

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|-------------------------------------|---|------------|
| ELECTRONIC JOINT APPLICATION OF |) | |
| LOUISVILLE GAS AND ELECTRIC COMPANY |) | |
| AND KENTUCKY UTILITIES COMPANY TO |) | CASE NO. |
| ENHANCE THE BUDGET OF AN EXISTING |) | 2022-00123 |
| DEMAND-SIDE MANAGEMENT AND ENERGY |) | |
| EFFICIENCY PROGRAM |) | |

ORDER

On April 29, 2022, Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU) (jointly, LG&E/KU) filed an application pursuant to KRS 278.285 requesting approval to amend their current Commission-approved 2019-2025 Demand-Side Management and Energy Efficiency Program Plan (2019-2025 DSM-EE Program Plan). LG&E/KU also requested to update the Demand-Side Management Cost Recovery Mechanism (DSM Mechanism) to reflect the proposed amendment. The effective date of the proposed tariff is May 29, 2022. There are no intervenors, and 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 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.

LG&E/KU DSM PROGRAM PORTFOLIO

The current suite of DSM programs was approved in Case No. 2017-00441¹ (2017 DSM Case) and include the following:

1. Nonresidential Rebates Program
2. Residential Low-income Weatherization Program (WeCare)
3. Residential and Small Non-residential Demand Conservation Program
4. Nonresidential Demand Conservation Program
5. Advanced Metering Systems (AMS) Customer Offering
6. Implementation and Administration

PROPOSED CHANGES TO EXISTING PROGRAMS AND TARIFFS

Currently, LG&E/KU are about halfway through the Commission approved 2019-2025 DSM-EE Program Plan. LG&E/KU noted that all programs are performing as budgeted except for the Nonresidential Rebates Program, which is performing beyond forecasted expectations.² This program provides nonresidential customers with financial incentives for the replacement of aging and inefficient equipment. Offerings include prescriptive, custom, and new construction incentives. LG&E/KU stated that participation in the first three years of the program has been more than triple of what was forecasted; hence, the rebates expended to date are \$8.34 million versus the budgeted amount of \$2.48 million.³ Additionally, the estimated annual energy savings has also tripled from

¹ Case No. 2017-00441, *Electronic Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Certain Existing Demand-Side Management and Energy Efficient Programs*.

² Application at 5, paragraph 9.

³ Application at 5–6, paragraph 11.

what the company originally anticipated.⁴ In response to the increase in rebates, LG&E/KU has reduced implementation and administration costs by \$1.6 million; however, between 2019 and 2021, actual spend has been over \$4.3 million more than what was budgeted.⁵ The initial 2019-2025 DSM-EE Program Plan budget for the Nonresidential Rebates Program was \$18.66 million, and the total program expenditures in the first three years was \$12.77 million, with an anticipation expenditure of \$4 million in 2022.⁶ LG&E/KU stated that based on the current pace of participation, the current 2019-2025 DSM-EE Program Plan budget of \$18.7 million for the Nonresidential Rebates Program will be exhausted by the first half of 2023.⁷ Due to this budgetary challenge, LG&E/KU requested approval for an updated and increased budget for the program of \$15.9 million for the years 2022-2025.⁸

With this update, LG&E/KU forecasted the 2019-2025 DSM-EE Program Plan energy reductions will increase from 178,814 MWh to 530,024 MWh, demand reductions will increase from 36.9 MW to 112.4 MW, and gas usage reductions will increase from 156,856 Ccf to 284,119 Ccf.⁹ The proposal also results in an increased cost-benefit scores. Specifically, the Total Resource Cost (TRC) score increases to 1.60 versus 1.14 as filed in the 2017 DSM Case.¹⁰

⁴ Application at 5-6, paragraph 11.

⁵ Application at 5-6, paragraph 11.

⁶ Application at 6-7, paragraph 12.

⁷ Application at 6-7, paragraph 12.

⁸ Application at 6-7, paragraph 12.

⁹ Application at 8-9, paragraph 15.

¹⁰ Application at 9-10, paragraph 16.

LG&E/KU also recognized that additional DSM-EE programs may soon be cost-effective and are meeting with the DSM-EE Advisory Group to discuss a future DSM-EE Program Plan.¹¹ Additionally, LG&E/KU have engaged The Cadmus Group to assist in the evaluation of a future DSM-EE portfolio. LG&E/KU also spoke to their commitment in the 2020 rate case to consider and evaluate Peak-Time Rebates and an on-bill financing program.¹² LG&E/KU expect to file a reviewed DSM-EE program plan in 2024.¹³

DISCUSSION

The legal standard has also been met in accordance to KRS 278.285(1) considering LG&E/KU are attempting to alter usage patterns and lower energy and peak consumption; LG&E/KU provided a cost benefit analysis based upon the California Tests, provide support for recovery of all program costs, lost revenues, and incentives; LG&E/KU includes all DSM in their Integrate Resource Plan filings, including the current filing;¹⁴ the proposed programs are available to qualifying nonresidential customers; those nonresidential customers that have chosen to opt out of DSM-EE are not assessed the DSM Rider; the DSM-EE advisory group includes the Attorney General; LG&E/KU ensure that the programs are available, affordable and useful through advertisements, and education with customer service representatives (CSRs); LG&E/KU was granted a Certificate of Convenience and Public Necessity for full deployment of AMS meters in

¹¹ Application at 5, paragraph 10.

¹² Application at 10-11, paragraph 18.

¹³ Application at 10, paragraph 17.

¹⁴ See Case No. 2021-00393, *Electronic 2021 Joint Integrated Resource Plan of Louisville Gas and Electric Company and Kentucky Utilities Company* (Ky. PSC filed Oct. 19, 2021).

their 2020 rate cases and have commitments to provide an on-line platform accessible to the customer and to CSRs for usage, costs, and meter readings.

The Commission has reviewed the proposed modifications to the 2019-2025 DSM-EE Program Plan and agrees that the program has been successful, as indicated by the energy and demand reductions and participant demand. Additionally, the improved TRC score and the increased demand-side impact illustrate that the program will be effectful from a demand-side perspective as it lowers energy usage, shaves peak demand, and is cost effective. Therefore, the Commission finds that the proposed amendment to the Nonresidential Rebates Program and proposed budget increase and resulting increase for the nonresidential DSM rates to be reasonable. The Commission further requests that LG&E/KU evaluate the need to expand the current DSM-EE Program as this program may need to be expanded prior to the termination of the current 2019-2025 DSM-EE Program Plan.

IT IS THEREFORE ORDERED that:

1. LG&E/KU's proposed increase for the 2019-2025 DSM-EE Program Plan is approved.
2. LG&E/KU shall continue encouraging participation in programs that help customers to reduce energy consumption.
3. The rates and charges in Appendix A, attached hereto, are fair, just and reasonable for KU to charge for service rendered on and after May 29, 2022.
4. The rates and charges in Appendix B, attached hereto, are fair, just and reasonable for LG&E to charge for service rendered on and after May 29, 2022.

5. Within 20 days of the date of this Order, LG&E/KU 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.

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PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman

Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00123 DATED MAY 20 2022

The following rates and charges are prescribed for the customers served by Kentucky Utilities Company. 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.

DSM
DEMAND-SIDE MANAGEMENT COST RECOVERY MECHANISM

| | |
|---|----------------------------|
| Rates RS, RTOD-Energy, RTOD-Demand, VFD | Energy Charge |
| DSM Cost Recovery (DCR) | \$ 0.00050 per kWh |
| DSM Revenues from Lost Sales (DRLS) | \$ 0.00004 per kWh |
| DSM Incentive (DSMI) | \$ 0.00000 per kWh |
| DSM Capital Cost Recovery (DCCR) | \$ 0.00043 per kWh |
| DSM Balance Adjustment (DBA) | <u>\$(0.00023)</u> per kWh |
| Total DSMRC | \$ 0.00074 per kWh |
| Rate GS, GTOD-Energy, GTOD-Demand | |
| DSM Cost Recovery (DCR) | \$ 0.00042 per kWh |
| DSM Revenues from Lost Sales (DRLS) | \$ 0.00019 per kWh |
| DSM Incentive (DSMI) | \$ 0.00000 per kWh |
| DSM Capital Cost Recovery (DCCR) | \$ 0.00010 per kWh |
| DSM Balance Adjustment (DBA) | <u>\$(0.00009)</u> per kWh |
| Total DSMRC | \$ 0.00062 per kWh |
| Rate AES | |
| DSM Cost Recovery (DCR) | \$ 0.00115 per kWh |
| DSM Revenues from Lost Sales (DRLS) | \$ 0.00079 per kWh |
| DSM Incentive (DSMI) | \$ 0.00000 per kWh |
| DSM Capital Cost Recovery (DCCR) | \$ 0.00131 per kWh |
| DSM Balance Adjustment (DBA) | <u>\$ 0.00038</u> per kWh |
| Total DSMRC | \$ 0.00363 per kWh |
| Rates TODS, TODP, RTS, FLS, OSL | |
| DSM Cost Recovery (DCR) | \$ 0.00041 per kWh |
| DSM Revenues from Lost Sales (DRLS) | \$ 0.00022 per kWh |
| DSM Incentive (DSMI) | \$ 0.00000 per kWh |
| DSM Capital Cost Recovery (DCCR) | \$ 0.00012 per kWh |
| DSM Balance Adjustment (DBA) | <u>\$ 0.00004</u> per kWh |

Total DSMRC

\$ 0.00079 per kWh

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00123 DATED MAY 20 2022

The following rates and charges are prescribed for the customers served by Louisville Gas and Electric Company. 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.

ELECTRIC SERVICE RATES

DSM
DEMAND-SIDE MANAGEMENT COST RECOVERY MECHANISM

| Rates RS, RTOD-Energy, RTOD-Demand, VFD | Energy Charge |
|---|---------------------------|
| DSM Cost Recovery (DCR) | \$ 0.00063 per kWh |
| DSM Revenues from Lost Sales (DRLS) | \$ 0.00005 per kWh |
| DSM Incentive (DSMI) | \$ 0.00000 per kWh |
| DSM Capital Cost Recovery (DCCR) | \$ 0.00060 per kWh |
| DSM Balance Adjustment (DBA) | <u>\$ 0.00009</u> per kWh |
| Total DSMRC | \$ 0.00137 per kWh |
| | |
| Rate GS, GTOD-Energy, GTOD-Demand | |
| DSM Cost Recovery (DCR) | \$ 0.00044 per kWh |
| DSM Revenues from Lost Sales (DRLS) | \$ 0.00025 per kWh |
| DSM Incentive (DSMI) | \$ 0.00000 per kWh |
| DSM Capital Cost Recovery (DCCR) | \$ 0.00023 per kWh |
| DSM Balance Adjustment (DBA) | <u>\$ 0.00018</u> per kWh |
| Total DSMRC | \$ 0.00110 per kWh |
| | |
| Rate PS | |
| DSM Cost Recovery (DCR) | \$ 0.00114 per kWh |
| DSM Revenues from Lost Sales (DRLS) | \$ 0.00082 per kWh |
| DSM Incentive (DSMI) | \$ 0.00000 per kWh |
| DSM Capital Cost Recovery (DCCR) | \$ 0.00015 per kWh |
| DSM Balance Adjustment (DBA) | <u>\$ 0.00086</u> per kWh |
| Total DSMRC | \$ 0.00297 per kWh |
| | |
| Rates TODS, TODP, RTS, FLS, OSL | |
| DSM Cost Recovery (DCR) | \$ 0.00016 per kWh |
| DSM Revenues from Lost Sales (DRLS) | \$ 0.00005 per kWh |
| DSM Incentive (DSMI) | \$ 0.00000 per kWh |

| | |
|----------------------------------|---------------------------|
| DSM Capital Cost Recovery (DCCR) | \$ 0.00008 per kWh |
| DSM Balance Adjustment (DBA) | <u>\$ 0.00006</u> per kWh |
| Total DSMRC | \$ 0.00035 per kWh |

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