

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ANNUAL COST RECOVERY)	CASE NO.
FILING FOR DEMAND SIDE MANAGEMENT)	2019-00406
BY DUKE ENERGY KENTUCKY, INC.)	

ORDER

On November 15, 2019, Duke Energy Kentucky, Inc. (Duke Kentucky) filed its Annual Status Report, Adjustment of the Demand Side Management (DSM) Cost Recovery Mechanism, and Amended Tariff Sheets for Gas Rider DSMR and Electric Rider DSMR (Application). According to the Application, Duke Kentucky met with the Residential Collaborative¹ and the Commercial and Industrial Collaborative,² and no comments nor opposition to the DSM filing were received.³

On December 3, 2019, the Commission entered an Order suspending the effective date of the proposed tariffs for five months, up to and including May 14, 2020. Duke Kentucky responded to two rounds of discovery. There are no intervenors. On March 2, 2020, Duke Kentucky requested that this case be submitted for a decision. The case now stands submitted for a decision based on the evidentiary record.

¹ The Residential Collaborative members in attendance were Justin McNeil (Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General)), Susan Rich (Boone County), Kenya Strump (Office of Energy Policy), and Trisha Haemmerle (Duke Kentucky).

² The Commercial and Industrial Collaborative members in attendance were Justin McNeil (Attorney General), Christine Baker (Kenton County School District), Kenya Strump (Office of Energy Policy), and Trisha Haemmerle (Duke Kentucky).

³ Duke Kentucky's Response to Staff's Second Request for Information, Item 1.

DUKE KENTUCKY DSM PROGRAM PORTFOLIO⁴

The portfolio of programs offered by Duke Kentucky during the fiscal year ending June 30, 2019, were approved by the Commission's Order in Case No. 2017-00427.⁵ Duke Kentucky's DSM portfolio, for which the costs are recoverable through the DSM Cost Recovery Rider mechanism, includes the following programs through June 30, 2019.⁶

1. Residential Smart Saver Energy Efficient Residences Program;
2. Residential Smart Saver Energy Efficient Products Program;
3. Residential Energy Assessments Program;
4. Energy Efficiency Education for Schools;
5. Low Income Service Program;
6. Residential Direct Load Control – Power Manager Program;
7. Smart Saver Prescriptive Program
8. Smart Saver Custom Program
9. Peak Load Manager (Rider PML) – PowerShare Program
10. Low Income Neighborhood Program
11. My Home Energy Report Program
12. Small Business Energy Saver Program
13. Smart Saver Non-Residential Performance Incentive Program

⁴ Application, paragraph 15.

⁵ Case No. 2017-00427 *Electronic Annual Cost Recovery Filing for Demand Side Management by Duke Energy Kentucky, Inc.* (Ky. PSC September 28, 2018). During this case, the Commission consolidated Case Nos. 2017-00324 and 2017-00427 and suspended Duke Energy's DSM programs. Upon rehearing, the Commission modified Duke Kentucky's DSM programs and lifted the suspension.

⁶ This Application serves as the annual true up of the fiscal year ended June 30, 2019, and therefore covers the portfolio of programs in effect July 1, 2018 through June 30, 2019.

14. Power Manager for Business

The Application contained brief descriptions of each program, a review of the status of each program, and information on any changes made to the programs. Some key changes that result from the final Order in Case No. 2017-00427 include the following:

- Halting of the Retail Lighting marketing channel implementation for the Residential Smart Saver Energy Efficiency Products Program;
- Discontinuing the Energy Efficiency Education Program for Schools Program;
- Offering Weatherization Services and Payment Plus to all income eligible customers regardless of arrearage or participation with the LIHEAP program to allow additional income qualified customers to participate in the Low Income Service Program;
- The inclusion of a reservation system, removal of several measures, and adjustment of incentives within the Non-Residential Smart Saver Prescriptive and Customer Programs; and
- Changing the MyHER program from an opt-out to an opt-in 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, with the exception of the Low Income Services Program, Energy Efficiency Education Program for Schools, and MyHER, the programs are projected to be cost-effective, with scores greater than 1 for the Total Resource Cost (TRC) Test. The TRC scores were greater than 1 for all of the non-residential programs. Duke Kentucky also evaluates cost-effectiveness based upon the Utility Test Score

(UTC).⁷ The UTC results were also cost-effective for all non-residential programs and for the residential programs, all but the Low-Income, Energy Efficiency Education Program for Schools, and MyHER program.⁸

COSTS AND COST ALLOCATION⁹

Duke Kentucky's DSM revenue requirement, including projected July 1, 2018–June 30, 2019, program costs, lost revenues, and financial incentives is \$6.412 million. This level of expenditure, along with under- and over-recoveries from the prior period, results in a total DSM revenue requirement of \$1.475 million, of which (\$0.435) million is allocated to electric operations and 1.910 million is allocated to gas operations. The (\$0.435) million net amount allocated to electric operations consists of a \$6.727 million over-recovery from the prior period and \$6.292 million of expected DSM program costs. In addition, the electric operations receive a customer meter charge totaling \$152,851 for Home Energy Assistance (HEA).¹⁰

The \$1.910 million net amount allocated to gas operations consists of a \$1.789 million under-recovery from the prior period and \$0.121 million of expected DSM program costs. Additionally, the gas operations receive a customer meter charge totaling \$110,443 for HEA.

⁷ See, Case No. 2017-00427, final Order, at 10.

⁸ Cost-effective scores for Low Income Programs are not typically cost-effective. The other programs which are not cost effective have been discontinued or modified in Case No. 2017-00427.

⁹ Application, Appendix B at 5.

¹⁰ Duke Kentucky's Home Energy Assistance surcharge amount is under review in Case No. 2019-00366, *Electronic Investigation of Home Energy Assistance Programs Offered by Investor-Owned Utilities Pursuant to KRS 278.285(4)*.

CONCLUSIONS

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

1. 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.

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

3. The DSM rates for electric and gas service as set forth in the Appendix to this Order are reasonable and should be approved.

4. The Commission continues to find that Duke Kentucky should be valiant in its scrutiny of the results of each existing DSM program measure's cost-effectiveness tests and provide those results in future DSM cases along with detailed support for future DSM program expansions and additions. Duke Kentucky should also continue to be mindful of the increasing saturation of energy-efficient products and should be watchful for the opportunity to scale back programs offering incentives for behavior that may be dictated by factors other than the incentives. The Commission remains 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 continue to 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.

5. Duke Kentucky should continue the practice of not including DSM or energy-efficiency-related costs in base rates.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky's proposed DSM programs and associated costs are approved effective the first billing cycle of the month following the issuance of this Order.

2. The DSM rates in the Appendix to this Order are approved effective with the first billing cycle of the month following the issuance of this Order.

3. Duke Kentucky shall comply with the requirements of the finding paragraphs 2 and 5.

4. In its next filing for Commission approval of its DSM programs, Duke Kentucky shall provide analyses of the impact of DSM charges on its electric and gas customers' bills, and detailed evaluations of the cost-effectiveness of its existing programs and any proposed programs in light of the attendant cost burdens to the residential and commercial classes.

5. 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.

6. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00406 DATED APR 29 2020

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 the 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	(\$0.003143) per kWh
Distribution Level Rates Part A DS, DP, DT, GS-FL, EH & SP	\$0.001231 per kWh
Transmission Level Rates & Distribution Level Rates Part B TT	\$0.000537 per kWh
Distribution Level Rates Total DS, DP, DT, GS-FL, EH & SP	\$0.001768 per kWh
<u>Gas Rider DSM</u>	
Residential Rate RS	\$0.030735 per Ccf

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