

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY)
KENTUCKY, INC. FOR APPROVAL OF A NEW) CASE NO. 2009-00408
GREEN POWER PILOT PROGRAM - DUKE)
ENERGY'S GOGREEN KENTUCKY)

O R D E R

On October 9, 2009, Duke Energy Kentucky, Inc. ("Duke Kentucky") filed an application requesting Commission approval of its proposed GoGreen Kentucky program. Duke Kentucky's GoGreen Kentucky green power program is a voluntary, three-year pilot program which will end on December 31, 2012. Depending upon customer acceptance and the level of customer participation in the program, Duke Kentucky reserves the right to request continuation of the program beyond 2012.

BACKGROUND

In Case No. 2002-00267,¹ the Commission approved Duke Kentucky's Green Power Rider ("Rider GP") as a three-year pilot program. The program was extended for

¹ Case No. 2002-00267, An Application of The Union Light, Heat and Power Company for Approval of Its Proposed Rider GP, Green Power Rider (Ky. PSC Sept. 30, 2002). Until mid-2006, Duke Kentucky operated as The Union Light, Heat and Power Company.

three years without modification following Duke Kentucky's last electric rate case.² Rider GP is a voluntary tariff that allows customers the opportunity to purchase power generated from environmentally friendly, renewable sources, including, but not limited to: hydroelectric; photovoltaic; solar thermal; wind; biomass; and methane recovery. The customer is required to enter into a written service agreement for a minimum of one year. The minimum contribution amount is required to be in whole dollars, with a minimum contribution of \$1.00. In its testimony, Duke Kentucky states its belief that there is a need to revise and refocus that program to encourage participation because there has been zero participation in the Rider GP program.³

DISCUSSION

Growing awareness of Duke Kentucky's customers concerning their own "carbon footprints" has prompted Duke Kentucky to propose the GoGreen Kentucky program. If authorized by the Commission, the proposed program will be launched in the spring of 2010.

Duke Kentucky's proposed GoGreen Kentucky program will enable residential customers to designate a monthly kWh purchase level for green power and/or carbon offsets, allowing them to manage their own carbon footprints. GoGreen Kentucky participants will continue to be billed at their current rates, but they will be able to purchase, voluntarily, 100 kWh blocks of green energy attributes at \$2.00 per block. If a

² Case No. 2006-00172, An Adjustment of the Electric Rates of The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky, Inc. (Ky. PSC Dec. 21, 2006).

³ Direct testimony of John D. Langston, at 4.

customer decides to participate, a minimum purchase of 200 kWh, at a cost of \$4.00 per month, will be required. Duke Kentucky will also allow participants in the GoGreen Kentucky program to voluntarily purchase a carbon offset block, which represents a 500-pound reduction in CO₂, for a monthly charge of \$4.00 per block. A single 500-pound block will be the minimum purchase; however, customers will have the option to purchase as many blocks as they choose.

Duke Kentucky requests authority to adjust the price of a block of green power attributes, or a block of carbon offsets, up or down based on changes in the market prices for renewable energy or, if necessary, to adjust the size of the blocks. If a change is needed, Duke Kentucky will request that the Commission approve revisions to its tariff. It will notify participants through a bill insert that the price will be changing and will give participants the opportunity to withdraw from the program.⁴ Duke Kentucky believes it must have this authority to give it sufficient flexibility to respond to changes in the market prices for green power and carbon offsets. The Commission recognizes the potential price volatility related to these green power commodities and finds that Duke Kentucky's request for authority to adjust the price for a block of green power or a block of carbon offsets, as well as authority to adjust the size of the blocks, is reasonable and should be approved. In accordance with its plans, Duke Kentucky should treat such an adjustment as a change to its filed tariff. It will need to file a revised tariff reflecting the change at least 30 days prior to the proposed effective date of the change, and the tariff filing will need to include detailed cost justification to fully support the proposed change.

⁴ Id. at 13.

Any GoGreen Kentucky participant may withdraw from the program after giving 30 days' prior notice. The withdrawal option will allow participants to leave the GoGreen Kentucky program and pursue other carbon offset programs if they believe Duke Kentucky's charges to be unreasonable.

Marketing expenses will be budgeted for promotion of the GoGreen Kentucky program. Duke Kentucky plans a diverse marketing effort to build program recognition and public awareness in order to maximize customer participation. Specific media used to market GoGreen Kentucky will include: (1) Duke Kentucky's website, which will provide an interactive carbon footprint calculator; (2) targeted online advertisements; (3) internet social networking site ads; (4) newspaper and magazine ads; (5) direct marketing through events and sponsorships, including sporting events; and (6) speakers' bureaus. For 2010, the initial year for the program, Duke Kentucky projects that expenses will exceed revenues by approximately \$275,000. However, it expects revenues to recover all program expenses within the first three years of initiating the program.⁵

Duke Kentucky commits to filing an annual report relating to the GoGreen Kentucky program that will provide, at a minimum: (1) the number of program participants; (2) the total number of Renewable Energy Credits ("RECs") and carbon offsets subscribed to by participants; (3) the expenditures for education and promotion of the program; (4) the expenditures for research (customer satisfaction and

⁵ Response to the Commission Staff's Second Data Request dated December 21, 2009, item 3.

experience); (5) the actual costs of the RECs and carbon offsets; and (6) administrative costs. The Commission finds that Duke Kentucky's proposed content for the annual report is sufficient and should be approved.

Duke Kentucky will use an in-house purchasing agent to procure RECs and carbon credits. The purchasing agent will consider the market price, the types of projects, and the locations of the projects. The purchasing agent will focus on regional green power projects with the best value. The Commission recognizes the limited availability of renewable energy sources in Kentucky but encourages Duke Kentucky to acquire RECs from Kentucky sources when economically feasible.

Based on the application and data responses and being otherwise sufficiently advised, the Commission finds that Duke Kentucky's proposed GoGreen Kentucky green energy pilot program should be approved for three years as requested.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky is authorized to establish its proposed GoGreen Kentucky green energy pilot program for three years as set forth in its October 9, 2009 application.

2. Revised tariff sheets reflecting any adjustment in price of a block of green power or carbon credits, or any adjustment to the size of the blocks of green power or carbon credits, shall be submitted as a tariff filing, subject to Commission approval, to be filed at least 30 days prior to the effective date of the adjustment along with detailed cost support.

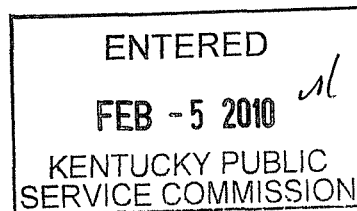
3. No less than 90 days prior to the December 31, 2012 expiration of the GoGreen Kentucky pilot program, Duke Kentucky shall inform the Commission in writing of its plans for the program following the December 31, 2012 expiration date.

4. Duke Kentucky shall annually file a report with the Commission containing the information pertaining to its GoGreen Kentucky green energy program as discussed in the findings above. These reports shall be filed at the same time as Duke Kentucky's annual report.

5. Any documents filed in the future pursuant to ordering paragraphs 3 and 4 shall reference this case number and shall be retained in Duke Kentucky's general correspondence file.

6. Duke Kentucky shall file, within 20 days of the date of this Order, revised tariff sheets setting forth the charges approved herein, showing their date of issue and their effective date, and reflecting that they were issued by authority of this Order.

By the Commission



ATTEST:


Executive Director

Case No. 2009-00408

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