

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)	CASE NO.
KENTUCKY, INC. TO AMEND ITS DEMAND SIDE)	2025-00272
MANAGEMENT PROGRAMS)	

ORDER

On August 15, 2025, pursuant to KRS 278.285, and the final Order in Case No. 2012-00495,¹ Duke Energy Kentucky, Inc. (Duke Kentucky), filed a request for approval to modify its Demand-Side Management (DSM) programs and adjust its Demand-Side Management Rider (DSMR) for electric customers only. There are no intervenors in this proceeding. However, the Attorney General filed a written comment, discussed herein. Duke Kentucky responded to two requests for information from Commission Staff. The matter now stands submitted for a decision.

LEGAL STANDARD

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 may 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;

¹ 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), Order at 15-16.

- (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.

PROPOSED DSM MODIFICATIONS

Duke Kentucky's current DSM programs were originally approved in Case No. 2012-00085² and amended in subsequent annual DSM filings. Duke Kentucky's current DSM portfolio, as approved in Case No. 2024-00264,³ includes the following programs:

1. Income Qualified Services Program;
2. Residential Energy Assessments Program;
3. Residential Smart Saver Efficient Residences Program;
4. Residential Smart Saver Energy Efficient Products Program;
5. Non-Residential Smart Saver Program;
6. Power Manager Program;
7. PowerShare;
8. Income Qualified Neighborhood Energy Saver Program;
9. Home Energy Report;
10. Non-Residential Business Energy Saver Program;
11. Non-Residential Pay for Performance⁴; and
12. Peak Time Rebate Pilot Program.

Duke Kentucky's proposed modifications to its DSM programs include expanding the scope of the Residential Smart Saver Program and introducing notifications for

² 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, 2018), Order.

³ Case No. 2024-00264, *Electronic Application of Duke Energy Kentucky, Inc. to Amend its Demand Side Management Programs* (Ky. PSC Dec. 30, 2024), Order.

⁴ Marketed as Smart \$aver Performance.

system peak days to the Home Energy Report Program.⁵ In addition, Duke Kentucky proposed to add a new program to its DSM portfolio, the Energy Efficiency in Education Program.⁶ Duke Kentucky also proposed an update to its Non-Residential Business Energy Saver Program tariff.⁷

In regard to the expansion of the Residential Smart Saver Program, Duke Kentucky proposed to add new measures to expand the available hardware finish options for customers through upgrades within the Save Energy and Water Kit Program.⁸ Customers would be required to pay the difference between the standard finish included in the kit and the upgraded finish.⁹ The energy savings between the standard option and upgrade are identical. The customer copay for upgraded finish options is provided in the table below:¹⁰

Measure Upgrade Name	Customer Copay
Showerhead; 1.5 GPM, Matte Black	\$8.00
Showerhead; 1.5 GPM, Brush Nickel	\$9.00
Wand Showerhead; 1.5 GPM, Chrome	\$6.50
Wand Showerhead; 1.5 GPM, Matte Black	\$12.50
Wand Showerhead; 1.5 GPM, Brush Nickel	\$15.00
Showerhead-Thermostatic Valve Combo	\$11.00
Faucet Aerator; 1.0 GPM, Bath, Matte Black	\$0.00
Faucet Aerator; 1.0 GPM, Bath, Brush Nickel	\$0.00

⁵ Application (filed Aug. 15, 2025) at 5-6.

⁶ Application at 7.

⁷ Application at 10.

⁸ Application at 5.

⁹ Application at 6.

¹⁰ Duke Kentucky's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Oct. 10, 2025), Item 2.

In response to Staff's First Request, Duke Kentucky explained that, if it were to cover the costs of the upgrades, it would result in an increased budget of approximately \$14,490.¹¹ However, the increased budget would impact the overall cost-effectiveness of the program, as discussed in further detail below.

In regard to the Home Energy Report Program, Duke Kentucky proposed to implement a notification system associated with system peak days. The participant has the option to elect to receive notifications via phone, email, and/or text message.¹² The purpose of these notifications is to alert participants 48 hours in advance of a peak day.¹³

Duke Kentucky proposed a new program, the Energy Efficiency in Education Program. The program would offer participants the opportunity to lower their electric bills by reducing usage through energy-saving measures.¹⁴ Duke Kentucky stated that it previously offered a similar program, the Energy Efficiency Education Program for Schools, which was terminated by Commission Order in 2018.¹⁵

The Energy Efficiency in Education Program primarily focuses on educating children in grades K-12 enrolled in public or private schools, or other community educational/awareness programs where the curriculum would be relevant, within Duke Kentucky's service territory.¹⁶ The program provides an educational component centered

¹¹ Duke Kentucky's Response to Staff's First Request, Item 2.

¹² Application at 6.

¹³ Application at 6.

¹⁴ Application at 7.

¹⁵ Application at 7-8. See also, Case No. 2017-00427, *Electronic Annual Cost Recovery Filing for Demand Side Management* (Ky. PSC Sept. 13, 2018), Order at 16.

¹⁶ Application at 8.

around energy efficiency.¹⁷ Additionally, the program offers the opportunity to request a free energy efficiency kit.¹⁸

Duke Kentucky also proposed modifications to its Non-Residential Business Energy Saver Program tariff. The proposed modification adds language that clarifies the availability of the program to potential participants and adds information about the SmartPath option within the program.¹⁹ The proposed modifications to the tariff add the following language under the Program Description:²⁰

1. The Small Business Energy Saver (SBES) is available to non-residential customer accounts with an actual average annual electric demand of 180 kilowatts or less.
2. The Company also offers SmartPath. This option is available to all eligible non-residential customer accounts. The program is implemented by a qualified Trade Ally network who complete energy assessments, develops proposals, and implements the turnkey projects on the program's behalf. SmartPath offers customers financing through funding partners. All financing is between the customer and the funding partner and is offered by the Trade Allies.

The proposed tariff also includes minor, clarifying contextual changes.²¹

ATTORNEY GENERAL'S COMMENT

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General) stated that it is skeptical of the benefit of the proposed Energy Efficiency in Education Program due to the potential of ratepayers

¹⁷ Application at 8.

¹⁸ Application at 8.

¹⁹ Application, Appendix J at 1.

²⁰ Application, Appendix J at 1.

²¹ Application, Appendix J at 1-2.

having to absorb unnecessary costs.²² The Attorney General further stated the Commission was correct in eliminating the program in 2018, and circumstances have not changed to justify restarting the program.²³

Duke Kentucky stated in response that the Attorney General may have mistaken the nature and potential benefits of the proposed program.²⁴ Duke Kentucky explained that the proposed program is not the same program offered prior to 2018.²⁵ Duke Kentucky stated that, to reduce the costs and improve cost-effectiveness, it redesigned the offering to only include components of the previously terminated program.²⁶ Additionally, Duke Kentucky stated that the program will be available for grades K-12, instead of K-8 as previously offered, and may be available via other community educational/awareness programs.²⁷ Duke Kentucky noted that the proposed program has one of the highest Total Resource Costs Test (TRC) results of all the residential program offerings, and the program was able to decrease program implementation costs by approximately 71 percent as compared to what was being charged at the time of program termination in 2018, while achieving higher per-kit energy savings for the program's energy efficiency kit.²⁸

²² Attorney General's Comment (filed Sept. 22, 2025) at 2.

²³ Attorney General's Comment at 2.

²⁴ Duke Kentucky's Motion for Leave to File Instanter and Its Reply Comments (Reply Comment) (filed Dec. 11, 2025) at 2.

²⁵ Duke Kentucky's Reply Comment at 2-3.

²⁶ Duke Kentucky's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Nov. 7, 2025), Item 1b at 3.

²⁷ Duke Kentucky's Response to Staff's Second Request, Item 1b at 3.

²⁸ Duke Kentucky's Response to Staff's Second Request, Item 1b at 4.

COST-EFFECTIVENESS

Duke Kentucky provided, in Appendix B of its application, the forecasted cost-effectiveness results performed on its proposed program, the Energy Efficiency in Education Program. Additionally, Duke Kentucky provided the cost-effectiveness scores if it were to absorb the costs of the finish upgrades in its Residential Smart Saver Program.²⁹ Duke Kentucky stated that the cost-effectiveness of the rest of Duke Kentucky's DSM/EE programs remain the same as the prior annual filing, Case No. 2024-00264.³⁰ The following table shows the result of the cost-effectiveness test as provided by Duke Kentucky:³¹

Program Name	UCT	TRC	RIM	PCT
Residential Smart Saver (as filed)	3.75	3.35	1.58	4.66
Residential Smart Saver (no copay)	3.68	3.29	1.56	4.52
Energy Efficiency in Education	9.20	8.91	2.03	10.53

As illustrated above, the TRC results show that the proposed modifications to Residential Smart Saver program are more cost-effective than if Duke Kentucky were to absorb the copay. Additionally, the TRC results show that the Energy Efficiency in Education Program is cost-effective as it is a value greater than 1.00.

²⁹ Duke Kentucky's Response to Staff's First Request, Item 2.

³⁰ Application at 6. See also, Case No. 2024-00264, *Electronic Application of Duke Energy Kentucky, Inc. to Amend its Demand Side Management Programs* (Ky. PSC Dec. 30, 2024), Order at 9.

³¹ Application, Appendix B. See also, Duke Kentucky's Response to Staff's First Request, Item 2.

COST AND COST ALLOCATION

Duke Kentucky is proposing to make increase adjustments to its Demand-Side Management Cost Recovery Rider (DSMR), which would include the addition of the Energy Efficiency in Education Program budget of \$113,962.³²

Duke Kentucky's DSM revenue requirement, including projected August 15, 2025, program costs, lost revenues, and shared savings is approximately \$14.077 million.³³ This level of expenditure, along with under-recoveries and over-recoveries from the prior period, results in a total DSM revenue requirement of approximately \$9.424 million, of which \$9.346 million is allocated to electric operations and \$0.077 million is allocated to natural gas operations.³⁴ A company may experience under-recoveries and over-recoveries through its DSM cost-recovery mechanism due to the overall collection of revenue falling short or exceeding the overall expenditures of maintaining the DSM programs. The Commission previously approved a total DSM revenue requirement of approximately \$10.221 million in Case No. 2024-00264.³⁵

DISCUSSION AND FINDINGS

Based upon the case record and being otherwise sufficiently advised, the Commission has reviewed the proposed modifications to Duke Kentucky's programs and finds that the modifications are reasonable when considering the factors listed in KRS 278.285(1). However, the Commission is concerned that the proposed Energy

³² Application at 9.

³³ Application, Appendix C at 2.

³⁴ Application, Appendix C at 5.

³⁵ Case No. 2024-00264, *Electronic Application of Duke Energy Kentucky, Inc. to Amend its Demand Side Management Programs* (Ky. PSC Dec. 30, 2024), Order at 10.

Efficiency in Education Program may cause a financial burden to ratepayers. The Commission finds that the Energy Efficiency in Education program should be approved, temporarily, and will be further assessed for implementation in Duke Kentucky's next DSM filing. To facilitate the additional assessment of the Energy Efficiency in Education program, Duke Kentucky should provide the participation levels of the program, an updated forecasted budget, and cost-effectiveness scores.

The Commission continues to caution Duke Kentucky against expanding its DSM programs excessively where it is consistently over-recovering revenues and, as a result, having to true-up substantial over-recoveries.³⁶ The Commission expects Duke Kentucky to practice more prudence when budgeting its expected program costs so that it limits any potential for excessive true-up amounts by the next annual DSM filing. Additionally, the DSM rates for electric service as set forth in the Appendix to this Order are reasonable and should be approved.

Additionally, the Commission finds the updated language to the Non-Residential Business Energy Saver Program to be reasonable.

IT IS THEREFORE ORDERED that:

1. The DSM rates set forth in the Appendix to this Order are approved as fair, just and reasonable rates for Duke Kentucky, and these rates are approved for service rendered on and after the date of service of this Order.

³⁶ Duke Kentucky had a \$(4,901,069) over-recovery in Case No. 2023-00354, a \$(3,585,519) over-recovery in Case No.2024-00264 and has a \$(4,420,838) over-recovery in this case.

2. The proposed Energy Efficiency in Education Program is approved up to August 15, 2026, and shall be reevaluated for approval in Duke Kentucky's next DSM filing.

3. Duke Kentucky shall provide the participation levels, an updated forecasted budget, and cost-effectiveness scores of the Energy Efficiency in Education program in its next DSM filing to further assess the program for implementation.

4. Duke Kentucky shall comply with the requirements of the findings set forth herein.

5. 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 to be effective so to align with the Company's first billing cycle in the month following the Commission's Order.

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

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director

ENTERED
JAN 14 2026 AB
KENTUCKY PUBLIC
SERVICE COMMISSION

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00272 DATED JAN 14 2026

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.

Rate Schedule Riders	DSM Cost Recovery Rider (DSMR)
<u>Electric Rider DSM</u>	
Residential Rate RS	\$0.001641 per kWh
Non-Residential Distribution Rate	\$0.003000 per kWh

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