



DUKE ENERGY CORPORATION

139 East Fourth Street  
P O. Box 960  
Cincinnati, OH 45201-0960  
Telephone: (513) 419-1805  
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Kristen Cocanougher  
Sr. Paralegal  
E-mail: Kristen.cocanougher@duke-energy.com

**VIA OVERNIGHT DELIVERY**

October 1, 2012

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

RECEIVED

OCT 02 2012

PUBLIC SERVICE  
COMMISSION

Re: *Application of Duke Energy Kentucky, Inc. for Approval to Continue its GoGreen Kentucky Program*  
Case No. 2012-\_\_\_\_\_

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of the *Application of Duke Energy Kentucky, Inc. for Approval to Continue its GoGreen Kentucky Program* to be filed in the above captioned case.

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

Sincerely,

Kristen Cocanougher

cc: Dennis Howard II

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED  
OCT 02 2012  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF )  
DUKE ENERGY KENTUCKY, INC., )  
FOR APPROVAL TO CONTINUE )  
ITS *GoGREEN* KENTUCKY )  
PROGRAM )

Case No. 2012-\_\_\_\_\_

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APPLICATION OF DUKE ENERGY KENTUCKY, INC. FOR APPROVAL TO  
CONTINUE ITS *GoGREEN* KENTUCKY PROGRAM

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Now comes Duke Energy Kentucky, Inc. (Duke Energy Kentucky or the Company) and requests approval to extend the availability of its *GoGreen* Kentucky Program (*GoGreen*) as described in detail herein. Pursuant to the Commission's Order in Case No. 2009-00408, Duke Energy Kentucky's current *GoGreen* Kentucky program expires on December 31, 2012. Duke Energy Kentucky respectfully requests approval to continue to offer the program on a going forward basis.

In support of this Application, pursuant to Administrative Regulation 807 KAR 5:001, Duke Energy Kentucky submits the following:

**Background**

1. Duke Energy Kentucky is a Kentucky corporation with its principal office and principal place of business at 139 East Fourth Street Cincinnati, Ohio, 45202. The Company's local office in Kentucky is Duke Energy Envision Center, 4580 Olympic Boulevard Erlanger, Kentucky 41018.

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. A copy of Duke Energy Kentucky's Articles of Incorporation is on file with this Commission in Case Number 2009-00202 and is hereby incorporated herein by reference.

4. By Commission Order dated February 5, 2010, the Commission approved *GoGreen* Kentucky green energy pilot program for three years through December 31, 2012.

5. Duke Energy Kentucky's existing Green Power Rider (Rider GP), Sheet No. 88, is a three year pilot program approved by the Commission in Case No. 2009-00408. Duke Energy's *GoGreen* Kentucky is a service option for residential customers providing 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 sources. 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 (CO<sub>2</sub>) reduction or its equivalent. Each Carbon Offset offered under this program represents a 500 pound (lb) block of CO<sub>2</sub> 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.

6. The current pricing structure for the REC component of the rate is \$2.00 per 100 kWh block with a minimum monthly purchase of two 100 kWh blocks. The current Carbon Offset rate is \$4.00 per 500 lb offset block. 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.

7. As part of this Application, Duke Energy Kentucky is proposing to reduce the price of the REC component to \$1.00 per 100 kWh block with a minimum monthly purchase of two 100 kWh blocks.<sup>1</sup> The Company hopes that the reduced pricing will encourage more participation in the program. In addition, Duke Energy Kentucky is proposing to remove the expiration reference in the tariff so to continue the program as a regular offering rather than as a pilot. Finally, Duke Energy Kentucky is proposing to remove the residential customer restriction in the tariff so that non-residential customers may also elect to participate in the program.

8. Finally, Duke Energy Kentucky requests the Commission continue to 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

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<sup>1</sup> The Company is not proposing any changes to the Carbon Credit program.

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.

9. Duke Energy Kentucky currently has 100 customers taking service under the tariff, electing to purchase a total of approximately 430,800 kWh of green power on an annual basis. Similarly, 6 customers have elected to purchase 39 carbon credits effectively offsetting approximately 78,000 lbs of CO<sub>2</sub> on an annual basis. Since the program's revision in 2008, Duke Energy Kentucky has seen a steady increase in GoGreen participation with a 32% increase in 2012 and thus has determined there is a desire for this type of product offering.

10. Duke Energy Kentucky will continue 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.

11. 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.

12. Attachment A is a copy of the current redlined electric tariff sheet, Rider GP, Duke Energy's *GoGreen* Kentucky Green Power/Carbon Offset Rider, Sheet No. 88.

13. Attachment B is a clean copy of the proposed electric tariff sheet, Rider GP,

Duke Energy's *GoGreen* Kentucky Green Power/Carbon Offset Rider Sheet No. 88.

14. Attachment C is a summary description of the proposed tariff change and reasons supporting the continuation of the program.

WHEREFORE, Duke Energy Kentucky prays that the Commission issue its Order approving the changes herein and directing Duke Energy Kentucky to file tariff in conformance therewith.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.



Rocco O. D'Ascenzo (92796)  
Associate General Counsel  
Amy B. Spiller (85309)  
State Regulatory General Counsel  
Duke Energy Kentucky, Inc.  
139 East Fourth Street – 1303 Main  
Cincinnati, Ohio 45201-0960  
Phone: (513) 287-4320  
Fax: (513) 287-4385  
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 1<sup>st</sup> day of October, 2012.



Rocco D'Ascenzo

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

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**RIDER GP**

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

**APPLICABILITY**

Applicable to all customers who wish to purchase "Green Power" and/or "Carbon Offsets" from Duke Energy's GoGreen Kentucky program.

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**DEFINITION OF GREEN POWER AND CARBON OFFSETS**

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

**Deleted:** The pilot program will end December 31, 2012.

Wind, Solar Photovoltaic, Biomass Co-firing of Agricultural 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 (RECs).

**Deleted:** and All energy crops

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 (CO<sub>2</sub>) or its equivalent in other greenhouse gases. Each Carbon Offset available under this tariff represents a 500 pound (lbs) block reduction of CO<sub>2</sub> (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 \$1.00 per 100 kWh block with a minimum monthly purchase of two 100 kWh blocks.

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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.

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**Deleted:** Renewable Energy Certificates (RECs)

**Deleted:** February 5, 2010

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**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 RECs and/or carbon credits from

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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 CO<sub>2</sub>. 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 RECs from purchased power, company owned generation, or third party brokers purchased with funds collected from this rider.

Company may obtain Carbon Credits from third party brokers or company owned projects 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.

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**RIDER GP**

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

**APPLICABILITY**

Applicable to all customers who wish to purchase "Green Power" and/or "Carbon Offsets" from Duke Energy's GoGreen Kentucky program.

**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, 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 (RECs).

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 (CO<sub>2</sub>) or its equivalent in other greenhouse gases. Each Carbon Offset available under this tariff represents a 500 pound (lbs) block reduction of CO<sub>2</sub> (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 \$1.00 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.

**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.

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SUMMARY DESCRIPTION OF PROPOSED TARIFF CHANGE

RIDER GP

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

### Description of the Proposed Tariff Change

Duke Energy Kentucky requests authority for permanent approval of GoGreen with no term limit. The program reaches a targeted customer demographic interested in supporting green energy. The proposed change supports this ongoing customer choice for green energy. Since the program launched in July 2010, customer retention on the program is approximately 93% and the number of active customers by month has grown by 32% in 2012. Customers are supporting annualized equivalent green energy of 414,500 kilowatt hours, enough to power 34 residential homes assuming 12,000 kWh annual of usage. In the future period, growth in sales and kWh for Green Energy is estimated at 10%-20% which furthers the success of the program. Duke Energy Kentucky continues to reserve the right to modify or withdraw the program if conditions change due to REC markets or Compliance regulations.

Duke Energy Kentucky proposes a reduction in the price of a 100 kWh block to \$1. Neighboring Duke Energy Ohio currently offers this rate of \$1 per 100 kWh block. The price of wind Renewable Energy Credits (RECs) has decreased over 50% in the last two years and Duke Energy Kentucky wants to pass this reduction along to customers, creating greater access to renewable energy. While administrative and marketing costs remain steady and are expected to grow as the program grows, the forecasted REC prices are expected to remain in the current range. Along with the price per block reduction, Duke Energy Kentucky proposes pricing flexibility for the amount charged for RECs and block size flexibility to adjust the sales block size for RECs. Such flexibility is reasonable and useful in encouraging program participation and responding to market conditions.

Duke Energy Kentucky proposes to remove the residential customer class limitation so that all customers may have an opportunity to elect to participate in the program.