

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE	)	CASE NO.
ENERGY KENTUCKY, INC. TO AMEND ITS	)	2021-00313
DEMAND SIDE MANAGEMENT PROGRAMS	)	

ORDER

On August 16, 2021, pursuant to an Order in Case No. 2012-00495,<sup>1</sup> Duke Energy Kentucky, Inc. (Duke Kentucky), filed a request for approval to modify its Demand-Side Management (DSM) programs and approval of revised tariffs to recover costs associated with its DSM programs, including net lost revenues and program-related incentives. Also included in the application was the 2019 Power Manager Evaluation Report, the Residential Energy Assessments Program Evaluation Report, the Save Energy and Water Kits 2018-2019 Evaluation Report, and the Peak Time Rebate Pilot Evaluation Plan Update. By Order entered on September 9, 2020, the Commission suspended Duke Kentucky's revised tariff for five months from the proposed effective date of September 15, 2021, through February 14, 2022. There are no intervenors in this proceeding. On December 9, 2021, Duke Kentucky filed a motion requesting the matter be submitted for a decision based upon the written record. Duke Kentucky responded to one round of discovery from Commission Staff. The matter now stands submitted for a decision.

LEGAL STANDARD

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<sup>1</sup> Case No. 2012-00495, *Application of Duke Energy Kentucky, Inc. for the Annual Cost Recovery Filing for Demand Side Management* (Ky. PSC Apr. 11, 2013).

KRS 278.285(1) authorizes the Commission to review and approve the reasonableness of DSM programs proposed by any utility under its jurisdiction. The statute lists multiple factors the Commission can consider when determining the reasonableness of the DSM programs. The listed factors in KRS 278.285(1) are:

- (a) The specific changes in customers' consumption patterns which a utility is attempting to influence;
- (b) The cost and benefit analysis and other justification for specific demand-side management programs and measures included in a utility's proposed plan;
- (c) A utility's proposal to recover in rates the full costs of demand-side management programs, any net revenues lost due to reduced sales resulting from demand-side management programs, and incentives designed to provide positive financial rewards to a utility to encourage implementation of cost effective demand-side management programs;
- (d) Whether a utility's proposed demand-side management programs are consistent with its most recent long-range integrated resource plan;
- (e) Whether the plan results in any unreasonable prejudice or disadvantage to any class of customers;
- (f) The extent to which customer representatives and the Office of the Attorney General have been involved in developing the plan, including program design, cost recovery mechanisms, and financial incentives, and if involved, the amount of support for the plan by each participant, provided however, that unanimity among the participants developing the plan shall not be required for the commission to approve the plan;
- (g) The extent to which the plan provides programs which are available, affordable, and useful to all customers; and
- (h) Next-generation residential utility meters that can provide residents with amount of current utility usage, its cost, and can be capable of being read by the utility either remotely or from the exterior of the home.

KRS 278.285(1) also states the factors listed are not exhaustive, the Commission can consider anything that will help determine if the programs are reasonable.

### DUKE KENTUCKY'S DSM PROGRAM PORTFOLIO

Duke Kentucky's current DSM programs were originally approved in Case No. 2012-00085<sup>2</sup> and amended in subsequent annual DSM filings. The current suite of programs, as approved in Case No. 2020-00371,<sup>3</sup> include the following:<sup>4</sup>

1. Low Income Services Program;
2. Residential Energy Assessments Program;
3. Residential Smart Saver Efficient Residences Program;
4. Residential Smart Saver Energy Efficient Products Program;
5. Smart Saver Prescriptive Program;
6. Smart Saver Custom Program;
7. Power Manager Program;
8. PowerShare;
9. Low Income Neighborhood;
10. My Home Energy Report;
11. Non-Residential Small Business Energy Saver Program;
12. Non-Residential Pay for Performance; and

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<sup>2</sup> Case No. 2012-00085, *Application of Duke Energy Kentucky, Inc. for an Energy Efficiency Cost Recovery Mechanism and for Approval of Additional Programs for Inclusion in its Existing Portfolio* (Ky. PSC Jun. 29, 2018).

<sup>3</sup> Case No. 2020-00371, *Electronic Annual Cost Recovery Filing for Demand Side Management by Duke Energy Kentucky, Inc.* (Ky. PSC Apr. 9, 2021).

<sup>4</sup> For a complete description and update of these programs, see Duke Kentucky's Application in Case No. 2020-00371.

13. Peak Time Rebate Pilot Program.<sup>5</sup>

PROPOSED CHANGES TO EXISTING PROGRAMS AND TARIFFS

Residential Smart Saver Program

Duke Kentucky is requesting to expand the scope of the multifamily portion of the Residential Smart Saver Program. Referred to as the Multifamily EE Program, this Residential Smart Saver extension allows Duke Kentucky to target multifamily apartment complexes via a direct program vendor who installs permanent fixtures. This program upgrades lighting, faucet aerators, water saving showerheads, and pipe wrap. Duke Kentucky is requesting to expand the property offerings to include additional Recessed and Track LED lighting, add an additional efficient showerhead option from which to choose, and the option to purchase smart thermostats at a discounted prices for those properties with electric heat. Duke Kentucky is not requesting to change the current budget and will make the additional measures available July 1, 2022.

Low Income Neighborhood

The Low Income Neighborhood Program serves neighborhoods which have been identified where at least 50 percent of the households are at or below 200 percent of the federal poverty guideline. The program offers a community-based kick-off event where attendees are provided detailed information about EE initiatives and are offered the opportunity for direct installation of EE measures. Currently there are 16 measures offered to customers. Duke Kentucky is requesting to expand the available measures to

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<sup>5</sup> Case No. 2019-00277, *Electric Application of Duke Energy Kentucky, Inc. to Amend its Demand Side Management Programs* (Ky. PSC Apr. 27, 2020).

include insulation, air sealing, duct sealing, and smart thermostats. Duke Kentucky is proposing to increase the budget from \$337,426 to \$533,270.

### PowerShare

PowerShare is Duke Kentucky's Peak Load Management Program. This voluntary program is offered to non-residential customers. Participants enter into a service agreement for either an annual, summer, or limited summer option under Rider PLM where the customer agrees to reduce usage during peak load periods. Duke Kentucky is requesting approval to discontinue its limited summer option of the PowerShare Program effective May 31, 2022, as this option no longer holds any value with PJM. Customers who are currently on the limited summer option have been notified of the discontinuation and have been encouraged to move to one of the other remaining options for the 2022-2023 delivery year. Duke Kentucky is not requesting a change in the current approved budget.

### Peak Time Rebate

Designed for residential customers and branded under the name Peak Time Credits, the Peak Time Rebate pilot program (PTR Pilot) is a two-year incentive based demand response (DR) program that was committed to by Duke Kentucky in Case No. 2016-00152.<sup>6</sup> Duke Kentucky stated the program offers customers the opportunity to lower their electric bill by reducing electric usage during Critical Peak Events. The program had a delayed start and began approximately three months later than originally

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<sup>6</sup> Case No. 2016-00152, *Application of Duke Energy Kentucky, Inc. for (1) a Certificate of Public Convenience and Necessity Authorizing the Construction of an Advanced Metering Infrastructure; (2) Request for Accounting Treatments; and (3) all Other Necessary Waivers, Approvals, and Relief* (Ky. PSC May 25, 2017).

scheduled. Hence, Duke Kentucky is requesting approval of a revised Evaluation, Measurement and Verification (EM&V) schedule and Statement of Work.<sup>7</sup> Duke Kentucky noted that the revised EM&V plan is consistent with the original approved EM&V plan and cost estimates have not changed. Duke Kentucky estimated the completion date to be the end of April 2022.

Smart Saver Prescriptive and Custom

Both the Smart Saver Prescriptive and Custom Programs provide incentives to commercial and industrial consumers for the installation of high efficiency equipment. This installation can involve new construction, retrofit, or replacement of failed equipment. The difference between the two is the prescriptive program promotes a prescribed list of eligible measures whereas with the custom program, measures are submitted by the customer, modeled for cost effectiveness and energy savings, and the incentive is tailored accordingly. Duke Kentucky is requesting to consolidate the two programs and the two program budgets and be renamed as the Non-Residential Smart Saver Program.

DISCUSSION

The Commission has reviewed the proposed modification to the TEE Program and finds that the modifications are reasonable and that the factors listed in KRS 278.285(1) are supported. The following table shows the results of the cost-effectiveness tests as provided by Duke Kentucky:<sup>8</sup>

<u>DSM Portfolio Program</u>	<u>UTC</u>	<u>TRC</u>	<u>RIM</u>	<u>Participant Test</u>
Multifamily EE Program Total	2.37	2.37	0.54	11.75

<sup>7</sup> See, Application, Appendix D.

<sup>8</sup> Application, Exhibit A and Duke Kentucky's Response to Staff's First Request for Information (filed Oct. 21, 2021), Item 2.

Low Income Neighborhood	0.43	0.54	0.32	2.52
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The Commission has traditionally evaluated DSM effectiveness by focusing on the Total Resource Cost (TRC) results. A TRC score of less than one indicates that the cost of the program outweigh the benefits. For the Residential Smart Saver Multifamily EE Program, the total program TRC score is greater than one, however the Commission also evaluates the individual measures for cost effectiveness. In this case, the proposed additional program measures all estimate to have a cost effective TRC score.<sup>9</sup> Hence the Commission finds that the addition of all the proposed modification to the Multifamily EE portion of the Residential Smart Saver Program to be reasonable. As for the proposed modifications for the Low Income Neighborhood Program, both the total program TRC scores and the individual program additions are not cost effective. However, such results are not uncommon for low income programs and the Commission finds that such DSM program assist low income customers in lowering their energy bill and finds that the proposed expansion is reasonable.

The Commission also finds that the proposed modification to discontinue the Limited Summer option of the PowerShare program to be reasonable due to it no longer being recognized within PJM. Finally, the Commission finds that the proposed revision to the EM&V reporting schedule for the Peak Time Rebate Program to be reasonable and is approved.

#### COST AND COST ALLOCATION

Duke Kentucky's DSM revenue requirement, including the revised projected July 1, 2021, through June 30, 2022 program costs, lost revenues and financial incentives is

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<sup>9</sup> Duke Kentucky's Response to Staff's First Request (filed Oct. 21, 2021), Item 2.

\$7.725 million. This level of expenditure, along with the under and over recoveries from the prior period, results in a total revenue requirement of \$4.397 million of which \$1.543 is allocated to electric operations and \$2.854 is allocated to gas operations. The \$1.543 million net allocated to electric operations consists of \$5.897 million over recover from the prior period and \$7.440 million of expected DSM program costs. For the gas operations, the \$2.854 million net amount allocated consists of \$2.568 million under-recovery from the prior period and \$0.286 million of expected DSM program costs.<sup>10</sup>

IT IS THEREFORE ORDERED that:

1. Duke Kentucky's DSM program and associated costs are approved on and after the date of this Order.
2. Duke Kentucky's proposed tariff Sheets for Electric DSMR and Gas Rider DSMR as well as the rates set forth 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 continue to file a DSM application annually by August 15 containing an analysis of the impact of DSM charges on its electric and gas customers' bills, detailed evaluations of the cost-effectiveness of its existing programs, and any proposed revisions to programs in light of the attendant cost burdens to the residential and commercial classes.
4. Within 20 days of the date of entry of this Order, Duke Kentucky shall file with the Commission, using the Commission's electronic Tariff Filing System, revised electric and gas tariff sheets setting forth the rates approved herein and reflecting that they were approved pursuant to this Order.

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<sup>10</sup> See Appendix B.



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

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By the Commission

ENTERED  
DEC 22 2021  
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KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2021-00313

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2021-00313 DATED DEC 22 2021

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	\$0.002309 per kWh
Non-Residential Rate	\$(0.00868) per kWh
<u>Gas Rider DSM</u>	
Residential Rate RS	\$0.45817 per Ccf

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