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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DUKE	)	
ENERGY KENTUCY, INC. FOR APPROVAL OF	)	
ENERGY EFFICIENCY PLAN, INCLUDING AN ENERGY	)	**CASE NO. 2008-00495**
EFFICIENCY RIDER AND PORTFOLIO OF ENERGY	)	
EFFICIENCY PROGRAMS	)	

INITIAL REQUESTS FOR INFORMATION OF THE ATTORNEY GENERAL

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Request for Information to Duke Energy Kentucky, Inc., to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL OF KENTUCKY

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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 16th day of March, 2009, I have filed the original and ten copies of the foregoing Attorney General's Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

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THE APPLICATION OF DUKE ENERGY KENTUCY, INC. FOR APPROVAL OF ENERGY EFFICIENCY PLAN, INCLUDING AN ENERGY EFFICIENCY RIDER AND PORTFOLIO OF ENERGY EFFICIENCY PROGRAMS
Case No.: 2009-00495
Initial Requests For Information of the Attorney General

1. Please refer to the application, page 4. Please explain the basis and reasoning behind the company's proposed plan to recover 75% of its annual avoided capacity costs and 50% of the net present value of avoided energy and capacity costs under the proposed rider. Please explain whether the company considered other methods of recovery of its costs and expenses and whether the company considered other methods of incentives to compensate the company other than the proposed rider.

2. Please refer to the application, page 4. Please explain the basis and reasoning behind the company's proposed earnings cap on its recovery under the proposed rider. Why were the proposed percentages chosen by the company?

3. Please refer to the application, page 5. Please explain in detail what the company means when it refers to "each year of *each vintage* of an energy conservation measure."

4. Please refer to the application, page 5. Please explain in detail how the company arrived at the estimate of its projected avoided costs and lost margins under the proposed rider.

5. Please refer to the application, page 6. Please explain in detail why the company believes it is appropriate to adjust its SAW rider in year five based on projections of results and actual results rather than just its actual results.

6. Please refer to the application, page 6. If the company's purpose of its rider SAW is to expand the number and scope of its energy efficiency programs in Kentucky, please explain in detail why the company has not proposed any new programs in the current application.

7. Please refer to the application, page 7. Under the company's proposal it would have authority to make program changes and shift resources from one program to another without Commission approval, please explain in detail how the "flexibility" requested by the company would affect programs that may have greater intangible benefits than other programs (i.e. Energy education programs are typically not as "cost effective" as other programs, does the company intend to eliminate funding of these types of programs without Commission approval?)

8. Please refer to the application, page 7. Is the company committing to reduce the generation at the plants that serve its Kentucky customers? If not, why not? If the company reduces the demand and capacity required by its Kentucky customers, what will it do with the electricity generated? Please explain in detail.

9. Please refer to the application, page 9. Please explain in detail how the likely lower costs and operational efficiencies will be reflected under the recovery method proposed by the company. Will such efficiencies be reflected in a lower tariff or increased incentives to the company?

10. Please refer to the application, page 10. Please explain in detail what program changes the company defines as "significant".

11. Please refer to the application, page 10. Please explain whether the company believes a conflict of interest exists if it hires its own program evaluators. If it is the position of the company that such conflict does not exist, please fully explain the company's position.

12. Please refer to the application, page 10. How are such program evaluators to be chosen by the company?

13. Please refer to the application, page 10. Please explain in detail what steps the company will take to ensure that a conflict does not arise in choosing its program evaluators.

14. Please refer to the application, page 10. Would the company agree to third party review of its proposed program evaluators? Would the company agree to third party review of the proposed program evaluators evaluation methods?

15. Please refer to the application, page 12. Please explain in detail why the company believes it is appropriate to determine the level of avoided costs under the proposed tariff at the electric rates of its cogeneration/small power producers. Please explain in detail what the difference would be between avoided cost rates under the cogeneration/small power producers and its normal generation costs.

16. Please refer to the application, page 12. Please explain in detail how the company proposed to treat purchased power under the proposed tariff. Is it the company's position that purchased power will be added to or subtracted from its estimated demand and capacity under the proposed tariff. Please explain the basis for the company's position on this issue.

17. Please refer to the application, page 12. Please explain in detail what percentage of recovery under the proposed tariff would be required for the company to recover all its costs under its existing programs.

18. Please refer to the application, page 15. Please explain in detail the differences between the programs proposed under the current application and those currently offered by the company.

19. Please refer to the application, page 16. Please explain in detail the basis and reasoning behind the company decision not to capitalize a percentage of its avoided costs achieved by its energy efficiency programs as was suggested by the company in Case No.: 2007-00477.

20. Please refer to the application, page 16. Please explain in detail why the company seeks Commission approval to reflect its treatment of the impacts to its income statement of its energy efficiency programs.

21. Please refer to the application, page 17. Please explain in detail why the company proposes to include the actual program costs in a footnote to its income statement rather than in the body of its income statement. Does the company believe that the use of such data in a footnote is appropriate?

22. Please refer to Attachment A of the application. Please list the members of the Kentucky residential and non-residential collaborative. Please list the title of the members and the relevant expertise of the members as it relates to energy efficiency.

23. Please refer to the testimony of David Freeman, page 8. In his testimony, Mr. Freeman indicates that the company's reserve margin is adequate until 2018 but beginning in 2019 is consistently below 15%. Please indicate the percentage of the reserve margin for each year starting from 2019 through 2028.

24. Please refer to the testimony of David Freeman, page 10. In his testimony, Mr. Freeman indicates that no energy efficiency programs included in 2008 IRP SO analysis were selected as economic because no additional generation resources were required until 2019. In light of this statement, please explain in detail why the company believes is appropriate to include recovery of avoided capacity costs in the proposed tariff if no new generation capacity is anticipated be constructed until 2019.

25. Please refer to the testimony of David Freeman, page 12. In his testimony, Mr. Freeman indicates that the company still envisions the need to obtain additional generation resources starting in the year 2019 and that over the long term the regulatory treatment proposed under the tariff should encourage the company to pursue additional energy efficiency initiatives. Is the company claiming that it will not need such additional generation if its proposed tariff is approved? Please explain in detail.

26. Please refer to the testimony of David Freeman, page 12. Will the company agree to eliminate the addition of it proposed new generation discussed in its 2008 IRP if its proposed tariff is approved?

27. Please refer to the testimony of Julia S. Janson, page 6. In her testimony, Ms. Janson states that existing financial incentives are inadequate to encourage energy efficiency investments and that current utility regulation favors new generation over conservation. Please explain in detail what level of recovery the company currently receives on its existing energy efficiency portfolio. Please explain in detail what level of recovery the company currently earns on its new Kentucky generation resources.

28. Please refer to the testimony of Julia S. Janson, page 11. In her testimony, Ms. Janson states that under the proposed tariff the company will earn only $0.18 per month for the average residential customer over what it currently collects under its existing DSM rider. Please provide the totals of what the company currently collects under its existing DSM tariff and what it proposes to collect under the proposed tariff for all customers on a yearly basis for each year of the program.

29. Please refer to the testimony of James E. Rogers, page 7. In his testimony, Mr. Rogers states that utilities *generally* have the opportunity to achieve earnings on their supply-side investments, but that opportunity to achieve a comparable level of earnings is *typically* not available for demand-side investments. Please state whether Mr. Rogers includes Kentucky in this statement. As Duke Kentucky currently earns a fixed percentage of incentive for investments in energy efficiency programs, please explain in detail why Mr. Rogers feels this is inadequate? Is it Mr. Rogers assertion that such fixed percentage is unreasonable?

30. Please refer to the testimony of James E. Rogers, page 9. In his testimony, Mr. Rogers states that although Duke Energy Kentucky has had good results with the existing shared savings model, [Duke] need[s] substantially better results if [Duke] is to achieve its objectives of long-term energy security and sustainability. As no other electric utilities have raised the issue of needing additional recovery for their energy efficiency programs, why does Mr. Rogers maintain Duke needs additional recovery? Does he believe that the other electric utilities do a better job than Duke Energy Kentucky in their energy efficiency programs? Does Mr. Rogers believe that the objectives of long-term energy security and sustainability are more important than the Commission's long held goals of reasonable rates and reliable electric service? Please fully explain your answers.

31. Please refer to the testimony of James E. Rogers, page 9. In his testimony, Mr. Rogers states that Duke believes the existing model of recovery does not create enough value for consumers or enough financial incentive for the company to drive innovation and investment necessary to fully realize the potential benefits of energy efficiency. Please state whether Duke believes that low rates and reliable service have value to customers greater than that of energy efficiency. Please state what investments Duke Energy Kentucky has not made in the state due to a perceived inability to recovery enough incentive to justify the expenditure.

32. Please refer to the testimony of James E. Rogers, page 11. In his testimony, Mr. Rogers states that the company makes the investment in energy efficiency up front and assumes the risk that the program will work. Please quantify this alleged risk in light of the fact that the company will begin to recover from its customers immediately under the tariff on its proposed programs.

33. Please refer to the testimony of James E. Rogers, page 11. Please state whether the minimum recovery under the proposed tariff includes the company's program costs with a minimum recovery of 5% over and above the company's program costs. Is there any scenario in which the company does not recover its program costs plus at least 5%? Please fully explain your answer.

34. Please refer to the testimony of James E. Rogers, page 14. In his testimony, Mr. Rogers states that the save-a-watt program can serve as a model to other utilities as a new way of thinking about energy efficiency. Please state whether Mr. Rogers or any other Duke representative has knowledge of any other utility proposal similar to Duke's save-a-watt currently before any regulatory body. If so, please provide the name of the utility and the jurisdiction.

35. Please refer to the testimony of Theodore E. Schultz, page 4. In his testimony, Mr. Schultz states that Duke Energy Kentucky recognizes energy efficiency as a reliable, valuable resource to meet the customers' growing need for electricity. Please state the project growth in demand and capacity of Duke Energy Kentucky from 2008 through 2028. Would Mr. Schultz agree that Duke Energy projects only modest growth in its demand and capacity through 2028?

36. Please refer to the testimony of Theodore E. Schultz, page 6. In this testimony, Mr. Schultz states that the percentage of savings achieved is determined by dividing the actual avoided energy and capacity costs at the end of the four years by the total forecasted avoided energy and capacity costs over the same time period. Please explain in detail who determines the reasonableness of the projected avoided capacity and energy savings? Are these projections approved by the Commission on an annual basis? Please explain why the company believes that this ratio is reasonable. Doesn't this ratio encourage the company to under-estimate the achievable savings to boost its recovery? Why aren't the results reviewed on an annual basis rather than four years? Doesn't waiting for four years provide the company with recovery through the tariff that could be substantially more or less than could be reflected at the end of the true up period? Couldn't this lead to substantial mismatch, which was a problem recently noted by the Commission in regard to Duke's current DSM programs?

37. Please refer to the testimony of Theodore E. Schultz, page 6. Please provide an example calculation of the company's recovery under the existing method and the

proposed method. For the purposes of these calculations, the company can reference the results and costs reported in its most recent DSM filing for its existing programs.

38. Please refer to the testimony of Theodore E. Schultz, page 10. In his testimony, Mr. Schultz states that Duke wishes to make program changes and reallocate resources among programs to optimize results for both customers and the company and that although programs will still continue to be filed and approved by the Commission, participation and spending levels by program will not be unduly restricted by pre-established limits. Does Mr. Schultz imply that funding could be increased or decreased, affecting the recovery sought by the company from its customers, without Commission approval? What if a program is popular with customers but is not a profitable for the company, is it the company's assertion that it has the ability under the tariff to unilaterally end such programs? Please fully explain your answer.

39. Please refer to the testimony of Theodore E. Schultz, page 11. In his testimony, Mr. Schultz states that Commission approval would be required to add or remove a program from the company's portfolio, however isn't it possible for the company to essentially "kill" a program by ending it's funding without Commission approval? If not, please fully explain your answer.

40. Please refer to the testimony of Theodore E. Schultz, page 15. Please describe how the company's Reach and Teach and Home Performance programs differ from the existing programs offered by the company.

41. Please refer to the testimony of Theodore E. Schultz, page 17. Does the company believe it is appropriate to earn enhanced returns on its educational and low income energy efficiency programs? If so, why? Please fully explain your answer.

42. Please refer to the testimony of Theodore E. Schultz, page 17. Please provide a listing of the 40 new energy efficiency measures offered in the Smart Saver Program for non-residential customers. Please provide a listing of all measures offered previously.

43. Please refer to the testimony of Theodore E. Schultz, page 18. Please explain how the company intends to account for funds from Federal or State resources under the LIHEAP or ratepayer fund from the company's HEA programs under the proposed tariff. Does the company intend that the energy savings of participants such receiving assistance will be included in its avoided costs? Does the company believe such treatment will "double-dip"? If not, why? Please fully explain your answer.

44. Please refer to the testimony of Theodore E. Schultz, page 19. In his testimony, Mr, Schultz states that many customers believe that they have already adopted simple, responsible behaviors, and they perceive energy efficiency alternatives as higher-priced, complicated, or unwelcome interferences with their lifestyle or business. Isn't this perception true as the company proposes to dramatically increase the cost to consumers of its energy efficiency programs? Further, isn't the perception that energy efficiency alternatives are unwelcome also true for business customers as Kentucky currently provides an exemption for industrial users? Is it the company's position that regardless of these perceptions, that consumers should be forced to pay even higher costs for energy efficiency programs they may not wish to participate in? Please fully explain your answers.

45. Please refer to the testimony of Theodore E. Schultz, page 19. In his testimony, Mr. Schultz acknowledges that few customers are willing to pay more to participate in energy efficiency programs. If this is the case, why is the company proposing to force ratepayers to pay even more for these programs? Please fully explain your answer.

46. Please refer to the testimony of Theodore E. Schultz, page 23. Is the company proposing to take profits on savings measures paid for by tax incentives? If so, why? If not, please indicate how such energy savings will be removed from consideration by the company. Please fully explain your answer.

47. Please refer to the testimony of Theodore E. Schultz, page 26. For the purposes of recovery, does the company intend to claim energy savings of its industrial customers who have implemented their own measures? If so, why does the company feel this is appropriate? Please fully explain your answer.

48. Please refer to Attachment TES-2, page 2. Please state whether the company intends to provide the rebates described therein on gas appliances under the proposed tariff. If not, why? Please fully explain your answer.

49. Please refer to Attachment TES-2, page 6. Please state whether the company will charge consumers interest on loans made through its proposed Efficiency Savings Plan. If so, will the interest costs be included in the company's recovery calculations?

50. Please refer to Attachment TES-2, page 6. In regard to the company's proposed Efficiency Savings Plan, please provide details as to how customers will be affected should a foreclosure or sale of the property be made prior to the payoff of the proposed loan.

51. Please refer to Attachment PGS-1, page 1. The company proposes that an entity that originally opted out of its energy efficiency program will be required to pay

the entire rider amount for the opt out period prior to being allowed into the program. Please fully explain why the company believes it is appropriate to back charge such entities that received no benefits from the company during the opt out period. Additionally, please fully explain how such a policy complies with the PSC regulations and statutes governing the ability of a company to collect past obligations.