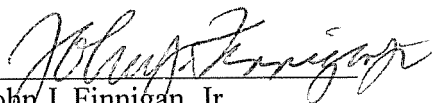
I hereby certify that a copy of the foregoing filing was served on the following via ordinary United States mail, postage prepaid, this 24th day of February, 2008:

Paul Adams
Assistant Attorney General
The Kentucky Office of the Attorney General
1024 Capital Center Drive
Frankfort, Kentucky 40602-2000

Anita L. Mitchell
Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Florence W. Tandy
Northern Kentucky Community Action Commission
P.O. Box 193
Covington, Kentucky 41012

Carl Melcher
Northern Kentucky Legal Aid, Inc.
302 Greenup
Covington, Kentucky 41011


John J. Finnigan, Jr.

**Duke Energy Kentucky, Inc.
Proposed Gas and Electric Heat Fund Rate**

1) Typical Residential Gas Customer Bill Before Gas Heat Fund (10.8 Mcf) (a)	\$	142.02
2) Proposed Heat Fund Amount @ \$0.10/Month	\$	0.10
3) Impact of Heat Fund on Typical Bill		0.070%
4) Annual Gas Heat Fund Total	\$	1.20
5) Typical Residential Electric Customer Bill Before Electric Heat Fund (1,000 kWh) (a)	\$	77.16
6) Proposed Heat Fund Amount @ \$0.10/Month	\$	0.10
7) Impact of Heat Fund on Typical Bill		0.130%
8) Annual Electric Heat Fund Total	\$	1.20
9) Typical Residential Combination Customer Bill Before Gas and Electric Heat Funds (a)	\$	219.18
10) Proposed Heat Fund Amount @ \$0.20/Month	\$	0.20
11) Impact of Heat Fund on Typical Bill		0.091%
12) Annual Electric Heat Fund Total	\$	2.40
13) Total Proposed Annual Heat Fund Amount to be Collected (b)	\$	275,748.00

(a) Based on February 2008 rates

(b) 20,344 gas only customers, 58,840 electric only customers, and 75,303 combination customers

APPENDIX I

Duke Energy Kentucky
1697-A Monmouth Street
Newport, Kentucky 41071

KY.P.S.C. Gas No. 2
Third Revised Sheet No. 62
Cancels and Supersedes
Second Revised Sheet No. 62
Page 1 of 1

RIDER DSMR
DEMAND SIDE MANAGEMENT RATE

The Demand Side Management Rate (DSMR) shall be determined in accordance with the provisions of Rider DSM, Demand Side Management Cost Recovery Rider, Sheet No. 61 of this Tariff.

The DSMR to be applied to residential customer bills beginning with the March 2008 revenue month is \$(0.0109294) per hundred cubic feet.

Effective with the first billing cycle after March 3, 2008, an Energy Assistance Program (EAP) charge of \$0.10 will be applied monthly to residential customer bills.

The DSMR to be applied to non-residential service customer bills beginning with the March 2008 revenue month is \$0.00 per hundred cubic feet.

Issued by authority of an Order by the Kentucky Public Service Commission, dated _____ in Case No. _____

Issued: February 11, 2008

Effective: March 3, 2008

Issued by Sandra P. Meyer, President

APPENDIX H

Duke Energy Kentucky
1697-A Monmouth Street
Newport, Kentucky 41071

KY.P.S.C. Electric No. 2
Third Revised Sheet No. 78
Cancels and Supersedes
Second Revised Sheet No. 78
Page 1 of 1

RIDER DSMR

DEMAND SIDE MANAGEMENT RATE

The Demand Side Management Rate (DSMR) shall be determined in accordance with the provisions of Rider DSM, Demand Side Management Cost Recovery Rider, Sheet No. 75 of this Tariff.

The DSMR to be applied to residential customer bills beginning with the March 2008 revenue month is \$0.001416 per kilowatt-hour.

Effective with the first billing cycle after March 3, 2008, an Energy Assistance Program (EAP) charge of \$0.10 will be applied monthly to residential customer bills.

The DSMR to be applied to non-residential distribution service customer bills beginning with the March 2008 revenue month is \$0.01405 per kilowatt-hour.

The DSMR to be applied for transmission service customer bills beginning with the March 2008 revenue month is \$0.000154 per kilowatt-hour.

Issued by authority of the Kentucky Public Service Commission in Case No. dated _____ in Case No. _____

Issued: February 11, 2008

Effective: March 3, 2008

Issued by Sandra P. Meyer, President

APPENDIX I

Duke Energy Kentucky
1697-A Monmouth Street
Newport, Kentucky 41071

KY.P.S.C. Gas No. 2
~~Third Revised Sheet No. 62~~
Cancels and Supersedes
~~Second Revised Sheet No. 62~~
Page 1 of 1

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RIDER DSMR

DEMAND SIDE MANAGEMENT RATE

The Demand Side Management Rate (DSMR) shall be determined in accordance with the provisions of Rider DSM, Demand Side Management Cost Recovery Rider, Sheet No. 61 of this Tariff.

The DSMR to be applied to residential customer bills beginning with the March 2008 revenue month is \$(0.0109294) per hundred cubic feet.

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Effective with the first billing cycle after March 3, 2008, an Energy Assistance Program (EAP) charge of \$0.10 will be applied monthly to residential customer bills.

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The DSMR to be applied to non-residential service customer bills beginning with the March 2008 revenue month is \$0.00 per hundred cubic feet.

(C)

Issued by authority of an Order by the Kentucky Public Service Commission, dated in Case No. _____

Deleted: May 15, 2007

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Issued: February 11, 2008

Effective: March 3, 2008

Issued by Sandra P. Meyer, President

APPENDIX H

Duke Energy Kentucky
1697-A Monmouth Street
Newport, Kentucky 41071

KY P.S.C. Electric No. 2
~~Third Revised Sheet No. 78~~
Cancels and Supersedes
~~Second Revised Sheet No. 78~~
Page 1 of 1

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RIDER DSMR

DEMAND SIDE MANAGEMENT RATE

The Demand Side Management Rate (DSMR) shall be determined in accordance with the provisions of Rider DSM, Demand Side Management Cost Recovery Rider, Sheet No. 75 of this Tariff.

The DSMR to be applied to residential customer bills beginning with the ~~March 2008~~ revenue month is ~~\$0.001416~~ per kilowatt-hour.

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~~Effective with the first billing cycle after March 3, 2008, an Energy Assistance Program (EAP) charge of \$0.10 will be applied monthly to residential customer bills.~~

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The DSMR to be applied to non-residential distribution service customer bills beginning with the ~~March 2008~~ revenue month is ~~\$0.01405~~ per kilowatt-hour.

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The DSMR to be applied for transmission service customer bills beginning with the ~~March 2008~~ revenue month is ~~\$0.000154~~ per kilowatt-hour.

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Issued by authority of the Kentucky Public Service Commission in Case No. ~~dated,~~

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~~Issued: February 11, 2008.~~

~~Effective: March 3, 2008.~~

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Issued by Sandra P. Meyer, President

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