COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due by April 27, 2009. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Duke Kentucky fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the response to Item 1 of Commission Staff's first data request ("Staff's first request").

a. The response references the earnings cap percentages being developed in conjunction with stakeholders in Ohio and Indiana. Identify the specific stakeholders involved in this process in each of these jurisdictions.

b. The response also references the earnings cap percentages and relative risk being compared to other jurisdictions. Identify each of the jurisdictions to which such a comparison was made.

2. Refer to the response to Item 3, part a. of Staff's first request, which refers to "the current DSM regime in Kentucky which encourages utilities to concentrate on supply side capital investments resulting in increased electric generation, rather than encouraging investment in demand side management programs and technologies that reduce electricity sales." Given, as the response to part b. of the request accurately states, that no jurisdictional utility has ever requested that it be permitted to earn a

return on its investment in demand-side management ("DSM") programs, explain how Duke Kentucky reached such a conclusion regarding Kentucky's current DSM regime.

3. Refer to the response to Item 6 of Staff's first request.

a. Explain why Duke Kentucky selected the number of years for the forecast period used in its Present Value Revenue Requirements ("PVRR") analysis.

b. Explain how the discount rate and inflation rate used in the analysis were selected.

c. Utilities typically develop load forecasts that include a low case, base case, and high case. Provide the results of Duke Kentucky's PVRR analysis based on the two cases other than that reflected in the response.

4. Refer to the response to Item 10 of Staff's first request. Clarify whether the discussion in the response should be interpreted as "no" to the initial request regarding whether the proposed programs could be offered under Duke Kentucky's existing DSM cost recovery mechanism.

5. Refer to the response to Item 11, part b. of Staff's first request. Explain whether the discussion reflects that Duke Kentucky assumes that demand response tends to be temporary or short term in nature while conservation measures are longer term or more permanent in nature.

6. Refer to the response to Item 13 of Staff's first request, which contains orders from Ohio and Indiana on the Duke companies' Save-A-Watt proposals in those states. Various news reports have reported on decisions in North and South Carolina on Save-A-Watt proposals submitted in those jurisdictions by Duke Energy Carolinas.

Provide copies of the relevant decision orders issued in each of those jurisdictions on the Save-A-Watt proposals, along with any settlement documents, if applicable.

7. Refer to the market potential study filed in response to Item 15 of Staff's first request and page 13 of the Direct Testimony of Richard G. Stevie, PH.D. Explain whether Duke Kentucky has evaluated the results of the study to determine whether there are additional programs it wishes to implement.

8. Refer to the response to Item 20, part b. of Staff's first request. The response indicates that Duke Kentucky intends to use several methods (e.g., e-mail, web, letter, etc.) to notify non-residential customers of Commission approval of its energy efficiency plan. The last sentence in the response indicates that Duke Kentucky will use the approach approved by the Commission. State, specifically, which approach Duke Kentucky is requesting that the Commission approve.

9. Refer to the response to Item 1 of the Attorney General's ("AG") first data request. The last sentence of the response refers to a need for comparable earnings for energy efficiency as utilities have for generation options. Identify any instances in the past five years in which Duke Kentucky or a Duke Kentucky affiliate has been authorized a 15 percent return on rate base or capitalization in a base rate proceeding.

10. Refer to the response to Item 17 of the AG's first data request. Duke Kentucky based its proposal to recover 75 percent of avoided capacity costs from demand response programs and 50 percent of avoided energy and capacity costs from conservation programs on producing a 15 percent return on investment.

a. It appears from the response that recovery of 58 and 40 percent, respectively, of such avoided costs is required to recover program costs with no return. Confirm whether this is an accurate understanding of the response.

b. Provide the percentages of avoided cost recovery, both for demand response and conservation programs, needed to generate returns on investment of seven, ten, and thirteen percent. Show all calculations

c. The response shows Duke Kentucky's pro forma revenues for each year from 2009 through 2013 based on its load forecast and proposed Rider-SAW rate. Provide, for Duke Energy's electric operations, the pro forma revenues for the same period based on continuing its current DSM programs and cost recovery mechanism.

11. Refer to the response to Item 21 of the AG's first data request and paragraph X on pages 16 – 17 of the application.

a. Confirm whether it is Duke Kentucky's intent that its actual program costs will not be included in the expenses reported on its income statement.

b. Confirm whether it is Duke Kentucky's intent that the avoided costs on which its energy efficiency revenues are based will be included in the expenses reported on its income statement.

c. If the answer to part a. or b. of this request is affirmative, explain, from an accounting standpoint, why Duke Kentucky is not proposing to include its actual program costs in the expenses reported on its income statement and show its avoided costs in a footnote.

12. Refer to the attachment to the response to Item 28 of the AG's first data request. The request refers to testimony which stated that the energy efficiency plan

would result in an increase of $0.18 over the current demand-side management rate for a residential customer using 1,000 kWh per month. However, the current and proposed residential rates in the attachment produce an increase of $0.36 based on 1,000 kWh used per month. Explain the discrepancy between the testimony and the attachment.

13. Refer to the response to Item 30 of the AG's first request. Identify the utilities referenced in the second sentence that have filed rate proposals in California, Oklahoma and North Carolina for new recovery mechanisms for energy efficiency.

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cc: Parties of Record

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