

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC. TO AMEND ITS DEMAND-SIDE MANAGEMENT PROGRAMS)))	CASE NO. 2014-00280
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ORDER

On August 15, 2014, Duke Energy Kentucky, Inc. (“Duke Kentucky”)¹ filed an application (“Application”) pursuant to KRS 278.285 requesting approval to amend its Demand-Side Management (“DSM”) programs and to propose revised tariffs to recover costs associated with its DSM programs, including net lost revenues and program-related incentives. Duke Kentucky requests that the revised DSM tariffs become effective September 14, 2014. The Application also included evaluation reports on some of the programs contained in Duke Kentucky’s DSM portfolio.²

The Application proposes to expand the scope of the Residential Smart Saver Program and the My Home Energy Report Program (MyHER) by increasing the available measures within each program to enhance the robustness of Duke Kentucky’s

¹ Case No. 2014-00273, *2014 Joint Integrated Resource Plan of Duke Energy Kentucky, Inc.* (filed July 31, 2014), Application at 6, states that Duke Kentucky is a wholly owned subsidiary of Duke Energy Ohio, Inc. (“Duke Ohio”). Duke Energy Corporation (“Duke Energy”) is the parent company of Duke Ohio and Duke Kentucky, per <http://www.duke-energy.com/about-us/businesses/franchised-electric-and-gas.asp>.

² Evaluation reports filed as part of the Application are the Impact Evaluation of Low Income Weatherization and Payment Plus in Kentucky (Exhibit D); the Process and Impact Evaluation of Duke Energy’s Residential Appliance Recycling Program (ARP) in Ohio and Kentucky (Exhibit E); the Process Evaluation of the MyHER Program in Kentucky (Exhibit F); the Impact Evaluation of the Non-Residential Smart Saver Prescriptive Program in Ohio and Kentucky (Exhibit G); the Impact Evaluation of MyHER Program in Kentucky (Exhibit H); the Process and Impact Evaluation of the Residential Smart Saver Energy Efficiency Products (CFL) Program (Exhibit I); and the Process Evaluation of the Residential Smart Saver HVAC Program in Ohio and Kentucky (Exhibit J).

portfolio offerings.³ Duke Kentucky is seeking approval of a new program for non-residential customers called the Small Business Energy Saver Program. Duke Kentucky also provided an update on measures within the Smart Saver Prescriptive Program, Smart Saver Custom Program, and the Energy Management and Information Services Pilot Program. Lastly, Duke Kentucky is requesting flexibility to add cost-effective measures to the list of currently approved programs.⁴

The Residential Collaborative⁵ and the Commercial and Industrial Collaborative⁶ have reviewed Duke Kentucky's proposed new measures. With the exception of the Attorney General ("AG"), the voting members of both the Residential Collaborative and the Commercial & Industrial Collaborative agreed with the Application.⁷

On September 10, 2014, the Commission issued an Order establishing a procedural schedule and suspending the proposed DSM rates from September 14, 2014, up to and including February 13, 2015. Duke Kentucky responded to two rounds of discovery from the Commission Staff. There were no intervenors. On December 12,

³ Application, Exhibit K, lists the proposed enhancements.

⁴ Application, Item 6, at 3.

⁵ Response of Duke Kentucky to Commission Staff's First Request for Information ("Staff's First Request") (filed Oct. 13, 2014), Item 1, footnote 1. The Residential Collaborative members receiving the information: Jennifer Black Hans and Heather Napier (AG), Jock Pitts (People Working Cooperatively), Florence Tandy (Northern Kentucky Community Action Commission), Laura Pleiman (Boone County), Carl Melcher and Peter Nienaber (Northern Kentucky Legal Aid), Karen Reagor and Pam Proctor (Kentucky NEED Project), Lee Colten, John Davies, and Greg Guess (Department of Energy Development and Independence), Jeremy Faust, Andy Holzhauser, and Chris Jones (Greater Cincinnati Energy Alliance), Pat Dressman (Campbell County), and Tim Duff and Trisha Haemmerle (Duke Kentucky).

⁶ *Id.*, Item 1, footnote 2. The Commercial and Industrial Collaborative members in attendance were: Jennifer Black Hans and Heather Napier (AG), Jock Pitts (People Working Cooperatively), Karen Reagor and Pam Proctor (Kentucky NEED Project), Lee Colten, John Davies, and Greg Guess (Department of Energy Development and Independence), Pat Dressman (Campbell County), Chris Baker (Kenton County Schools), and Tim Duff and Trisha Haemmerle (Duke Kentucky).

⁷ *Id.*, Item 1.

2014, Duke Kentucky filed a notice requesting that the matter be decided based on the evidentiary record without a formal hearing. The matter now stands submitted for a decision on the record.

DUKE KENTUCKY DSM PROGRAM PORTFOLIO

Duke Kentucky's DSM portfolio includes the following programs, as approved in Case No. 2013-00313:⁸

1. Low Income Services Program – The purpose of this program is to assist low-income customers with installation of Energy Efficiency (“EE”) measures in their homes to reduce energy usage. Weatherization and equipment-replacement assistance is available to income-qualified customers on Duke Kentucky’s system in existing, individually metered residences, condominiums, and mobile homes. Funds are available for weatherization measures and/or refrigerator replacement with an Energy Star appliance and/or furnace repair/replacement. The measures eligible for funding will be determined by an energy audit of the residence, which is provided at no charge to the customer. Availability of this program will be coordinated through vendors or local agencies that administer weatherization programs. The vendor or agency must certify the household income level according to Duke Kentucky standards.

Payment Plus, another portion of the Low Income Services Program, provides EE and budget counseling to help customers understand how to control their energy usage and how to manage their household bills. Customers are also encouraged to participate in weatherization and equipment-replacement assistance to increase the EE in customers’ homes. Bill-assistance credits are provided to customers upon

⁸ Case No. 2013-00313, *Application of Duke Energy Kentucky, Inc. to Amend Its Demand-Side Management Programs* (Ky. PSC Dec. 19, 2013).

completion of each component of Payment Plus. Participants are not eligible for payments under any other Duke Kentucky EE Programs for the same EE measures provided under this program.

2. Residential Energy Assessments Program – The purpose of this program is to assist residential customers in assessing their energy usage and to provide recommendations for more efficient use of energy in their homes and is administered by a third-party contractor, Wisconsin Energy Conservation Corporation, Inc. The program will also help identify those customers who could benefit most by investing in new EE measures, undertaking more energy-efficient practices, and participating in other Duke Kentucky DSM programs. Duke Kentucky may require a minimum number of months of usage data before performing an analysis for customers.

Duke Kentucky will perform on-site assessments of owner-occupied residences and reserves the right to determine eligibility throughout the life of the program. Duke Kentucky will provide a detailed residential energy assessment including EE recommendations.

Participating customers will be offered home EE measures such as an EE starter kit and/or compact fluorescent light (“CFL”) bulbs. The incentive may be delivered in a variety of ways, including but not limited to: in-home installation; direct mail; rebates; discount coupons; in-store promotions; or online discounts.

3. Energy Education Program for Schools Program – This program educates students about EE in homes and schools through an EE curriculum. The program is operated under contract by National Energy Education Development (“NEED”) and enables eligible students to complete a paper or online energy audit of their homes.

Each eligible student who completes a home energy audit will receive EE measures for their home, such as a package of CFL bulbs or an EE starter kit.

4. Residential Smart Saver Energy Efficient Residences Program – This program provides incentives to customers, builders, heating ventilation air-conditioning (“HVAC”) dealers and weatherization contractors to promote and install high-efficiency air conditioners and heat pumps with electronically commutated fan motors (“ECM”), as well as attic insulation and air sealing, duct sealing, duct insulation, HVAC tune ups, and high-efficiency heat-pump water heaters. This program is promoted through trade ally outreach and direct communications to customers using numerous channels such as direct mail, community presentations, and web-site promotions.

5. Residential Smart Saver Energy Efficient Products Program – This voluntary program is to encourage the installation of Energy Star or other high-efficiency products in new or existing residences, providing incentives to offset a portion of the relatively high cost associated with higher-efficiency products. The types of equipment eligible for incentives may include, but are not limited to, the following: (1) high-efficiency lighting; (2) high-efficiency clothes washers; (3) high-efficiency refrigerators; (4) high-efficiency dishwashers; and (5) high-efficiency pool pumps. Incentives under this program are available only for Energy Star or other EE products for which incentives pass Duke Kentucky’s Utility Cost Test.

6. Smart Saver Prescriptive Program (“Prescriptive”) – This program is to encourage the installation of high-efficiency equipment in new and existing nonresidential establishments. The program will provide incentive payments to offset a portion of the relatively high cost associated with energy-efficient equipment. The

program also encourages maintenance of existing equipment in order to reduce or maintain energy usage. The following types of equipment are eligible for incentives: (1) high-efficiency lighting; (2) high-efficiency HVAC installations; (3) high-efficiency motors, pumps, and variable frequency drives; (4) high-efficiency food service installations; (5) high-efficiency process equipment installations, including compressed air systems; (6) other high-efficiency installations as determined by Duke Kentucky on a case-by-case basis; and (7) maintenance to increase the efficiency of existing equipment.

Incentives offered are designed to offset a portion of the capital cost of moving to higher-efficiency equipment. The incentive amounts are known to the customer before they undertake their project, so the customer can proceed with the project and submit documentation after installation.

7. Smart Saver Custom Program (“Custom”) – This program is to encourage the installation of high-efficiency equipment in new and existing nonresidential establishments. The program will provide incentive payments to offset a portion of the relatively high cost associated with energy-efficient installations that are not included in the Prescriptive program. A key difference between the Prescriptive program and the Custom program is that the Custom program requires the customer to submit an application before beginning the project.

The following types of equipment are eligible for incentives: (1) high-efficiency lighting; (2) high-efficiency HVAC installations; (3) high-efficiency motors, pumps, and variable frequency drives; (4) high-efficiency food service installations; (5) high-efficiency process equipment installations, including compressed air systems; and (6) other high-efficiency installations as determined by Duke Kentucky on a case-by-case

basis. The potential incentive amounts are based on the avoided energy and avoided capacity produced by the installed measure(s).

8. Smart Saver Energy Assessments Program – This program assists nonresidential customers in assessing their energy usage and provides recommendations for more efficient energy usage. The program will also help identify those customers who could benefit from other Duke Kentucky nonresidential EE programs.

Energy assessments are delivered in the following manners: (1) online; (2) by telephone interview; and (3) through on-site audit. The online and telephone interview analyses are offered free of charge to the customer. The cost of the on-site audit and analysis is shared by Duke Kentucky and the customer. The cost of the on-site assessment can vary depending on the length of time an assessor spends at a customer's facility. The customer and Duke Kentucky each pay 50 percent of the cost, but the customer's cost can be further reduced upon payment by Duke Kentucky of incentives for equipment installed by adopting recommendations made in the audit under the Prescriptive or Custom programs.

9. Power Manager Program – This voluntary residential load control program is offered to individually metered single-family residences. This program is available for the cycling control of electric central air conditioning (cooling) systems.

10. PowerShare – This is the brand name of Duke Kentucky's voluntary Peak Load Management Program, which offers non-residential customers the opportunity to reduce their electric costs by managing their electric usage during peak-load periods. The customer and Duke Kentucky will enter into a service agreement under this rider,

which will specify the terms and conditions under which the customer agrees to reduce usage.

11. Low Income Neighborhood – This program helps low-income customers reduce energy costs through energy education and by installing or providing energy-conservation measures for each customer's residence. Under the program, participating customers will receive the following: (1) an energy assessment to identify EE opportunities in the customer's home; (2) one-on-one education on EE techniques and measures; and (3) a comprehensive package of energy-conservation measures installed or provided to the extent the measure is identified as an EE opportunity based on the results of the energy assessment. Energy conservation measures, up to \$210, may include low-cost EE starter items, such as air-infiltration reduction measures, energy-efficient lighting, water conservation measures, HVAC filters, or other energy-saving devices.

12. My Home Energy Report – This voluntary program uses comparative household electric usage data for similar residences in the same geographic area to help customers better manage and reduce energy usage. These comparisons are intended to change energy-consumption behavior. The program will help residential customers assess their energy usage and provide recommendations for more efficient use of energy in their homes. The program will help identify those customers who could benefit most from investing in new EE measures, undertaking more energy-efficient practices and participating in Duke Kentucky programs. Customers will receive periodic comparative usage reports by mail or online. Delivery may be interrupted during the off-

peak energy usage months in the fall and spring. Duke Kentucky may require a minimum number of months of usage data before allowing participation.

13. Appliance Recycling Program (“ARP”) – The ARP is designed to prevent the continued use of inefficient, working refrigerators and freezers by taking the units out of homes and recycling them in an environmentally friendly manner, with approximately 95 percent of the material recycled and only 5 percent going to a landfill. Qualifying units include residential-style refrigerators and freezers ranging from 10-30 cubic feet currently in Duke Kentucky customers’ homes. These qualifying units will be removed and dismantled at no cost by a Duke Kentucky-approved third-party vendor. Duke Kentucky residential customers who elect to participate will be paid a cash incentive of up to \$30 per unit with a maximum of two units per year.

PROPOSED CHANGES TO EXISTING PROGRAMS

Duke Kentucky proposes to expand the scope of the following programs:

The Residential Smart Saver Energy Efficient Products Program enhancements include adding light emitting diode (“LED”) candelabras and recessed outdoor LEDs. Duke Kentucky expanded its lighting offer to include specialty CFL and LED bulbs such as recessed lights, candelabras, globes, three-way bulbs, capsules, and dimmable bulbs. The web-based ecommerce store (“Savings Store”) was launched on April 26, 2013, and provides discounted specialty lights, which are shipped directly to a participating customer’s home.⁹

Customers can access Duke Kentucky’s web site to learn about the Savings Store program. The web site includes frequently asked questions, CFL recycling

⁹ Application, Item 7, at 4.

information, and a savings calculator to estimate how much money customers can save and how sustainable they can be by purchasing discounted energy bulbs from the Duke Kentucky Savings Store.¹⁰

Duke Kentucky stated that customers who choose to shop at the Savings Store will see a wide variety of discounted CFL and LED bulbs for different fixtures around their home. Bulbs are available in single and multi-pack sizes and various wattages. Purchase limits vary by category, but customers may purchase additional bulbs without incentives if they choose. LED Candelabras and LED Outdoor PAR38 Reflectors will be added to the Saving Store.¹¹ Providing both CFL & LED technology for all applications provides customers with a wide variety of choices to help them save energy and money, according to Duke Kentucky.¹²

A shopping assistant is available to help customers select the right bulb types for various applications, as well as resources to understand the difference between lumens versus watts and how to compare them. The savings calculator can show how much customers may save by switching to energy-efficient lighting.¹³

The Savings Store is managed by Energy Federations Incorporated ("EFI"). Customers can view special promotions and feature products and track order history. EFI handles inquiries regarding products, payments, shipping, and warranties. Customers may pay with a credit card or by check.¹⁴

¹⁰ *Id.*

¹¹ Response of Duke Kentucky to Staff's First Request, Item 3.

¹² Application, Item 7, at 5.

¹³ *Id.*

¹⁴ Application, Item 7, at 5-6.

The MyHER program is adding an additional marketing channel or portal. Duke Kentucky has designed an interactive portal and enabled e-mail technology to further engage with customers with the intention of increasing the energy these engaged customers will save. This portal, MyHER Interactive, will be available online and through mobile channels and will be available and marketed to all MyHER customers. MyHER Interactive customers will continue to receive up to eight paper reports a year with the intention of decreasing the number of paper reports over time if it does not erode savings.¹⁵

Duke Kentucky is proposing to make the Custom program more accessible to a wider range of projects and to enhance program efficiency by considering several functional enhancements. The first of these involves the testing of relatively easy to use calculation tools designed to support smaller projects for which in-depth and expensive analysis are not practical. Depending on the success of the first tool, expected in late 2014, Duke Kentucky intends to pursue a suite of tools that will launch in 2015. Additionally, Duke Kentucky is investigating the feasibility of enhancements that will improve program transparency and enable participation of customer projects that are on fast track schedules or for which energy savings are difficult to quantify. Duke Kentucky states that more work and investigation is needed before these changes can be effectively presented.¹⁶

Duke Kentucky is proposing a general overall program enhancement by requesting the flexibility to implement cost-effective measures for approved programs

¹⁵ Application, Item 7, at 7.

¹⁶ Application, Item 7, at 10-11.

without prior Commission approval. The proposed enhancements would consist of minor program modifications that would not require an increase in costs in excess of \$75,000, and would not fundamentally change the program. Duke Kentucky believes that it is necessary to continually enhance the program portfolio to address new technological challenges and changing market conditions, and provide additional opportunities to customers beyond “low hanging” energy-efficiency. Duke Kentucky also requests Commission approval to remove measures as needed, stating that the automatic removal of programs, with notice to the Commission, not providing value will allow customers to benefit from additional measures in a timelier manner. Duke Kentucky requests an approval similar to the automatic approval process for pilots, as approved in Case No. 2012-00085,¹⁷ in which Duke Kentucky provides a ten-day notification to the Commission for any additional measures added to an approved program with costs of \$75,000 or less. Duke Kentucky states that it will include the measures that were added to the approved programs along with the updated cost effectiveness scores and the change in rates by customer class on an annual basis within its annual amendment filing.¹⁸

Based on the recommendation of its third-party evaluator, TecMarket Works, Duke Kentucky is proposing to remove two HVAC measures from the Prescriptive program: 1) air-cooled chiller tune up per ton and 2) water-cooled chiller tune up per ton. Duke Kentucky states that free ridership for these measures is increasing

¹⁷ 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 June 29, 2012).

¹⁸ Application, Item 7, at 12, and Response of Duke Kentucky to Staff's First Request, Item 9.

significantly, as determined in other jurisdictions where the programs are offered, thereby eroding their cost-effectiveness. The chiller measures were removed effective July 23, 2014. There was a 90-day grace period honoring the submission of an application after July 23, 2014, and only one subsequent chiller tune-up application was received, which was submitted on August 25, 2014.¹⁹

PROPOSED PROGRAM

Duke Kentucky is proposing a new program, the Non-Residential Small Business Energy Saver Program ("SBES"), which is designed to target the hard-to-reach small business sector by introducing approved prescriptive measures. The program will consist of a free energy assessment for qualifying small non-residential customers resulting in a customized proposal with improvement recommendations and eligible incentives provided upfront to offset the cost of measure installation, with the entire process managed by a program administrator. Duke Kentucky states that the program will help alleviate the burden of implementing energy-efficiency measures for this smaller non-residential customer segment.

Customers interested in the SBES program can contact Duke Kentucky or the program administrator²⁰ by phone or online by filling out a request form. The program administrator will schedule and conduct a free, no-obligation energy assessment at the eligible customer's facility. During the assessment, the program administrator will build a scope of work/proposal that includes program-eligible suggested replacements for existing equipment and details all costs for the upgrades (equipment and installation)

¹⁹ Application, Item 7, at 10, and Response of Duke Kentucky to Staff's First Request, Item 6.

²⁰ Response of Duke Kentucky to Staff's First Request, Item 5. The program administrator is SmartWatt Energy Inc.

using standardized, consistent pricing approved by Duke Kentucky for each measure. The proposal includes Duke Kentucky's incentive for the project up front, so customers do not have to wait for an incentive rebate. Before agreeing to participate, the customer has the ability to make the final determination of project scope.²¹

The SBES program incentives are calculated per project, based upon the deemed estimated energy savings of the energy-efficiency improvements and the conditions found within the customer's facility. The program may provide an up-front customer incentive for up to 80 percent of the total cost of installed measures. Incentives are provided based on Duke Kentucky's cost-effectiveness modeling to ensure cost-effectiveness over the life of the measure. Program measures will address major end-uses in lighting, refrigeration, and HVAC applications. SBES program eligibility will be limited to all non-residential customers with an average annual electric demand of 100 kilowatts or less that are not classified as new construction. Participants may be owner-occupied or tenant facilities with owner permission.²²

Duke Kentucky states that the SBES program will further its commitment to offer affordable and broad-reaching programs that simplify energy-efficiency decisions for all customers. Duke Kentucky requests approval of this program through December 31, 2016, to align with the timeframe of the existing DSM/EE portfolio.²³

²¹ Application, Item 7, at 8.

²² *Id.* at 9.

²³ *Id.* at 7-8.

DISCONTINUANCE OF PILOT PROGRAM

Duke Kentucky is proposing to discontinue the Energy Management and Information Services (“EMIS”) Pilot. Duke Kentucky submitted a notification letter on April 21, 2014, informing the Commission of its decision to implement the EMIS pilot program, as allowed in Case No. 2012-00085. This program was for a small two-building pilot to test the cost-effectiveness of a program which uses energy-analytics software coupled with an on-site assessment focused on building controls and HVAC equipment. It was intended to drive out low-cost operational changes to reduce energy consumption. This pilot was simultaneously launched in four other states in which Duke Kentucky affiliates operate. Due to limited customer interest across all of the different jurisdictions, Duke Kentucky internally evaluated the pilot in order to determine if proceeding with a lower-than-anticipated overall customer base would allow the program to be cost-effective. The options considered included restructuring the pilot, terminating the pilot, or putting it on hold.²⁴

Duke Kentucky began the customer acquisition process on May 5, 2014, after notifying the Commission. The acquisition process was conducted via e-mail, direct mail, web site, product video, and telephone calls by Duke Kentucky’s Large Account Managers. After several marketing campaigns and customer recruitment efforts, a limited number of customers expressed interest in moving forward with the pilot. Duke Kentucky’s pilot was used to test the potential cost-effectiveness of the program.²⁵ The pilot costs and cost-effectiveness tests were calculated based on acquiring 53 pilot buildings in five states. Based on the limited number of interested potential customers

²⁴ *Id.* at 11.

²⁵ *Id.*

(15), Duke Energy, parent company of Duke Kentucky, expects the final number of participants in five states to be in the single digits; therefore, the EMIS team is discontinuing the EMIS pilot. Duke Energy states that “[m]oving forward with a lesser number of participants does not make fiduciary sense, due to the fixed cost burden and difficulty in going to commercialization.”²⁶

The reasons given by customers for not participating in the pilot include: (1) not having working controls or a Building Automation System, which adds to their cost to participate in the pilot; (2) the cost to implement was too high; (3) did not want to pay anything for the service; (4) many vendors and offers on the market cause customer confusion on what EMIS is versus other products; (5) already have some type of software in place to track energy information and usage at the portfolio level; and (6) the offer often requires one-on-one selling due to the complexity of the offer, which is not a scalable solution.

Duke Kentucky stated that positive outcomes and lessons learned from the EMIS pilot include: (1) indications of customer interest were higher than other campaigns, indicating the marketing efforts (e-mails, direct mail, video, and web site) and program design were compelling to some extent; and (2) EMIS phone conversations with customers resulted in strong customer interest for other energy-efficiency or demand response products/services (i.e., Smart \$aver Prescriptive incentives).²⁷

²⁶ Response to Duke Kentucky to Staff's First Request, Item 8.

²⁷ *Id.*

FUTURE EVALUATION REPORTS

Duke Kentucky proposes to file the following evaluation reports by August 15, 2015: the Energy Education Program for Schools; Low Income Neighborhood; and portions of the Residential Smart Saver.²⁸

COST EFFECTIVENESS

The following table shows the results of the cost-effectiveness tests²⁹ provided by Duke Kentucky.

<u>DSM Portfolio Programs</u>	<u>Utility Test</u>	<u>TRC Test</u>	<u>RIM Test</u>	<u>Participant Test</u>
Residential Customer Programs				
Appliance Recycling Program	3.86	5.01	1.38	N/A
Energy Efficiency Education Program for Schools	0.97	1.46	0.66	N/A
Low Income Neighborhood	3.55	4.19	1.34	N/A
Low Income Services	0.88	1.06	0.63	N/A
My Home Energy Report	1.84	1.84	0.93	N/A
Residential Energy Assessments	3.30	3.30	1.65	N/A
Residential Smart Saver	4.74	7.39	1.32	15.02
Power Manager	4.35	5.75	4.35	N/A
Non-Residential Customer Programs				
Smart Saver Custom	3.72	1.60	1.32	2.05
Smart Saver Prescriptive - Energy Star Food Services Products	10.19	3.96	1.53	4.24
Smart Saver Prescriptive - HVAC	2.28	1.00	1.28	0.82
Smart Saver Prescriptive - Lighting	5.73	2.75	1.62	2.74
Smart Saver Prescriptive - Motor/Pumps/VFD	6.06	4.27	1.46	5.20
Smart Saver Prescriptive - Process Equipment	5.37	5.63	1.69	6.02
Smart Saver Prescriptive - IT	N/A	N/A	N/A	N/A
Power Share	4.33	12.84	4.33	N/A

²⁸ Response of Duke Kentucky to Commission Staff's Second Request for Information, Item 7 (filed Nov. 10, 2014).

²⁹ Case No. 2014-00388, *Annual Cost Recovery Filing for Demand Side Management by Duke Energy Kentucky, Inc.* (filed Nov. 12, 2014), Application, Appendix A.

COSTS³⁰

Duke Kentucky's DSM revenue requirement is \$10.975 million, including program costs, lost revenues, and financial incentives. This level of expenditure, along with under- and over-recovery from the prior period, results in a total DSM revenue requirement of \$11.042 million, of which \$7.637 million is allocated to electric operations and \$3.405 million is allocated to gas operations. The \$7.637 million net amount allocated to electric operations comprises a \$1.685 million over-recovery from the prior period, \$9.322 million of expected DSM program costs, and \$145,522 of customer meter charges for Home Energy Assistance ("HEA").

The \$3.405 million net amount allocated to gas operations comprises a \$1.752 million under-recovery from the prior period, \$1.653 million of expected DSM program costs, and \$105,035 of customer meter charges for HEA. Duke Kentucky responded to Staff requests for information concerning the benefits to its gas customers of DSM programs for which costs are allocated to gas customers, as well as the continuing reasonableness of the 63.5 percent allocation factor used to assign DSM costs of several programs to gas customers.

CONCLUSIONS

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

1. Duke Kentucky has kept the Commission informed of the progress and status of its DSM programs by timely filing summary status reports on its programs.
2. Duke Kentucky's proposals, as contained in its Application, should be approved.

³⁰ Application, Exhibit B.

3. Duke Kentucky's revised DSM surcharge factors, which are based on its expected level of additional DSM program costs, are reasonable and should be approved.

4. Within 20 days of its execution, Duke Kentucky should provide a copy of the fully executed contract with the SBES contractor, SmartWatt Energy Inc., along with the percentage of contract cost applicable to Duke Kentucky.

5. Duke Kentucky, in compliance with the approval in the June 29, 2012 Order in Case No. 2012-00085, should provide a ten-day notification to the Commission of any additional measures to be added or any existing measures to be removed from its DSM portfolio as requested in the cost-effective measure inclusion.

6. Duke Kentucky, in compliance with the approval in the June 29, 2012 Order in Case No. 2012-00085, should provide updated cost-effectiveness scores and any change in rates by customer class on an annual basis within the annual amendment filing as requested in the cost-effective measure inclusion.

7. Duke Kentucky should continue the practice of not including DSM- or EE-related costs in base rates.

IT IS THEREFORE ORDERED that:

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

2. Duke Kentucky's revised DSM surcharge factors, which are based on its expected level of additional DSM program costs, are reasonable and should be approved.

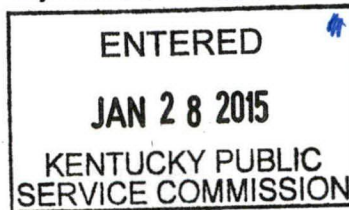
3. Within 20 days of contract execution, Duke Kentucky shall provide a copy of the fully executed contract with the SBES contractor, SmartWatt Energy Inc., along with the percentage of contact cost applicable to Duke Kentucky.

4. Duke Kentucky shall comply with the requirements of the June 29, 2012 Order in Case No. 2012-00085 as directed above in finding paragraphs 5 and 6.

5. Duke Kentucky shall file evaluation reports on or about August 15, 2015.

6. Within ten days of the date of this Order, Duke Kentucky shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised DSM tariffs showing the date of issue and that they were issued by authority of this Order.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2014-00280 DATED **JAN 28 2015**

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>Proposed DSM Cost Recovery Rider (DSMR)</u>
<u>Electric Rider DSM</u>	
Residential Rate RS	\$0.003094 per kWh
Distribution Level Rates Part A DS, DP, DT, GS-FL, EH & SP	\$0.000401 per kWh
Transmission Level Rates & Distribution Level Rates Part B TT	\$0.000848 per kWh
Distribution Level Rates Total DS, DP, DT, GS-FL, EH & SP	\$0.001249 per kWh
<u>Gas Rider DSM</u>	
Residential Rate RS	\$0.055020 per Ccf

Rocco O D'Ascenzo
Duke Energy Kentucky, Inc.
139 East Fourth Street
P. O. Box 960
Cincinnati, OH 45201

Adele Frisch
Duke Energy Kentucky, Inc.
139 East Fourth Street
P. O. Box 960
Cincinnati, OH 45201

Dianne Kuhnell
Duke Energy Kentucky, Inc.
139 East Fourth Street
P. O. Box 960
Cincinnati, OH 45201