

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE)	
REASONABLENESS OF THE)	CASE NO.
CONSERVATION/ENERGY EFFICIENCY)	2018-00029
PROGRAM OF DELTA NATURAL GAS)	
COMPANY, INC.)	

ORDER

On December 22, 2017, Delta Natural Gas Company, Inc. (“Delta”) filed a revised tariff sheet, via the Commission’s electronic Tariff Filing System, proposing to revise its Conservation/Efficiency Program Cost Recovery Component (“CEPRC”) pursuant to its tariff. The proposed tariff sheet contains an effective date of January 24, 2018.¹

Delta’s current tariff on file with the Commission states “[f]or purposes of determining the CEPRC, the program year is defined as the twelve months ended October 31, with rates effective as of the following February 1.”² Therefore, the Commission finds that the earliest date Delta’s tariff revision could become effective is February 1, 2018.

The Commission is concerned that demand-side management (“DSM”) programs are becoming more difficult to justify on the basis of both costs and benefits, and has stated its intent to more closely review such programs, particularly with regard to the

¹ TFS2017-00703.

² P.S.C. No. 12, Original Sheet No. 39, Cancelling P.S.C. No. 11, Original Sheet No. 39.

cost of each DSM program.³ Delta's Customer Conservation/Efficiency Program ("CEP") was approved by the Commission almost ten years ago in Case No. 2008-00062,⁴ and has not been reviewed by the Commission since. When it was approved, Delta's CEP had a Total Resource Cost score of 1.07, indicating that it was barely cost effective.⁵ Since that time, natural gas prices have declined significantly, calling into question whether the program could still be considered cost effective. A review of the supporting documentation filed with the proposed filing indicates that program costs exceed program benefits by \$12,296.

Having reviewed the proposed tariff, and being otherwise sufficiently advised, the Commission finds that an investigation is necessary to determine both the reasonableness of Delta's proposed revision and CEP as a whole, and that such

³ See e.g., PSC Case No. 2016-00289, *Electronic Application of Duke Energy Kentucky, Inc. to Amend Its Demand Side Management Programs*, (Ky. PSC Jan. 24, 2017) at 15. (Emphasis added.)

While the Commission has found that Duke Kentucky's proposed DSM portfolio and surcharges are reasonable and should be approved, the Commission further finds that Duke Kentucky should continue to scrutinize the results of each existing DSM program measure's cost-effectiveness test and provide those results in future DSM cases, along with detailed support for future DSM program expansions and additions. Duke Kentucky should also be mindful of the increasing saturation of energy efficient products, and be watchful for the opportunity to scale back on programs offering incentives for behavior that may be dictated by factors other than the incentives. The Commission is concerned about the increasing number of utility DSM programs and the associated increase in costs to ratepayers, particularly as the costs of the programs are borne by all customers in a rate class and are not limited to the participants in the DSM programs. *Therefore, the Commission will apply greater scrutiny in its review of all future DSM filings, with a particular emphasis on reviewing the cost-effectiveness of each program and measure.*

⁴ Case No. 2008-00062, *The Application of Delta Natural Gas Company, Inc. for Approval of a Customer Conservation/Efficiency Program and Demand Side Management Cost Recovery Mechanism*, (Ky. PSC July 18, 2008).

⁵ Case No. 2008-00062, Delta's response to Commission Staff's First Request for Information, item 1. (filed April 22, 2008)

investigation cannot be concluded prior to February 1, 2018. Accordingly, the proposed effective date should be suspended for up to five months, pursuant to KRS 278.190(2).

As part of this investigation, Delta should be prepared to provide supporting documentation regarding the cost effectiveness of the CEP and evidence as to why the CEP should not be terminated.

IT IS THEREFORE ORDERED that:

1. This proceeding is established to investigate the reasonableness of Delta's proposed tariff revision, as well as the CEP as a whole.

2. The proposed tariff revision is suspended for five months, from February 1, 2018, up to and including June 30, 2018.

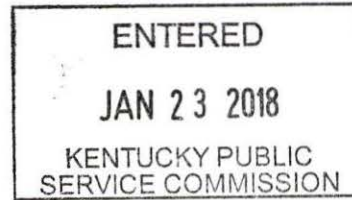
3. Any party filing a paper shall upload an electronic version using the Commission's E-Filing System and shall file the original in paper medium.

4. Pursuant to 807 KAR 5:001, Section 8(9), within seven days of entry of this Order, Delta shall file a written statement with the Commission that:

a. Certifies that it, or its agent, possesses the facilities to receive electronic transmissions; and

b. Sets forth the electronic mail address to which all electronic notices and messages related to this proceeding should be served.

By the Commission



ATTEST:


Executive Director

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