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VIA ELECTRONIC AND 2ND DAY DELIVERY

April 27, 2017

Talina Mathews
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

**Re: Case No. 2015-00368
In the Matter of the Annual Cost Recovery Filing for Demand Side
Management by Duke Energy Kentucky, Inc.**

Dear Dr. Mathews:

Pursuant to the April 4, 2016 Order, Paragraph 7 in the above captioned case; Duke Energy Kentucky, Inc. hereby submits notice for the DSM programs that have reached 95 percent of its budget during the current fiscal year. The April 4th Order was received nine months into the current program year (July 1, 2015 – June 30, 2016). Beginning with the fiscal year starting July 1, 2016, a quarterly review of costs has been conducted to provide more timely updates to the Commission. This letter is in reference to the second quarter review for the July 1, 2016 – December 31, 2016 timeframe. Some of the programs listed are not yet to the 95% threshold of costs but will be by the third quarter review and Duke Energy Kentucky wanted to share this information.

Residential Programs Over 95%

Residential Smart Saver – 112%

- Lighting participation is currently over 265% of the forecast, resulting in 265% achievement of kWh. This number increased and is anticipated to continue to increase due to the extreme popularity of the lighting program which has shifted to offering customers the vastly superior lighting technology of LED bulbs for a wider variety of end uses.
- The water kit participation continues to increase and is higher than forecasted by over 100% depending on the measure resulting in kWh savings over 100% of forecast.

- Actual participation in new tiered HVAC measures, and optional Smart Thermostat measure, has been higher than forecast, resulting in higher kWh achieved.
- Delayed launch of new tiered HVAC measures resulted in exceeded participation of 'old' measures through March vs anticipated these would have been phased-out by June 30, 2016 in original budget.
- The measures within Residential Smart Saver (LEDs, Smart Thermostat, etc.) offer new technologies allowing us to reach into parts of the market not previously participating.

Power Manager 91%

- Based on the fact that the incentive is paid mostly in the July – October timeframe, which weights cost heavily into the first 6 months of the program year. However incentive payments will be made through June 2017.
- Also, switches for 2017 installation were purchased in December 2016.
- Program sales went well in 2016 and forecasted and continued in first half of 2017.

Non-Residential Programs Over 95%

Non-Residential Smart Saver Prescriptive (Lighting) – 313%

- Participation is over 127% higher than forecasted resulting in a 187% increase of forecasted kWh achieved.
- Duke Energy Kentucky forecasts this increased level of participation to continue in the remaining three months of the fiscal year.
- In late 2015, Duke Energy Kentucky started offering incentives on LED linear fluorescent and panel fixtures, and the participation has far exceeded expectations. The costs are being driven directly by the incentive payment requests. Duke Energy Kentucky has responded to market conditions and reduced the incentives in early 2017. Participation was still higher than expected during the 90 day grace period to allow any projects that were in-process to be completed; however the lower incentives became fully effective in Mid-April.

Non-Residential Smart Saver Custom – 138%

- kWh and kW achievements are around 130% of the forecast.
- Duke Energy Kentucky had multiple unplanned customer applications submitted that will included incentives putting the program over budget by about 38%.
- Any additional applications that have a completed project by the end of June will result in additional incentives dollars spent.

As the Duke Energy Company has modified its programs to feature technological advancements in efficient measures within the Non-Residential Smart \$aver programs, customer interest and get customer participation in segments of the market not previously participating has increased.

Please date-stamp the extra two copies of this letter and return them to me in the enclosed self-addressed envelope.

Respectfully submitted,



Rocco D'Ascenzo
Associate General Counsel

cc: Kent Chandler