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Dianne B. Kuhnell
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VIA OVERNIGHT DELIVERY

October 8, 2009

RECEIVED

OCT 09 2009

**PUBLIC SERVICE
COMMISSION**

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

Re: Application of Duke Energy Kentucky, Inc. for Approval of *Duke Energy's GoGreen Kentucky Pilot Program* Case No. 2009- 00408

Dear Mr. Derouen:

Enclosed please find being sent by overnight mail an original and twelve copies of the *Application of Duke Energy Kentucky, Inc. for Approval of Duke Energy GoGreen Kentucky Pilot Program* to be filed in the above captioned case. The Direct Testimony of John D. Langston is being filed as an attachment to the Application.

Please date-stamp the extra two copies of this letter, the Application and the Direct Testimony filing and return to me in the enclosed envelope.

Sincerely,

Dianne B. Kuhnell
Senior Paralegal

cc: Dennis Howard II

RECEIVED

OCT 09 2009

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF)
DUKE ENERGY KENTUCKY, INC.,)
FOR APPROVAL OF A NEW)
GREEN POWER PILOT PROGRAM)
DUKE ENERGY'S GoGREEN KENTUCKY)

Case No. 2009- 00408

APPLICATION OF DUKE ENERGY KENTUCKY, INC. FOR APPROVAL OF *DUKE ENERGY'S GoGREEN KENTUCKY PILOT PROGRAM*

Now comes Duke Energy Kentucky, Inc. (Duke Energy Kentucky or the Company) and hereby respectfully petitions the Kentucky Public Service Commission (Commission) for an order approving *Duke Energy's GoGreen Kentucky* Pilot Program as described in detail herein.

In support of this Application, Duke Energy Kentucky states as follows:

Background

1. Duke Energy Kentucky is a Kentucky corporation with its principal office and principal place of business at 525 5th Street, Suite 228, Covington, Kentucky 41011. Its mailing address is P.O. Box 960, Cincinnati, Ohio 45201.

2. Duke Energy Kentucky is a utility engaged in the gas and electric business. Duke Energy Kentucky purchases, sells, stores and transports natural gas in Boone, Campbell, Gallatin, Grant, Kenton and Pendleton Counties, Kentucky. Duke Energy Kentucky also generates electricity, which it distributes and sells in Boone, Campbell, Grant, Kenton and Pendleton counties.

3. Duke Energy Kentucky is regulated by the Commission pursuant to KRS Chapter 278.040.

4. A certified copy of Duke Energy Kentucky's Articles of Incorporation is on file with this Commission in Case Number 2009-00202 and is incorporated herein by reference pursuant to 807 KAR 5:001, Section 8(3).

5. Duke Energy Kentucky seeks Commission approval of a tariff allowing it to implement a new and voluntary "Green Power" program, *Duke Energy's GoGreen Kentucky*, as a three year pilot program ending December 31, 2012. Duke Energy Kentucky would reserve the right to continue the program beyond 2012 depending upon its acceptance and levels of participation by customers in Duke Energy Kentucky's service territory.

6. Duke Energy Kentucky's existing Green Power Rider (Rider GP), Sheet No. 88, was a three year pilot program approved by the Commission in Case No. 2002-00267. The Rider GP was re-issued without modification following Duke Energy Kentucky's last electric rate case, Case No. 2006-172.¹ Rider GP provided customers the opportunity to enter into a written service agreement through which the customer voluntarily contributes \$1.00 per month to a Green Power Fund used to purchase power from environmentally friendly resources.

7. *Duke Energy's GoGreen Kentucky* is a new service option for residential customers provides the opportunity to contribute funds for green energy generated from renewable resources or purchase Carbon Offsets to reduce their own carbon footprint. These funds could be used for the development of Duke Energy Kentucky's own renewable energy projects, or to help offset costs for the purchase or development of green power sources through the purchase of Renewable Energy Certificates (RECs) and/ or Carbon Offsets related to such

¹ As part of its electric Rate Case, Duke Energy Kentucky proposed several changes to Rider GP including a per kWh charge of \$0.25. Those proposed changes were withdrawn.

sources.² A REC is the tradable commodity unit which represents the generation of one (1) MWH of renewable or environmentally friendly generation. A Carbon Credit is a tradable commodity unit which represents one metric (1) ton of Carbon Dioxide (CO₂) reduction or its equivalent. Each Carbon Offset offered under this program represents a 500 pound (lb) block of CO₂ reduction, which equates to approximately ¼ of a Carbon Credit. *Duke Energy's GoGreen Kentucky* provides residential customers with the knowledge that they are helping preserve the environment through their energy usage. Similar Green Power offerings are currently available to customers of Duke Energy Ohio, Inc., and Duke Energy Indiana, Inc. A similar Green Power offering was recently approved by the Commission for both Kentucky Utilities and Louisville Gas and Electric in Case No. 2007-00067.

8. Under the terms of the proposed pilot, all of Duke Energy Kentucky's residential customers will be eligible to participate in *Duke Energy's GoGreen Kentucky* program through the purchase of RECS, Carbon Offsets, or both. The program is purely voluntary so each customer must sign a service agreement to enroll. Participants will be able to voluntarily designate a monthly kWh REC purchase level at a fixed price. The minimum monthly REC purchase is 200 kWh with additional voluntary purchases available in 100 kWh increments. Carbon Offsets are available in 500 lb blocks with a minimum purchase of one block. Participants will continue to be billed for electric service under their standard applicable tariffs, including all applicable riders. Amounts collected under *Duke Energy's GoGreen Kentucky* tariff will be used for the acquisition of RECs and/ or Carbon Offsets to promote the development of green power, and to cover the costs of educational materials, marketing

² In addition, the Company is looking into the potential of an IRS 501(c)3, not-for profit corporation to operate and manage the *Duke Energy's GoGreen Kentucky* Program. Through such a not-for-profit, 100% voluntary customer monthly payments to *Duke Energy's GoGreen Kentucky* could be tax deductible. The Company is not currently asking for approval to transfer the program to a not-for-profit, but it may do so in the future.

materials, and advertising the *Duke Energy's GoGreen Kentucky* Program.

9. The initial pricing structure for the REC component of the rate shall be \$2.00 per 100 kWh block with a minimum monthly purchase of two 100 kWh blocks. The initial Carbon Offset rate shall be \$4.00 per 500 lb offset block. Since the price per offset block and kWh block of RECs are intended to recover the costs of administration and promotion as well as for the power and offset itself, Duke Energy Kentucky requests the Commission permit some flexibility in the pricing such that Duke Energy Kentucky may adjust the price to respond to the market changes. Just as other green power generators and marketers will base their price for RECs on prevailing market conditions, Duke Energy Kentucky requests the flexibility to adjust its price per 100 kWh of green power or per Carbon Offset block – higher or lower - to maximize the success of this program.

Thus, if the price per 100 kWh of green power needs to be lowered to improve voluntary participation, Duke Energy Kentucky needs the flexibility to make the downward adjustment. Conversely, if the market price of RECs increases, Duke Energy Kentucky wants the flexibility to increase the price voluntarily paid for 100 kWh of green power to further support for the REC market. If Duke Energy Kentucky needs to change the rate for either the kWh energy block or the Carbon Offset, the Company will file a new tariff with the Commission, for its approval.

10. Since *Duke Energy's GoGreen Kentucky* is purely voluntary, customers are not obligated to participate. The funds collected will be used to fund the program at the level the custom chooses. Once enrolled, a customer will remain in the program until they contact Duke Energy Kentucky and seek removal. A customer may seek removal at anytime upon thirty (30) days notice.

11. Duke Energy Kentucky commits to file an annual report at the Commission relating to the program, which shall include at a minimum, the number of program participants, the total number of RECs and Carbon Offsets subscribed, the expenditures for education and promotion, the expenditures for research, the actual costs of the RECs and Carbon Credits, and the administrative costs.

12. The Commonwealth of Kentucky does not currently have a mandatory Renewable Portfolio Standard (RPS). Nonetheless, Duke Energy Kentucky recognizes the possibility that one may become effective at some point and there will be a need to ensure compliance. Accordingly, the Company reserves the right to modify or withdraw this program if either a statewide or federal RPS is enacted. Duke Energy Kentucky will only do so upon sixty days notice to the Commission.

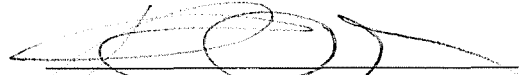
13. Attachment A is a copy of the proposed electric tariff sheets for *Duke Energy's GoGreen Kentucky*, Rider GP, KY.P.S.C. Electric No. First Revised Sheet No. 88

14. Attachment B is a copy of the Direct Testimony of John D. Langston, Market/Product Manager for Duke Energy Shared Services, Inc., who supports the new program offering.

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission expeditiously issue an order granting its application herein and approving *Duke Energy's GoGreen Kentucky* Program and Tariffs.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.

A handwritten signature in black ink, appearing to read "Rocco O. D'Ascenzo", is written over a horizontal line.

Rocco O. D'Ascenzo (92796)

Senior Counsel

Amy B. Spiller (85309)

Associate General Counsel

Duke Energy Kentucky, Inc.

139 East Fourth Street, Rm 25 ATII

Cincinnati, Ohio 45201-0960

Phone: (513) 419-1852 /Fax: (513) 419-1846

e-mail: Rocco.D'Ascenzo@duke-energy.com

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing Application of Duke Energy
Kentucky, Inc. has been served via overnight mail to the following party on this 5th
day of October, 2009:


Rocco D'Ascenzo

Hon. Larry Cook
Office of the Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, Kentucky 40601

Duke Energy Kentucky, Inc.
525 5th Street, Suite 228
Covington, Kentucky 41011

KY.P.S.C. Electric No. 2
First Revised Sheet No. 88
Cancels and Supersedes
Original Sheet No. 88
Page 1 of 2

RIDER GP

DUKE ENERGY'S *GoGREEN* KENTUCKY GREEN POWER / CARBON OFFSET RIDER

APPLICABILITY

Applicable to any residential customer (Rate RS) who wishes to purchase "Green Power" and/or "Carbon Offsets" from Duke Energy's *GoGreen* Kentucky program. The term of this pilot program is three (3) years.

DEFINITION OF GREEN POWER AND CARBON OFFSETS

Green Power includes energy generated from renewable and/or environmentally friendly sources, including:

Wind, Solar Photovoltaic, Biomass Co-firing of Agricultural Crops and All energy crops, Hydro – as certified by the Low Impact Hydro Institute, Incremental Improvements in Large Scale Hydro, Coal Mine Methane, Landfill Gas, Biogas Digesters, Biomass Co-firing of All Woody Waste including mill residue, but excluding painted or treated lumber. Green Power includes the purchase of Renewable Energy Certificates.

Carbon Offsets are financial instruments representing a reduction in greenhouse gas emissions. One Carbon Credit represents the reduction of one metric ton of carbon dioxide (CO₂) or its equivalent in other greenhouse gases. Each Carbon Offset available under this tariff represents a 500 pound (lbs) block reduction of CO₂ (approximately ¼ of a Carbon Credit).

NET MONTHLY BILL

Customers who participate under this rider will be billed for electric service under all applicable tariffs including all applicable riders.

Green Power purchased under this rider, will be billed at the applicable Green Power rate times the number of 100 kWh blocks the customer has agreed to purchase per month.

The Green Power rate shall be \$2.00 per 100 kWh block with a minimum monthly purchase of two 100 kWh blocks.

Carbon Offsets purchased under this rider, will be billed at the applicable Carbon Offset rate times the number of Carbon Offsets the customer has agreed to purchase per month.

The Carbon Offset rate shall be \$4.00 per 500 lbs offset block.

Issued by authority of the Kentucky Public Service Commission in accordance with _____ dated _____, 200x.

Issued:

Effective:

Issued by Julie Janson, President

KY.P.S.C. Electric No. 2
First Revised Sheet No. 88
Cancels and Supersedes
Original Sheet No. 88
Page 2 of 2

Duke Energy Kentucky, Inc.
525 5th Street, Suite 228
Covington, Kentucky 41011

TERMS AND CONDITIONS

1. The customer shall enter into a service agreement with Company that shall specify the number of kWh blocks and/or Carbon Offsets to be purchased monthly and the corresponding rates(s) per unit. The Customer shall give Company thirty (30) days notice prior to cancellation of participation in this rider.
2. Funds collected from this tariff will be used to purchase Renewable Energy Certificates (RECs) and/or carbon credits from renewable and environmentally friendly sources as described in the DEFINITION OF GREEN POWER AND CARBON OFFSETS section and for customer education, marketing, and costs of the GoGreen Power Program.
3. Renewable Energy Certificate (REC) shall mean tradable units that represent the commodity formed by unbundling the environmental attributes of a unit of renewable or environmentally friendly energy from the underlying electricity. One REC would be equivalent to the environmental attributes of one MWh of electricity from a renewable or environmentally friendly generation source.
4. Carbon Credit shall mean tradable units that represent the reduction of the release of a greenhouse gas in the equivalent of one metric ton of CO₂. A Carbon Offset represents approximately ¼ of a Carbon Credit.
5. Company reserves the right to terminate the Rider or revise the pricing or minimum purchase amount of the Rider after giving 60 days notice to the Kentucky Public Service Commission.
6. Company may obtain carbon credits from purchased power, company owned generation, or purchased with funds collected from this rider.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to the Company's Service Regulations, as filed with the Kentucky Public Service Commission.

Issued by authority of the Kentucky Public Service Commission in accordance with _____ dated _____, 200x.

Issued:

Effective:

Issued by Julie Janson, President

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF)
DUKE ENERGY KENTUCKY, INC.) Case No. 2009-_____
FOR APPROVAL OF A NEW)
GREEN POWER PILOT PROGRAM)
DUKE ENERGY'S *GoGREEN* KENTUCKY)

DIRECT TESTIMONY OF

JOHN D. LANGSTON

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

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- ATTACHMENT JDL-1 Proposed Tariff
- ATTACHMENT JDL-2 Carbon Offset Marketing Example
- ATTACHMENT JDL-3 Calculator tool

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is John D. Langston, and my business address is 526 South Church
3 Street, Charlotte, NC 28202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Business Services, Inc., an affiliate of Duke
6 Energy Kentucky, Inc., (Duke Energy Kentucky or Company) as Market/Product
7 Manager I for Distributed Generation/ Renewable Resources, Electric
8 transportation, Convenience Services, and Public Assistance Funds for all Duke
9 Energy Residential and Small Business customers in Indiana, Ohio, Kentucky,
10 North & South Carolina.

11 **Q. WHAT DUTIES AND RESPONSIBILITIES DO YOU HAVE IN YOUR
12 CURRENT POSITION?**

13 A. I am responsible for overseeing and directing a group of people that manage the
14 products and services regarding billing and payments, convenience products and
15 services, Green Power renewable resources, and public assistance funds for
16 electric service as well as developing and implementing Duke Energy strategies,
17 managing performance, and developing new products and services for residential
18 & small business customers.

19 **Q. PLEASE SUMMARIZE YOUR EDUCATION.**

20 A. I have a BA with a major in Political Science, minor in Public Administration,
21 and limited graduate work in Public Administration at the University of North
22 Carolina in Chapel Hill, North Carolina.

JOHN D. LANGSTON DIRECT

1 **Q. PLEASE SUMMARIZE YOUR WORK EXPERIENCE.**

2 A. I have worked for 20 years with Duke Energy, 10 years in Purchasing,
3 Advertising, Distribution, & Sales for Duke Energy Merchandising Division and
4 10 years in Marketing, Product Development, & Product Management for
5 Residential & Small Business customers.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
7 **PROCEEDING?**

8 A. The purpose of my testimony is to describe Duke Energy Kentucky's new pilot
9 program, Duke Energy's *GoGreen* Kentucky. I also briefly describe Duke Energy
10 Kentucky's existing Green Power Tariff (Rider GP) and the benefits of Duke
11 Energy's *GoGreen* Kentucky offering. I sponsor the new Rider GP and describe
12 the sources of Green Power that qualify for that Rider, how that Rider will
13 function, and its terms and conditions. I describe the proposed program
14 enhancements including the marketing of Carbon Credits with Carbon Offsets,
15 whereby customers will have the interactive opportunity to calculate their "carbon
16 footprint" and offset a portion of or their entire carbon footprint through voluntary
17 purchase of Carbon Offsets. I also describe Duke Energy Kentucky's request for
18 adjustable rate (ARP) pricing flexibility under Duke Energy's *GoGreen* Kentucky
19 Tariff and why it is appropriate. Finally, I describe the proposed education and
20 marketing efforts to be made by Duke Energy Kentucky.

II. SCHEDULES SPONSORED BY WITNESS

21 **Q. PLEASE DESCRIBE THE SCHEDULES ATTACHED TO YOUR**
22 **TESTIMONY.**

JOHN D. LANGSTON DIRECT

1 A. Attachment JDL-1 is a copy of Duke Energy Kentucky's proposed Duke Energy's
2 *GoGreen* Kentucky Tariff. JDL-2 and JDL 3 are examples of Carbon Offset
3 marketing and the balance your equation calculator, respectively.

III. DUKE ENERGY'S *GoGREEN* KENTUCKY PILOT PROGRAM

4 **Q. WHAT IS GREEN POWER?**

5 A. Green Power includes energy generated from renewable and environmentally
6 friendly sources including wind, solar, photovoltaic, biomass co-firing of
7 agricultural crops and all energy crops, hydro-as certified by the Low Impact
8 Hydro Institute, incremental improvements in large scale hydro, coal mine
9 methane, landfill gas, biogas digesters, biomass co-firing of all woody waste
10 including mill residue but excluding painted or treated lumber. This is a generally
11 accepted and supported list of environmentally-friendly generation resources.

12 **Q. WHAT ARE RENEWABLE ENERGY CERTIFICATES (RECS) AND**
13 **CARBON CREDITS?**

14 A. A REC is the tradable commodity unit that represents the generation of one MWH
15 of renewable or environmentally friendly generation. A Carbon Credit is a
16 tradable commodity unit that represents one metric ton of carbon dioxide (CO₂)
17 reduction or its equivalent. Both REC and Carbon Credits are commonly used
18 and widely accepted industry standards for green power initiatives.

19 **Q. WHAT IS A CARBON OFFSET?**

20 A. A Carbon Offset is the act of mitigating harmful greenhouse gas emissions
21 through certain activities. For example, methane collection and combustion from

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1 hog farms or landfills generate carbon credits and represent a source of carbon
2 offset. Methane gas is much more harmful to the environment than CO2.
3 Similarly, tree planting and reforestation is a source of carbon credits. Under this
4 program, Carbon Offsets are available in 500 pound (lb) blocks. Each block
5 represents approximately ¼ of a Carbon Credit.

6 **Q. PLEASE BRIEFLY DESCRIBE THE COMPANY'S CURRENT GREEN
7 POWER TARIFF.**

8 A. Duke Energy Kentucky's current Green Power Rider (Rider GP), Sheet No. 88,
9 was a pilot program approved by the Kentucky Public Service (Commission) on
10 September 30, 2002, in Case No. 2002-00267. Rider GP provides customers the
11 opportunity to enter into a written service agreement through which the customer
12 voluntarily contributes at least \$1.00 per month to be added to the customer's
13 normal bill for electric service. These contributions were to be used to purchase
14 the environmental attributes created through generation of electricity from
15 renewable resources or to help pay for the development of Green Power Energy
16 sources. Duke Energy Kentucky did not receive the widespread participation in
17 the existing Green Power program that it had anticipated. In fact, since its
18 inception, Rider GP has had zero participation. Thus, there is a need to revise and
19 refocus the offering and attempt to make it a viable and practicable offering for
20 interested customers.

21 **Q. PLEASE DESCRIBE PROPOSED CHANGES TO THE COMPANY'S
22 GREEN POWER RIDER.**

23 A. In an effort to encourage participation, Duke Energy Kentucky is proposing to
JOHN D. LANGSTON DIRECT

1 modify its current Rider GP tariff. The new program, “Duke Energy’s *GoGreen*
2 Kentucky” is a voluntary program for residential customers. However, instead of
3 merely asking residential customers to voluntarily contribute money to support the
4 acquisition of green power, the new program is an actual green power rate
5 whereby customers will now be empowered to voluntarily designate a monthly
6 kWh purchase level for green power, as well as carbon offsets, and purchase the
7 greenness or “green tag” for a specific level of energy consumption. In short, a
8 customer can actually manage their own carbon footprint. Each participant may
9 voluntarily, at a minimum, purchase 200 kWh monthly with additional voluntary
10 purchases to be made in 100 kWh per month increments at \$2.00 per block.
11 Participants will continue to be billed for electric service under their standard
12 applicable tariffs, including all applicable riders. The voluntary increments of
13 green power purchases will be billed at the applicable Duke Energy’s *GoGreen*
14 Kentucky rate times the amount of green power kWh the customer has requested
15 to purchase per month.

16 The participant will enter into a service agreement that specifies the
17 amount and price of green power to be purchased monthly. Duke Energy
18 Kentucky requests authority to adjust, up or down, the price voluntarily paid per
19 100 kWh of green power and, if necessary, adjust the size of the kWh green power
20 blocks. This request is to allow sufficient flexibility to respond to the market
21 prices for Green Power and allow for the recovery of costs incurred for
22 advertizing and promotion. Participants may cancel their participation in the new
23 Duke Energy’s *GoGreen* Kentucky program at any time after giving Duke Energy

JOHN D. LANGSTON DIRECT

1 Kentucky 30 days' prior notice.

2 Another enhancement to in the new program concerns the marketing of
3 Carbon Credits and Carbon Offsets, through an interactive marketing campaign
4 with the tag line "balance your equation," which will work to drive traffic toward
5 Duke Energy Kentucky's website.

6 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED CARBON OFFSET**
7 **OFFER TO RESIDENTIAL CUSTOMERS.**

8 A. Residential customers will be offered the opportunity to voluntarily purchase a
9 Carbon Offset block, which represents a 500 lb reduction in CO₂ for a monthly
10 charge of \$4.00 per block. The charge would appear as an additional line item on
11 their regular monthly utility bill. The 500 lb Carbon Offset block will be the
12 minimum monthly purchase; however, customers have the option to add as many
13 blocks as they choose.

14 **Q. IS \$4.00 PER CARBON OFFSET BLOCK A REASONABLE CHARGE?**

15 A. Yes, the \$4.00 charge per Carbon Offset block is below average in comparison to
16 other retail programs throughout the nation. According to the National
17 Renewable Energy Lab (NREL), as of December 2008, the average price per ton
18 for programs with Green-e certification projects or self-certified projects is \$17.00
19 per ton or about \$4.25 per Carbon Offset block. Furthermore, it is reasonable
20 because the program offers a low entry price on a partial ton block basis
21 (approximately ¼ of a metric ton).

22 As with the REC purchase component, Duke Energy Kentucky requests
23 authority to adjust, up or down, the price per Carbon Offset block, and if

JOHN D. LANGSTON DIRECT

1 necessary, adjust the size of the blocks. This request is to allow sufficient
2 flexibility to respond to the market prices for Carbon Offsets and allow for the
3 recovery of costs incurred for advertizing and promotion. Participants may cancel
4 their participation in the new Duke Energy's *GoGreen* Kentucky program at any
5 time after giving Duke Energy Kentucky 30 days' prior notice.

6 Finally, this Carbon Offset opportunity is completely voluntary. If
7 residential customers believe the charge to be unreasonable, they may participate
8 in other carbon offset programs available through the internet or from other
9 providers.

10 **Q. IN YOUR OPINION, WHAT IS THE PUBLIC AWARENESS OF CARBON**
11 **EMISSIONS?**

12 A. It is now generally accepted that excess greenhouse gas emissions in the
13 atmosphere can cause a global warming effect and raise the temperature of the
14 planet. Between 1990 and 2007 – the EPA Climate Change website cites a 20%
15 increase in carbon dioxide in the atmosphere. Media coverage of the effects of
16 carbon dioxide on the atmosphere and how each of us through our normal daily
17 activities contributes to carbon dioxide emissions is widespread. Our customers
18 are increasingly aware of their own “carbon footprint” and individuals and
19 corporations are asking how to reduce their carbon footprint or become “carbon
20 neutral” and are taking actions to do so. The awareness of our carbon footprints
21 has become so widespread. Some of Kentucky's largest corporations are offering
22 programs to allow customers to manage their carbon footprints or adopting
23 practices to reduce their carbon footprints. For example, Humana, Inc., the largest

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1 corporation headquartered in Kentucky, recently introduced its “Freewheelin”
2 initiative for bike-sharing, to improve health and reduce automobile carbon
3 emissions. YUM! Brands, Inc., the second largest corporation headquartered in
4 Kentucky, is reducing its carbon footprint by designed environmentally-friendly
5 buildings, and just opened its first LEED Gold Standard KFC-Taco Bell
6 Restaurant under the U.S. Green Building Council’s LEED ® (Leadership in
7 Energy and Environmental Design) program. Travel organizations such as
8 Continental, Delta, Orbitz, Expedia and Travelocity, as well as hotels such as the
9 Hilton and Doubletree Hotel, are offering carbon offsets. Accordingly, the
10 Company believes it is appropriate and responsive to public interest to launch a
11 new carbon offset offering to its customers in the spring of 2010.

12 **Q. WHAT ARE THE MARKETING GOALS OF THE CARBON OFFSET**
13 **PROGRAM?**

14 A. The goals are to maximize customer participation, thereby reducing carbon
15 impact; to educate the public on the availability of green programs for customers
16 and the resulting environmental benefits from participation; to drive green power
17 development and carbon reduction in Kentucky to improve the environment; to
18 enhance economic development; and to build program recognition and public
19 awareness of the program.

20 **Q. HOW WILL THE CARBON OFFSET PROGRAM OF GOGREEN BE**
21 **MARKETED?**

22 A. Duke Energy’s *GoGreen* Kentucky carbon offset offer will be marketed through a
23 variety of media outlets. Duke Energy Kentucky will budget marketing dollars for

JOHN D. LANGSTON DIRECT

1 promotion. If revenue exceeds marketing expenses and program administration
2 labor, the excess funds will be used toward additional promotions. Duke Energy
3 Kentucky's website will provide direct marketing with online promotions of
4 carbon offsets and green power. In addition, an interactive calculator has been
5 developed that will provide the viewer with the opportunity to "balance your
6 equation." Through "balance your equation", the viewer can have his or her
7 carbon footprint calculated and be advised of the number of carbon offset blocks
8 needed to offset his or her carbon footprint. The interactive carbon calculator will
9 be a simple tool for residential customers to use, as well as visually engaging.

10 Targeted online advertisements, will direct residential customers to the
11 website advertisements which might include online banner ads and pay-per-click
12 advertising in key metropolitan markets. In addition, Duke Energy Kentucky will
13 use social networking, such as Facebook ads, to drive traffic from a younger
14 demographic and newspaper and magazine advertising in key online media
15 markets will be used. All of these marketing outlets will have access to or the
16 web address for the "balance your equation" calculator. Exhibits JDL-2 and JDL-
17 3 attached to my testimony are examples of carbon offset marketing and the
18 balance your equation calculator.

19 There could also be direct marketing through events and sponsorships.
20 Carbon Offsets and green power will be marketed through events that reach the
21 local and state level through schools, fairs, or green expos. Events such as carbon
22 offset tree drops may also be conducted. At such an event, small trees with eco-
23 friendly tags and pots may be given away in a high-population public location

JOHN D. LANGSTON DIRECT

1 along with educational material explaining the benefits of carbon reduction and
2 the Company's carbon offset program. Leveraging Duke Energy Kentucky
3 corporate sponsorships at sporting events may allow the opportunity to promote
4 Duke Energy's *GoGreen* Kentucky programs via radio spots, game day programs,
5 game magazines, and scoreboard signage. Speakers' bureau events will be
6 another opportunity for grass roots communication with customers.

7 **Q. IS DUKE ENERGY KENTUCKY CONTEMPLATING ANY OTHER**
8 **CHANGES TO ITS GREEN POWER PROGRAM?**

9 A. Yes. Duke Energy Kentucky is investigating the potential of an IRS 501(c)3 not-
10 for-profit corporation to operate and manage Duke Energy's *GoGreen* Kentucky
11 Program. Through such a not-for-profit, 100% of the voluntary customer monthly
12 payments to Duke Energy's *GoGreen* Kentucky could be tax deductible. The
13 Company is not currently asking for approval to transfer the program to a not-for-
14 profit, but it may do so in the future.

15 **Q. PLEASE DESCRIBE HOW DUKE ENERGY KENTUCKY WILL USE**
16 **THE REVENUES FROM DUKE ENERGY'S *GoGREEN* KENTUCKY**
17 **PROGRAM.**

18 A. Amounts collected under this program are above the Company's standard
19 applicable tariff rate plus applicable riders and will be used for acquisition of
20 RECs and Carbon Credits to promote the development of green power and to
21 cover the costs of educational materials, marketing materials, and advertising
22 Duke Energy's *GoGreen* Kentucky program.

JOHN D. LANGSTON DIRECT

1 **Q. FROM WHAT SOURCES WILL THE COMPANY OBTAIN RECS AND**
2 **CARBON OFFSETS FOR DUKE ENERGY'S GOGREEN KENTUCKY**
3 **PROGRAM?**

4 A. The Company will obtain RECs and Carbon Offsets from the open market.

5 **Q. CAN COMMERCIAL AND INDUSTRIAL CUSTOMERS PARTICIPATE**
6 **IN THE NEW GREEN POWER PROGRAM?**

7 A. Not at this time. Duke Energy Kentucky proposes to implement this program for
8 residential customers. Duke Energy Kentucky will assist commercial and
9 industrial customers interested in obtaining offsets and RECs through referrals to
10 providers that are better able to customize an offering taking into consideration
11 the commercial and industrial customer's particular business objectives as they
12 relate to green power and climate issues.

13 **Q. WILL DUKE ENERGY KENTUCKY KEEP THE COMMISSION AND**
14 **STAKEHOLDERS APPRISED OF THE PROGRAM RESULTS?**

15 A. Yes. Duke Energy Kentucky will provide annual updates on the performance of
16 Duke Energy's *GoGreen* Kentucky Tariff to stakeholders through December 31,
17 2012. Duke Energy Kentucky will also update the Commission with a final report
18 on its success.

19 **Q. IF FEDERAL OR STATE LAWS ARE ENACTED THAT REQUIRE**
20 **KENTUCKY ELECTRIC UTILITIES TO HAVE A SPECIFIC**
21 **RENEWABLE PORTFOLIO STANDARD (RPS) DURING THE THREE-**
22 **YEAR TERM OF THIS PROPOSAL, SHOULD THIS PROGRAM**
23 **CONTINUE?**

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1 A. If lawfully mandated to maintain an RPS, there may be no need for this voluntary,
2 proposed program. Accordingly, Duke Energy Kentucky requests Commission
3 approval to reserve the right to modify or withdraw this program if an RPS is
4 enacted.

5 **Q. YOU PREVIOUSLY STATED THAT DUKE ENERGY KENTUCKY**
6 **SEEKS AUTHORIZATION TO ADJUST THE AMOUNT CHARGED**
7 **MONTHLY FOR 100 KWH OF GREEN POWER RECS AND CARBON**
8 **OFFSET BLOCKS DURING THE THREE- YEAR TERM OF THIS**
9 **PROGRAM AND TO ADJUST THE MINIMUM KWH PURCHASE**
10 **AMOUNT AND CARBON OFFSET BLOCK AMOUNT. WHY DOES**
11 **DUKE ENERGY KENTUCKY MAKE THIS REQUEST?**

12 A. The market price for RECs and Carbon Offsets fluctuate. If Duke Energy's
13 *GoGreen* Kentucky Tariff is approved, Duke Energy Kentucky will make a
14 commitment to its customers to go to the marketplace and acquire the level of
15 RECs and Carbon Offsets necessary to match the green power commitments made
16 voluntarily by Duke Energy Kentucky residential customers. The cost of that
17 commitment may fluctuate with market conditions. As such, it is reasonable that
18 Duke Energy Kentucky should reserve the right to make certain the amount it
19 charges is sufficient to purchase a load matching level of RECs and Carbon
20 Offsets.

21 Additionally, the REC and Carbon Offset markets are open and
22 competitive. Duke Energy Kentucky customers do not have to participate in Duke
23 Energy's *GoGreen* Kentucky program for RECs or Carbon Offsets. Rather, they

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1 can directly purchase RECs or offsets over the internet from green power
2 generators and marketers. Thus, if customers believe that Duke Energy's
3 *GoGreen* Kentucky Program is unreasonably high, they can financially support
4 green power through other means. Similarly, if the market prices for RECs or
5 offsets rise above the level reflected in the initial tariff rate, Duke Energy
6 Kentucky would need the ability to adjust its tariff accordingly to make sure it is
7 recovering the program and administration costs.

8 Just as other green power generators and marketers will base their prices
9 for on prevailing market conditions, Duke Energy Kentucky requests the
10 flexibility to adjust its price – higher or lower - to maximize the success of this
11 program. That success is maximized by growing the number of participants and
12 an increased proliferation of the green power market and green power generation.

13 Thus, if the price per 100 kWh of green power or 500 lb Carbon Offset
14 block needs to be lowered to improve voluntary participation, Duke Energy
15 Kentucky needs the flexibility to make the downward adjustment. Conversely, if
16 the market prices of RECs or offsets increase, Duke Energy Kentucky wants the
17 flexibility to increase the price voluntarily paid to further support for the market.
18 If Duke Energy Kentucky needs to change the tariff rate for either the kWh block
19 of energy or the Carbon Offset, the Company will file a new tariff with the
20 Commission, for its approval. The Company will notify customers through a bill
21 insert that the price will be changing and they will have the opportunity to
22 withdrawal from participating.

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1 **Q. SHOULD THE COMMISSION BE CONCERNED THAT DUKE ENERGY**
2 **KENTUCKY MIGHT UNREASONABLY INCREASE THE COST OF**
3 **DUKE ENERGY'S *GOGREEN* KENTUCKY TO PARTICIPANTS IN THIS**
4 **PROGRAM?**

5 A. No. It certainly would not be in Duke Energy Kentucky's interests to compromise
6 its own voluntary program by proposing an unreasonable price for green energy.
7 The Company is proposing this tariff in order to encourage customer satisfaction
8 and consumption of green energy. Charging a higher price that would, in effect,
9 discourage participation would make no sense. As pointed out above, RECs are
10 openly traded in a free, competitive marketplace. So, if a customer believes that
11 Duke Energy Kentucky's price is unreasonably high, the customer can shop
12 elsewhere or discontinue participation in the renewable energy program altogether
13 with appropriate notice. Also, customers will be notified 60 days in advance of
14 any price or minimum purchase amount adjustments and may withdraw from the
15 program upon 30 days' notice.

16 **Q. WOULD THE COMMISSION BE ACTING IN THE PUBLIC INTEREST**
17 **BY ALLOWING DUKE ENERGY KENTUCKY CUSTOMERS THE**
18 **OPPORTUNITY TO VOLUNTARILY PAY HIGHER THAN NORMAL**
19 **RATES TO SUPPORT GREEN POWER?**

20 A. Yes. Those who voluntarily choose to pay premium rates for green energy
21 attributes, over and above the energy usage from fossil-based resources included
22 in base rates, improve the cost effectiveness of green power generation. Those
23 volunteers also increase the market's perceived financial viability of green power,

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1 stimulate more investments, create more no or low emissions generating sources,
2 and satisfy their own desire to support such a program. Given that current green
3 power generation technology is often not as cost-effective as traditional
4 generation, it is a fair balance that those customers who most support green energy
5 promote it by paying its higher costs. Logically, as demand for green power
6 increases, green power production should increase and the cost of green energy
7 should decline. This decline should stimulate interest and, participation in and the
8 financial viability of green power, which is beneficial to the public.

9 **Q. WILL DUKE ENERGY KENTUCKY PERFORM CUSTOMER**
10 **EDUCATION AND MARKETING FOR DUKE ENERGY'S *GoGREEN***
11 **KENTUCKY PROGRAM?**

12 A. Yes. The proposal is intended to increase customer satisfaction and participation
13 in the Duke Energy's *GoGreen* Kentucky Program. Educating customers on the
14 availability of the program and on the environmental benefits of green power
15 generation is expected to increase the number of participants in the program.
16 Increased participation results in higher demand for green energy and additional
17 financial support for green technologies and for the green power generation
18 market. It is reasonable to expect that as demand for green power energy grows,
19 the marketplace will meet that demand with additional investment in green power
20 generation and technology. But that process cannot occur without educating the
21 public as to the benefits of green power energy and marketing its availability.

22 **Q. HOW WILL DUKE ENERGY KENTUCKY INFORM CUSTOMERS**
23 **ABOUT THE PROGRAM?**

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1 A. Duke Energy Kentucky's customer education and marketing effort will begin with
2 a broad announcement on the customer bill to all residential customers after the
3 Commission approves the program. Carbon offsets will begin with a bill message
4 and social media ads. Customer feedback on the program promotion will be
5 incorporated into the program on a real time basis to help improve the program's
6 efficiency and effectiveness.

7 **Q. WHAT ACTIVITIES WILL DUKE ENERGY KENTUCKY USE IN ITS**
8 **EDUCATION AND MARKETING EFFORTS?**

9 A. Duke Energy Kentucky will use direct mailing, local meetings between Company
10 experts and customers, on-line advertising, social media, bill messaging and
11 newspaper advertising. Additionally, Duke Energy Kentucky hopes to roll out
12 Duke Energy's *GoGreen* Kentucky demonstration projects that will be visible to
13 and will help educate the public.

14 **Q. WILL RESIDENTIAL CUSTOMERS BE SOLICITED BY TELEPHONE**
15 **FOR THIS PROGRAM?**

16 A. No.

17 **Q. IS IT IMPORTANT FOR THE PROGRAM'S SUCCESS FOR DUKE**
18 **ENERGY KENTUCKY TO BE ABLE TO ADJUST THE PRICE AND THE**
19 **LEVEL OF THE CONSUMPTION BLOCKS DURING THE THREE-**
20 **YEAR TERM OF THIS PROGRAM?**

21 A. Yes. Green power, RECs and Carbon Offsets are openly traded in a competitive
22 marketplace. Thus, their prices may fluctuate and Duke Energy Kentucky's costs
23 to obtain those commodities may vary over time. Duke Energy Kentucky's

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1 interaction with its customer base may demonstrate that it needs to adjust the
2 green power consumption blocks to satisfy customer needs and maximize
3 participation. Similarly, Duke Energy Kentucky may need to lower the green
4 power unit price to maximize participation. That flexibility will benefit the
5 program and Duke Energy Kentucky's customers. The requested flexibility
6 satisfies two of the most important goals of this program – enhanced customer
7 satisfaction and robust participation in, and the proliferation of, the green power
8 marketplace.

IV. CONCLUSION

9 **Q. WERE ATTACHMENTS JDL1, JDL-2, AND JDL-3 PREPARED BY YOU**
10 **OR UNDER YOUR SUPERVISION?**

11 A. Yes.

12 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

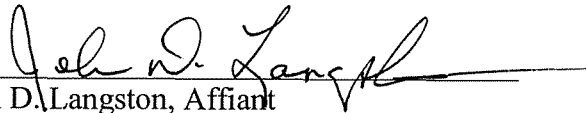
13 A. Yes.

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VERIFICATION

State of North Carolina)
)
County of Mecklenburg) SS:

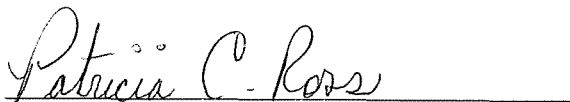
The undersigned, John D. Langston, being duly sworn, deposes and says that has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.



John D. Langston, Affiant

Subscribed and sworn to before me by John D. Langston on this 29 day of September 2009.

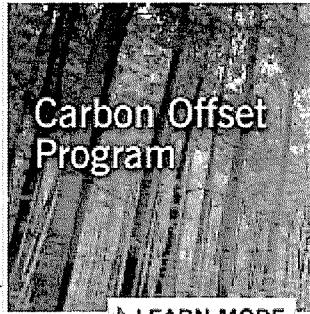




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Duke Energy's GoGreen Power

Duke Energy's GoGreen Power

How you can help.
As a Duke Energy GoGreen Power participant, you can purchase the minimum of two 100 kilowatt-hour (kwh) blocks of green power for only \$5 a month, which is about 18 percent of an average residential customer's electricity usage. Beyond this minimum, you can purchase additional 100 kwh blocks of green power for \$2.50 a month. All you have to do is decide how many blocks you want to buy, and it will be added to your energy bill. It's that easy!

Under the program, Duke Energy will obtain energy from environmentally friendly generating sources located within our service area as they become available. We'll also purchase renewable energy from third parties in the form of renewable energy certificates.

Benefits of Duke Energy's GoGreen Power.

- Advances the development of renewable, environmentally friendly energy sources.
- Offsets carbon dioxide emissions in the atmosphere.
- Diversifies energy supply and lessens demand for fossil fuel generation.

RELATED LINKS

- Duke Energy's GoGreen Power Brochure (pdf, 151 KB)
- Frequently Asked Questions



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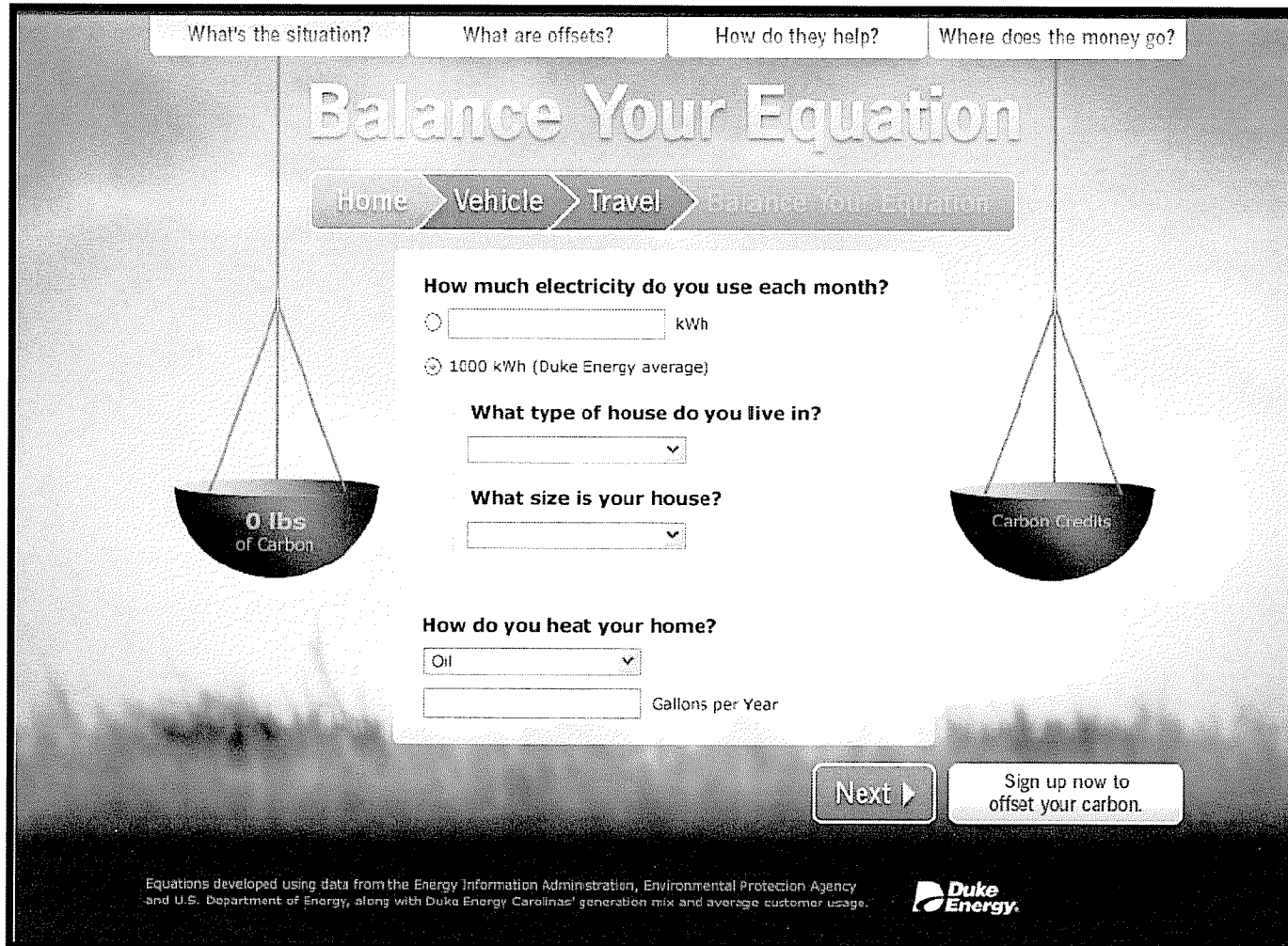
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How much electricity do you use each month?

kWh

1000 kWh (Duke Energy average)

What type of house do you live in?

What size is your house?

How do you heat your home?

Oil Gallons per Year


0 lbs of Carbon

Carbon Credits

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Equations developed using data from the Energy Information Administration, Environmental Protection Agency and U.S. Department of Energy, along with Duke Energy Carolinas' generation mix and average customer usage.



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