

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ANNUAL COST RECOVERY FILING FOR)	
DEMAND-SIDE MANAGEMENT BY DUKE)	CASE NO.
ENERGY KENTUCKY, INC.)	2009-00444

O R D E R

On November 16, 2009, Duke Energy Kentucky, Inc. (“Duke Kentucky”) submitted the annual status report and cost recovery filing for its demand-side management (“DSM”) programs. According to the filing, all members of the Duke Kentucky Residential Collaborative and Commercial and Industrial Collaborative, with the exception of the Attorney General (“AG”), who was to indicate his opinion at a later date, were in agreement with the application. Duke Kentucky requested approval to continue the existing programs under its current DSM model until the earlier of Commission approval of new DSM programs proposed in its application under its save-a-watt model in Case No. 2008-00495¹ or December 31, 2012.

Duke Kentucky proposed changes to its DSM cost recovery surcharge factors to be effective 30 days from the date of its application. By Order dated December 11, 2009, the Commission suspended the proposed surcharge factors for five months, up to and including May 15, 2010.

¹ Case No. 2008-00495, Application of Duke Energy Kentucky, Inc. for Approval of Energy Efficiency Plan, Including an Energy Efficiency Rider and Portfolio of Energy Efficiency Programs. Duke Kentucky’s proposal to revise its DSM programs and cost recovery mechanisms was withdrawn and approved without prejudice on January 29, 2010 (Ky. PSC Jan. 29, 2010).

The AG sought and was granted intervention in this case. A procedural schedule was established allowing for one round of discovery and the filing of comments. Discovery is complete and the matter now stands submitted to the Commission for a decision on the record.

DISCUSSION

Duke Kentucky proposes to offer the same 11 DSM programs to its residential, commercial, and industrial customers in 2010 as it offered in 2009. It has also implemented the Home Energy Assistance Program approved by the Commission in Case No. 2008-00100.²

One notable change has occurred to Duke Kentucky's PowerShare program. This program has had success in increasing its summer curtailment capability from customers enrolled in its CallOption feature. Under PowerShare CallOption, upon notification by the utility, customers agree to reduce demand or provide generation for purchase by Duke Kentucky. Customers receive a credit for each occurrence. Customers may elect to buy through the reduction at a market-based price. During emergency events, this buy-through election is not an option. The level of curtailment in 2008 was 4.4 MW, which increased in 2009 to 12.2 MW with the addition of three customers, raising the total enrollment to 10 customers. The change in the CallOption feature of PowerShare involves the opportunity for customers to buy through curtailment requirements. For 2009 and future years, there is a requirement for programs to allow a minimum of five emergency events where no buy-through opportunity is offered.

² Case No. 2008-00100, Application of Duke Energy Kentucky, Inc. to Reinstitute a Home Energy Assistance Program (Ky. PSC Sept. 25, 2008).

SAVINGS AND COSTS

Duke Kentucky reported energy savings of 25.9 million kWh attributable to its DSM programs for the 12 months ended June 30, 2009. The programs resulted in demand reductions during this period of 20,270 kW.

Duke Kentucky's DSM revenue requirement, including program costs, lost revenues and financial incentives, is \$6.1 million.³ This level of expenditure, along with under- and over-recoveries from prior periods, results in a total DSM revenue requirement of \$9.6 million, of which \$4.8 million is allocated to Duke Kentucky's electric and gas operations.⁴ These amounts result in the following proposed changes in Duke Kentucky's DSM surcharge factors:

<u>Customer Classification</u>	<u>Existing DSM Surcharge</u>	<u>Proposed DSM Surcharge</u>
Electric Residential	\$0.002036 per kWh	\$0.001830 per kWh
Non-residential Distribution	\$0.000512 per kWh	\$0.000917 per kWh
Non-residential Transmission	\$0.000047 per kWh	\$0.000078 per kWh
Gas Residential	\$0.66904 per Mcf	\$0.74752 per Mcf

³ Duke Kentucky's application at 34 and Appendix B, page 2 of 5.

⁴ Id. Appendix B, page 5 of 5.

CONCLUSIONS

Having reviewed the evaluation studies and cost effectiveness test results provided by Duke Kentucky in support of its DSM programs, the Commission finds that Duke Kentucky's DSM programs are reasonable and cost effective and should be continued as proposed.

SUMMARY

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Duke Kentucky has continued to keep the Commission properly informed of the progress and status of its DSM programs with this most recent annual filing, which contains updates on individual programs, energy and demand savings, projected expenditures, and reconciliations of prior revenues and costs for all programs.

2. Duke Kentucky's revised DSM surcharge factors, which are based on its expected level of DSM program costs and the true-up of prior period DSM costs and revenues, are reasonable and should be approved.

IT IS THEREFORE ORDERED that:

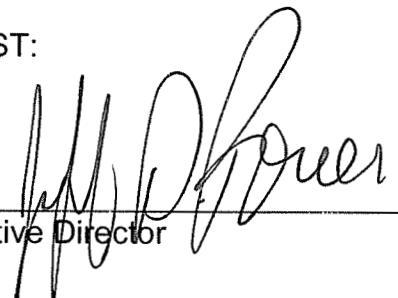
1. Duke Kentucky's revised DSM surcharge factors are approved, effective as of the date of this Order.

2. Within 10 days of the date of this Order, Duke Kentucky shall file its revised DSM tariffs showing the date of issue and that they were issued by authority of this Order.

By the Commission

ENTERED
MAR 22 2010
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Paul D Adams
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Rocco O D'Ascenzo
Duke Energy Kentucky, Inc.
139 East 4th Street, R. 25 At II
P. O. Box 960
Cincinnati, OH 45201

Dianne Kuhnell
Duke Energy Kentucky, Inc.
139 East 4th Street, R. 25 At II
P. O. Box 960
Cincinnati, OH 45201