

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DUKE ENERGY KENTUCKY, INC.'s ANNUAL)	CASE NO.
COST RECOVERY FILING FOR DEMAND SIDE)	2015-00368
MANAGEMENT)	

ORDER

On November 16, 2015, Duke Energy Kentucky, Inc. ("Duke Kentucky") electronically filed its Demand-Side Management ("DSM") Annual Cost Recovery Filing ("Application"). Included as exhibits to the Application are the Annual Status Report, the Adjustment of the DSM Cost Recovery Mechanism, and the Amended Tariff Sheets for Gas Rider DSMR and Electric Rider DSMR. According to the Application, Duke Kentucky met with the Residential Collaborative¹ and the Commercial and Industrial Collaborative,² whose members in attendance agreed with the Application.

On December 9, 2015, the Commission entered an Order suspending the effective date of the proposed tariffs for five months, up to and including May 15, 2016. Duke Kentucky was subjected to two rounds of discovery. On March 17, 2016, the

¹ The Residential Collaborative members in attendance were: Angela Goad (Office of the Kentucky Attorney General, by telephone), Nina Creech (People Working Cooperatively), Allyn Reinecke (Campbell County, by telephone), Laura Pleiman (Boone County), Pete Nienaber (Legal Aid of the Bluegrass), Pam Proctor (Kentucky NEED Project), Bill Lunsford (Department of Energy Development and Independence), Jeremy Faust (Greater Cincinnati Energy Alliance), Ashley Pate (Northern Kentucky Community Action), Jennifer Wiley (Brighton Center), and Tim Duff and Trisha Haemmerle (Duke Energy).

² The Commercial and Industrial Collaborative members in attendance were: Angela Goad (Office of the Kentucky Attorney General, by telephone), Nina Creech (People Working Cooperatively), Pam Proctor (Kentucky NEED Project), Bill Lunsford (Department of Energy Development and Independence), Allyn Reinecke (Campbell County, by telephone), Chris Baker (Kenton County Schools), and Tim Duff and Trisha Haemmerle (Duke Energy).

Attorney General, by and through his Office of Rate Intervention (“AG”), moved to intervene in this proceeding and tendered comments on Duke Kentucky’s application. Pursuant to the procedural schedule established in this proceeding, any person who submits a motion to intervene after December 30, 2015, and upon a showing of good cause is granted intervention, shall accept the existing procedural schedule. In the motion to intervene, the AG failed to indicate any cause for the late-filed pleading. The Commission notes that a request to intervene may be denied when it is submitted after a procedural deadline without a showing of good cause. Here, the Commission finds that the AG’s request for intervention, along with comments and a statement that the matter could be decided on the record as it now stands, supports the granting of the AG’s motion to intervene.

On March 17, 2016, Duke Kentucky filed a request that the matter be decided upon the written record. On March 29, 2016, Duke Kentucky filed a motion for leave to file comments in reply to the AG’s comments. Duke Kentucky’s comments were attached to the motion. The case now stands submitted for a decision based on the evidentiary record.

DUKE KENTUCKY DSM PROGRAM PORTFOLIO

Duke Kentucky’s DSM portfolio includes the following programs as approved in Case No. 2015-00277:³

1. Residential Smart Saver Energy Efficient Residences Program;
2. Residential Smart Saver Energy Efficient Products Program;

³ Case No 2015-00277, *Application of Duke Energy Kentucky, Inc. to Amend Its Demand-Side Management Programs* (Ky. PSC Feb. 12, 2016).

3. Residential Energy Assessments Program;
4. Energy Efficiency Education Program for Schools;
5. Low Income Services Program;
6. Residential Power Manager Program;
7. Smart Saver Prescriptive Program;
8. Smart Saver Custom Program;
9. Smart Saver Energy Assessments Program;
10. PowerShare;
11. Appliance Recycling Program;
12. Low Income Neighborhood Program;
13. My Home Energy Report ("MyHER"); and
14. The Small Business Energy Saver Program.

COST-EFFECTIVENESS

Duke Kentucky provided in Appendix A of its Application the results of cost effectiveness tests performed on its individual residential and non-residential DSM programs. The test results showed that all of the residential programs are projected to be cost-effective, with scores greater than 1 for the Total Resource Cost ("TRC") Test, with the exception of the Low Income Services Program. The majority of programs had scores greater than 1 for the Utility Test and Ratepayer Impact Measure ("RIM"). All Utility Test, TRC Test, RIM, and Participant Test results were greater than 1 for the non-residential programs.

COSTS AND COST ALLOCATION⁴

Duke Kentucky's DSM revenue requirement, including program costs, lost revenues, and financial incentives is \$12.868 million. This level of expenditure, along with under- and over-recovery from the prior period, results in a total DSM revenue requirement of \$20.570 million, of which \$17.667 million is allocated to electric operations and \$2.903 million is allocated to gas operations. The \$17.667 million net amount allocated to electric operations consists of a \$5.294 million under-recovery from the prior period and \$12.373 million of expected DSM program costs. In addition, the electric operations receive a customer meter charge totaling \$147,094 for Home Energy Assistance ("HEA").

The \$2.903 million net amount allocated to gas operations consists of a \$2.408 million under-recovery from the prior period and \$0.495 million of expected DSM program costs. Additionally, the gas operations receive a customer meter charge totaling \$106,710 for HEA.

ATTORNEY GENERAL COMMENTS

The AG states that he supports cost-effective DSM programs, and works with Duke Kentucky's DSM collaborative to participate in the development of program design, cost recovery mechanisms, and budgets for each program. The AG further states his concern about Duke Kentucky's under-collection of the various DSM program costs, caused primarily by over-subscription to several programs, which caused the company to exceed the budgets of those programs. The AG asserts that customer participation in cost-effective DSM programs should be encouraged, and that Duke

⁴ Application, Appendix B at 5.

Kentucky should encourage customers, to the extent possible, within the confines of program budgets. The AG states that programs which prove to be more popular than anticipated should have their budgets revised through subsequent collaborative proceedings and filings with this Commission. The AG believes that Duke Kentucky should undertake more stringent internal control measures designed to provide more periodic reviews of program budgets to ensure they are not being exceeded.⁵

Duke Kentucky filed comments in reply to the AG's comments. Duke Kentucky asserts that program participation levels that exceed forecasted levels are a good result. Duke Kentucky states that it does not want to turn away participants simply because the estimated budgets are being exceeded, as that may deter future participation. Duke Kentucky notes that it makes annual DSM true-up filings and that the Commission, in its review of those annual filings, can determine whether program budgets should be increased or are unreasonable.

In reply to the AG's comments, Duke Kentucky proposes to file a notice with the Commission for any program that reaches 95 percent of its budget during the fiscal year, and for any program that Duke Kentucky projects will exceed its budget by 125 percent during the fiscal year. Duke Kentucky further proposes to continue to offer such programs to customers unless notified by the Commission to suspend the program participation for the remainder of the fiscal year.

CONCLUSIONS

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

⁵ Attorney General's Motion to Intervene at 2-3, Notice of Wavier of Service by U.S. Mail, and Comments (filed Mar. 17, 2016).

1. The AG has shown good cause for intervention and his motion to intervene should be granted.

2. The AG's comments should be accepted for filing.

3. Duke Kentucky's motion for leave to file reply comments should be granted and its reply comment accepted for filing.

4. Duke Kentucky has adequately kept the Commission informed of the progress and status of its DSM programs by timely filing summary status reports on its programs.

5. In addition to summary status reports currently filed, Duke Kentucky should file with the Commission notice for: (1) any DSM program once it reaches 95 percent of its budget during a fiscal year; and (2) any DSM program when Duke Kentucky projects the program will exceed its budgeted amount by 25 percent. Any notice filed for a budget overrun should include an explanation regarding the cause of the budget overrun.

6. Duke Kentucky's revised DSM surcharge factors contained in the Appendix to this Order, which are based on its expected level of additional DSM program costs, are reasonable and should be approved.

7. Duke Kentucky should not include DSM or energy efficiency ("EE") related costs in base rates.

IT IS THEREFORE ORDERED that:

1. The AG's motion to intervene is granted and the AG is hereby made a party to these proceedings.

2. The AG's comments are accepted as filed.

3. Duke Kentucky's motion for leave to file reply comments is granted and its reply comments are accepted as filed.

4. Duke Kentucky's proposed DSM programs and associated costs are approved as of the date of this Order.

5. Duke Kentucky's Amended Tariff Sheets for Gas Rider DSMR and Electric Rider DSMR are approved.

6. Duke Kentucky shall not include DSM or EE related costs in base rates.

7. Duke Kentucky shall file notice with the Commission for any DSM program once it reaches 95 percent of its budget during a fiscal year. Duke Kentucky shall also file notice for any DSM program that Duke Kentucky projects will exceed its budget by 25 percent during a fiscal year.

8. Within 20 days of the date of this Order, Duke Kentucky shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

By the Commission



ATTEST:

Acting Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00368 DATED

APR 04 2016

The following rates and charges are prescribed for the customers in the area served by Duke Energy Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Duke Energy Kentucky, Inc. – Electric and Gas Customers

<u>Rate Schedule Riders</u>	<u>DSM Cost Recovery Rider (DSMR)</u>
<u>Electric Rider DSM</u>	
Residential Rate RS	\$0.007128 per kWh
Distribution Level Rates Part A DS, DP, DT, GS-FL, EH & SP	\$0.002709 per kWh
Transmission Level Rates & Distribution Level Rates Part B TT	\$0.000049 per kWh
Distribution Level Rates Total DS, DP, DT, GS-FL, EH & SP	\$0.002758 per kWh ⁶
<u>Gas Rider DSM</u>	
Residential Rate RS	\$0.044741 per Ccf

⁶ Duke Kentucky's Response to Commission's Staff's First Request for Information (filed Jan. 29, 2016), Item 8.

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