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NEWS RELEASE

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PSC Modifies Duke Energy DSM Programs

Lifts moratorium on some energy efficiency efforts, eliminates others

FRANKFORT, Ky. (Sept. 13, 2018) – After a thorough review of the costs, benefits and need for Duke Energy Kentucky's demand-side management (DSM) programs, the Kentucky Public Service Commission (PSC) has allowed the resumption of most of the programs, while modifying or eliminating others.

In an order issued today, the PSC found that some of the DSM programs are needed for Duke Kentucky to meet its obligations as a member of a regional grid organization, while others provide sufficient benefits to ratepayers to justify their cost.

DSM programs are authorized under Kentucky law and are intended to reduce or defer the need for new electric generating capacity by encouraging ratepayers to reduce usage, often by providing financial incentives to do so. They are funded by a surcharge on ratepayers, with the surcharge for each class of ratepayers - residential and commercial – based on the programs available to each.

The changes approved today are estimated to save the typical Duke Kentucky residential electric customer about \$15 per year. Duke Kentucky natural gas customers will save about \$17 annually. Those figures include a smaller reduction approved in February on an interim basis.

The PSC in February initiated a comprehensive review of Duke Kentucky's DSM programs, consolidating three pending cases filed by the utility. At that time, the PSC suspended all of Duke Kentucky's DSM programs, with the exception of those serving low-income ratepayers.

The PSC conducted a hearing in the case on May 14. The only other party to the case was the Kentucky Office of Attorney General, which by law represents ratepayers before the PSC.

Today's order notes that two of Duke Kentucky's DSM programs – which allow the utility to reduce demand by remotely switching off residential air-conditioners and by offering commercial customers incentives to reduce usage – are used by Duke Kentucky to help match its actual power demand to the forecasts it provides to the PJM Interconnection, a regional grid operator with the responsibility to match power supply and demand. Duke Kentucky is a member of PJM.

Reducing Duke Kentucky's load through the two DSM programs is less costly than balancing load and demand by either buying additional power or building additional generating capacity, the PSC said. Therefore, the programs meet the central purpose of DSM.

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PSC Modifies Duke Energy DSM Programs – Page 2

The PSC also authorized Duke Kentucky to continue a number of other programs, including ones that provide energy audits to homes and businesses and that offer rebates for certain improvements designed to reduce energy consumption.

Today's order also modifies the following Duke Kentucky DSM programs:

- A program that provides reports to residential customers on their energy usage should be changed from an opt-out program to an opt-in, with reports sent twice a year, rather than every month. The budget for the program is eliminated until Duke Kentucky can determine the actual savings from the change.
- Duke Kentucky will not be permitted to provide customers with high-efficiency light-emitting diode (LED) bulbs at a discount through various retailers. The program to offer LED bulbs through the company will continue, but customers will be limited to a total of 15 free bulbs and may not receive an additional 12 bulbs after five years.
- Two programs that offer rebates to businesses that undertake certain energy efficiency improvements will be modified to require pre-application and reservation of rebates. The changes will improve the financial control of the programs, the PSC said. The PSC also approved some changes that Duke Kentucky made regarding specific improvements that are eligible for rebates.
- Programs targeted to low-income residential customers are to be modified to remove eligibility criteria that are a barrier to those customers qualifying for weatherization programs. The PSC ordered Duke Kentucky to work with the Attorney General and advocates for low-income customers to establish new eligibility requirements.

The PSC terminated a Duke Kentucky DSM program that provided energy efficiency education in schools, at an annual cost of nearly \$260,000. The PSC found that the program is not sufficiently cost-effective to merit continuation.

A number of the programs for commercial customers will be reviewed next year, the PSC said, with a decision made then on whether they should be continued.

Today's order, a video of the hearing and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2017-00427. The cases that were consolidated into the proceeding were 2017-00324 and 2018-00009.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

-30-

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