

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF)
DUKE ENERGY KENTUCKY, INC.) CASE NO. 2017-00324
TO AMEND ITS DEMAND SIDE)
MANAGEMENT PROGRAMS)

ELECTRONIC ANNUAL COST)
RECOVERY FILING FOR DEMAND) CASE NO. 2017-00427
SIDE MANAGEMENT BY DUKE)
ENERGY KENTUCKY, INC.)

APPLICATION OF DUKE ENERGY)
KENTUCKY, INC. TO AMEND ITS) CASE NO. 2018-00009
DEMAND SIDE MANAGEMENT)
PROGRAMS)

ORDER

Pending before the Commission are three applications filed by Duke Energy Kentucky, Inc. (“Duke Kentucky”) relating to demand-side management (“DSM”) programs that are either currently offered or proposed to be offered to customers. The first application, Case No. 2017-00324, was filed on August 15, 2017, and requests approval of the following: 1) an amendment to one of Duke Kentucky’s 16 existing DSM programs, the non-residential Smart Saver Custom Program, by increasing its annual budget from \$610,068, to \$2,138,189; 2) an increase in the non-residential DSM rate from \$0.002576 to \$0.003208 per kWh to recover the additional cost for the non-residential Smart Saver Custom Program; and 3) a revised Rider DSM, which sets forth the formula for calculating the rates charged to customers for recovery of the DSM program costs, to

include simplified and updated language and a reduction in the incentive charged by Duke Kentucky to 10 percent from the previously charged 15 percent. By Order entered on August 29, 2017, the Commission suspended Duke Kentucky's revised tariff for five months from the proposed effective date of September 15, 2017, through February 14, 2018.

The second DSM application, Case No. 2017-00427, was filed on November 16, 2017, and is Duke Kentucky's annual DSM cost recovery filing and annual DSM status report. This second application includes: 1) updated descriptions of the 16 existing DSM programs; 2) details of the program expenses incurred between July 1, 2016 and June 30, 2017, including a true-up of projected versus actual DSM program costs; and 3) a request for approval of revised DSM rate tariffs to include both the DSM program costs projected to be incurred between July 1, 2018, and June 30, 2019, and the true-up adjustments. In the revised tariffs, Duke Kentucky proposed to reduce the DSM rate for residential customers and increase the DSM rate for commercial customers. By Order entered on December 11, 2017, the Commission suspended Duke Kentucky's revised rate tariffs for five months from the proposed effective date of December 15, 2017, through May 14, 2018.

The third DSM application, Case No. 2018-00009, was filed on January 8, 2018, and requests approval of a number of amendments to the existing non-residential Smart Saver Prescriptive Program, including the adoption of a reservation system with a pre-application required for the payment of rebates and additional funding of \$1,100,000. These are due to an increase in customer applications which have resulted in projections

of increased program costs. The third application included a revised tariff reflecting the proposed amendments to be effective February 5, 2018.

Based on a review of Duke Kentucky's three pending DSM applications and being otherwise sufficiently advised, the Commission finds that each of the applications raises issues of whether or not the existing or the revised DSM programs are cost effective and that an investigation is necessary to determine the reasonableness of the programs and tariffs. Duke Kentucky's response to a data request in Case No. 2017-00427 states that its generating capacity will exceed its projected load by 31 percent in 2018 and 2019, and by 29 percent in 2020.¹ These reserve margins far exceed the target range of reserve margins, acknowledged by Duke Kentucky to be 13 percent to 20 percent.² Duke Kentucky's projected level of excess generating capacity indicates that its avoided capacity costs are at, or close to, zero. Under these circumstances, Duke Kentucky should take all reasonable steps to suspend all existing DSM programs, except for the Low Income Services and Neighborhood Programs, until sufficient information is filed to clearly demonstrate that all ratepayers benefit from being charged the costs of programs that are designed to reduce consumption.

To achieve administrative efficiencies and reduce the expenditure of resources, the Commission will consolidate Case Nos. 2017-00324 and 2018-00009 into Case No. 2017-000427. The Attorney General's Office of Rate Intervention requested and was

¹ Case No. 2017-00427, Duke Kentucky's Response to Attorney General's First Data Request, Item No. 1.

² *Id.*

granted intervention in Case Nos. 2017-00324 and 2017-00427, and will continue as an intervenor in the consolidation of these issues in Case No. 2017-00427.

The Commission further finds that since Duke Kentucky's revised DSM tariff as filed for residential customers in Case No. 2017-00427 proposes a rate decrease, the five-month suspension period for the residential tariff should be shortened to allow the lower residential rate to become effective, subject to prospective change, on and after the date of entry of this Order. Duke Kentucky should also file responses to the requests for information set forth in the Appendix to this Order. Subsequent to Duke Kentucky's filing of its responses, an informal conference will be scheduled to determine whether or not additional discovery or other proceedings will be needed resolve the issues in these consolidated cases.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky should take all reasonable steps to suspend additional expenditures on its DSM programs, except for the Low Income Services and Neighborhood Programs, until the Commission is able to determine that ratepayer benefits exceed ratepayer costs.

2. Case Nos. 2017-00324 and 2018-00009 are consolidated into Case No. 2017-00427, and all future documents related to any of these cases shall be filed in the record of Case No. 2017-00427.

3. The records of Case Nos. 2017-00324 and 2018-00009 are incorporated by reference into Case No. 2017-00427.

4. The Commission Order entered on December 11, 2017, in Case No. 2017-00427 is amended to the limited extent that the Duke Kentucky's proposed residential

DSM rates shall become effective subject to future change on and after the date of this Order.

5. All other provisions of the Commission Order entered on December 11, 2017, in Case No. 2017-00427 shall remain in full force and effect.

6. Within 20 days of the date of entry of this order, Duke Kentucky shall file its responses to the requests for information set forth in the Appendix to this Order.

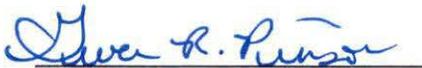
7. An informal conference shall be schedule to discuss future procedural events subsequent to Duke Kentucky's filing of its responses to the requests for information set forth in the Appendix to this Order.

8. Case Nos. 2017-00324 and 2018-00009 are closed and removed from the Commission's docket.

By the Commission



ATTEST:


Executive Director

Case No. 2017-00324
Case No. 2017-00427
Case No. 2018-00009

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00427 DATED **FEB 14 2018**

1. Provide Duke Kentucky's avoided energy cost-effectiveness input on a per-kWh basis and the support for this cost.
2. Provide Duke Kentucky's avoided capacity cost-effectiveness input on a per kw basis and the support for this cost.
3. Refer to Case No. 2017-00324, Application, page 5.
 - a. Provide a list of the program costs and associated incentives for the Smart Saver Custom programs that were approved by Duke Kentucky during the fiscal year ending June 2017 but are not yet funded.
 - b. Provide a list of program costs and associated incentives for any Smart Saver Custom programs that have been approved by Duke Kentucky during the fiscal year ending June 2018 but are not yet funded.
 - c. For Smart Saver Custom programs that were funded during the fiscal year ending June 2017, provide the maximum, minimum and average incentive paid.
4. Provide a schedule showing Duke Kentucky's capacity resources, demand response resources, and retail and wholesale load and reserve margin by year, for the historic period 2013 through 2017 and the forecast period 2018 through 2027, and indicate the date of the forecast underlying the forecast period. Also include Duke Kentucky's Fixed Resource Requirement capacity obligation for each year. The analysis can be presented on either a calendar year or PJM delivery year basis.

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