

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:)
)
THE ANNUAL COST RECOVERY FILING) Case No. 2018-00370
FOR DEMAND SIDE MANAGEMENT BY)
DUKE ENERGY KENTUCKY, INC.)

FILING OF THE ANNUAL STATUS REPORT, ADJUSTMENT OF THE DSM COST RECOVERY MECHANISM, AND AMENDED TARIFF SHEETS FOR GAS RIDER DSMR (SHEET NO. 62) AND ELECTRIC RIDER DSMR (REVISED SHEET NO. 78)

Now comes Duke Energy Kentucky, Inc. (Duke Energy Kentucky or the Company) with the consensus of the Residential Collaborative and the Commercial and Industrial Collaborative, and pursuant to prior Orders of the Kentucky Public Service Commission (Commission) relevant to Duke Energy Kentucky’s Demand Side Management (DSM) strategy,¹ and hereby files its Annual Status Report, Adjustment of the DSM Cost Recovery Mechanisms for both gas and electric service (DSM Riders), and Amended Tariff Sheets for Gas Rider DSMR and Electric Rider DSMR (Application).

1. Pursuant to 807 KAR 5:001, Section 14(2), Duke Energy Kentucky is a Kentucky corporation that was originally incorporated on March 20, 1901, is in good standing and, as a public utility as that term is defined in KRS 278.010(3), is subject to the Commission’s jurisdiction. Duke Energy Kentucky is engaged in the business of furnishing natural gas and electric services to various municipalities and unincorporated areas in Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton Counties in the Commonwealth of Kentucky.

¹ See November 4, 2004 Order in Case No. 2003-00367, February 14, 2005 Order in Case No. 2004-00389, April 4, 2006 Order in Case No. 2005-00402, May 15, 2007 Order in Case No. 2006-00426, May 14, 2008 Order in Case No. 2007-00369, May 12, 2009 Order in Case No. 2008-00473, March 22, 2010 Order in Case No. 2009-00444, June 7, 2011 Order in Case No. 2010-00445, April 13, 2012 Order in Case No. 2011-00448, June 29, 2012 Order in Case No. 2012-00085, April 11, 2013 Order in Case No. 2012-00495, March 28, 2014 in Case No. 2013-00395, May 7, 2015 in Case No. 2014-00388, April 4, 2016 in Case No 2015-00368 and March 28, 2017 in Case No. 2016-00382.

2. Duke Energy Kentucky's business address is 139 East Fourth Street, Cincinnati, Ohio 45202. The Company's local office in Kentucky is Duke Energy Envision Center, 4580 Olympic Boulevard, Erlanger, Kentucky 41018. Duke Energy Kentucky's email address is KYfilings@duke-energy.com.

3. On November 1, 2018, the Residential Collaborative² and the Commercial & Industrial Collaborative³ met to review the Application. With the exception of the Office of the Kentucky Attorney General and the Department of Energy Development and Independence, which reserves the right to reflect its opinion at a later date, the members of both the Residential Collaborative and the Commercial & Industrial Collaborative agreed with this Application. Unless otherwise stated, the Residential Collaborative and the Commercial & Industrial Collaborative are jointly referred to herein as "Collaborative."

4. In addition to filing the annual status report in this Application, Duke Energy Kentucky and the Collaborative respectfully request a modification of Duke Energy Kentucky's DSM Riders to reflect the reconciliation of planned and actual expenditures, lost revenues, and shared savings.

5. Pursuant to the Commission's Order dated June 29, 2012, in Case No. 2012-00085, the Company's portfolio of programs in effect during the fiscal year covered by this Application were approved through December 31, 2016. The Company requested and received approval to continue the approved portfolio beyond December 31, 2016 with the commitment to file the annual

² The Residential Collaborative members in attendance were: Kent Chandler (Office of the Kentucky Attorney General), Jock Pitts (People Working Cooperatively), Laura Pleiman (Boone County), Kurt Krahn (Northern Kentucky Community Action), and Tim Duff and Trisha Haemmerle (Duke Energy).

³ The Commercial & Industrial Collaborative members in attendance were: Kent Chandler (Office of the Kentucky Attorney General), Jock Pitts (People Working Cooperatively), Christine Baker (Kenton County School District), and Tim Duff and Trisha Haemmerle (Duke Energy).

cost recovery DSM filing and the annual amendment filing.⁴ As a result, this Application serves as the annual true-up of the fiscal year ending June 30, 2018 of programs.

Background

6. The Company's offering of DSM programs dates back close to two decades.⁵ Throughout the years, the Company has offered many enhancements to its portfolio with the purpose of increasing participation and providing customers new and innovative opportunities to control their consumption and impact their utility bill. The portfolio of programs in place during the fiscal year ending June 30, 2018 and that is the subject of this Application was approved by the Commission's June 29, 2012 Order in Case No. 2012-00085. That Order approved continuation of all programs through December 31, 2016. The Company requested and received approval to continue the approved portfolio beyond December 31, 2016.⁶ In Duke Energy Kentucky's 2012 DSM cost recovery Order, Case No. 2012-00495, the Commission ordered that any new program evaluations, program expansions or new programs be filed by August 15th each year. Duke Energy Kentucky has been filing this amendment filing since 2013⁷ to enhance the DSM portfolio and react to market changes and customer needs. This filing has given Duke Energy Kentucky the opportunity to refresh the portfolio on an annual basis. In its February 14, 2018 Order, the Commission consolidated Case

⁴ Order in Case No. 2015-00277

⁵ In the Matter of the Joint Application Pursuant to 1994 House Bill No. 501 For the Approval of Principles of Agreement, Demand Side Management, The Union Light Heat and Power Company, and for Authority for the Union Light Heat and Power Company to Implement Various Tariffs and Receive Incentives Associated the Demand Side Management Programs, Case No. 95-312, Order December 1, 1995.

⁶ Order in Case No. 2015-00277

⁷ The Commission's December 19, 2013 Order in Case No. 2013-00313 approved residential Heat Pump Water Heaters, Energy Efficiency Pool Pumps, Single Family and Multi-Family Water Measures, and updated the measures available within the Smart Saver® Prescriptive Program. The Commission's January 28, 2015 Order in Case No. 2014-00280 approved adding additional lighting options to the Smart Saver® Residential Program, offer the My Home Energy Report as an online channel, and approved a new Non-Residential Small Business Energy Saver program. Additional program changes were filed in Case No. 2015-00277. In Case No. 2016-00289 Duke Energy Kentucky received approval to include Power Manager for Apartments, Power Manager for Business and additional program changes to existing programs. Case No. 2017-00324 requested additional funding for the Smart Saver Custom program.

Nos. 2017-00324 and 2017-00427 and suspended the Company's portfolio of programs. In response to the Company's request for Rehearing, on September 13, 2018, the Commission issued an Order modifying the Company's portfolio and lifting the suspension. Due to the suspension of the DSM portfolio, an amendment filing was not submitted for 2018.

7. Like the Company's prior annual DSM filings, this Application specifically addresses the requirements in prior Commission Orders⁸ and is being made consistent with the Commission's September 18, 2007 Order in Case 2007-00369 granting Duke Energy Kentucky's request to file annual DSM applications no later than November 15. In the status and reconciliation portion of this report, expenses are reported for the fiscal year period July 1, 2017 through June 30, 2018.

8. In this Application, Duke Energy Kentucky also requests an Order approving the proposed adjustments to the DSM riders and the revised tariffs (Appendices C – D).

Definitions

For the purposes of this Application, the following terms will have the following meanings:

9. **"DSM Revenue Requirements"** shall mean the revenue requirements associated with all Program Costs, Administrative Costs, Lost Revenues (less fuel savings), and the Shareholder Incentive.

10. **"Program Costs"** shall mean the costs incurred for planning, developing, implementing, monitoring and evaluating the DSM programs that have been approved by the Collaborative.

⁸ November 20, 2003 Order in Case No. 2003-00367, February 14, 2005 Order in Case 2004-00389, April 4, 2006 Order in Case No. 2005-00402, May 15, 2007 Order in Case No. 2006-00426, May 14, 2008 Order in Case No. 2007-00369, March 22, 2010 Order in Case No. 2009-00444, June 7, 2011 Order in Case No. 2010-00445, April 13, 2012 Order in Case No. 2011-00448, April 11, 2013 Order in Case No. 2012-495, March 28, 2014 Order in Case No. 2013-00395, May 7, 2015 Order in Case No. 2014-00388, April 4, 2016 Order in Case No 2015-00368 and March 28, 2017 in Case No. 2015-00382.

11. **“Administrative Costs”** shall mean the costs incurred by or on behalf of the collaborative process and that are approved by the Collaborative, including, but not limited to, costs for consultants, employees and administrative expenses.

12. **“Lost Revenues”** shall have the same meaning as “LR” as described in Rider DSM - Demand Side Management Cost Recovery Rider, Sheet No. 75.⁹

13. **“Shareholder Incentive”** shall have the same meaning as “PI” as described in Rider DSM - Demand Side Management Cost Recovery Rider, Sheet No. 75.

14. **“DSM Cost Recovery Mechanism”** shall refer to Rider DSM - Demand Side Management Cost Recovery Rider, Sheet No. 75.

Status of Prior Portfolio of DSM Programs

15. Through June 30, 2018, Duke Energy Kentucky offered the following programs, the costs of which are recoverable through the DSM Cost Recovery Rider mechanism approved by the Commission in prior proceedings:

- Program 1: Residential Smart Saver[®] Energy Efficient Residences Program
- Program 2: Residential Smart Saver[®] Energy Efficient Products Program¹⁰
- Program 3: Residential Energy Assessments Program (Residential Home Energy House Call)
- Program 4: Energy Efficiency Education Program for Schools Program
- Program 5: Low Income Services Program
- Program 6: Residential Direct Load Control- Power Manager[®] Program

⁹ Pending approval of tariff Sheet No.75 in Case No. 2017-00324

¹⁰ The Smart Saver[®] Residential Energy Efficient Products Program and the Energy Efficient Residences Program are individual measures that are part of a single and larger program referred to and marketed as Residential Smart Saver[®]. For ease of administration and communication with customers the two measures have been divided into separate tariffs even though they are a single program.

- Program 7: Smart Saver® Prescriptive Program
- Program 8: Smart Saver® Custom Program
- Program 9: Smart Saver® Energy Assessments Program
- Program 10: Peak Load Manager (Rider PLM) - PowerShare® Program
- Program 11: Low Income Neighborhood Program
- Program 12: My Home Energy Report Program
- Program 13: Small Business Energy Saver Program
- Program 14: Pay for Performance
- Program 15: Power Manager® for Business

16. This section of the Application provides a brief description of each current program, a review of the status of each program, and information on any changes that may have been made to the programs. The following table provides a summary of the load impacts achieved and level of participation obtained during this filing period.

1 Summary of Load Impacts July 2017 Through June 2018				
Residential Programs				
		Incremental Participation	kWh	kW
Energy Efficiency Education Program for Schools		1,109	361,289	87
Low Income Neighborhood		605	226,273	67
Low Income Services		142	197,878	45
My Home Energy Report	2	59,814	9,221,319	2,714
Residential Energy Assessments		1,645	294,049	53
Residential Smart Saver®		231,461	4,933,960	595
Power Manager®	3	12,607	-	13,319
Power Manager® for Apartments		-	-	-
Total Residential		307,383	15,234,768	16,880
Non-Residential Programs				
		Incremental Participation	kWh	kW
Small Business Energy Saver		3,893,573	3,818,331	683
Smart Saver® Custom		3,354	6,902,888	823
Smart Saver® Non-Residential Performance Incentive Program		-	-	-
Smart Saver® Prescriptive - Energy Star Food Service Products		540	183,134	18
Smart Saver® Prescriptive - HVAC		18,156	110,225	66
Smart Saver® Prescriptive - IT		-	-	-
Smart Saver® Prescriptive - Lighting		680,187	11,585,994	2,148
Smart Saver® Prescriptive - Motors/Pumps/VFD		295	213,823	21
Smart Saver® Prescriptive - Process Equipment		-	-	-
Power Manager® for Business		18	15,696	54
PowerShare®	4	18	-	17,206
Total Non-Residential		4,596,141	22,830,091	21,019
Total		4,903,524	38,064,859	37,899

1 - Impacts are net of freeriders, without losses and reflected at the customer meter point.

2 - Actual participants and impact capability shown as of the March 2018 mailings. Reflects stoppage of the program 75% into filing period.

3 - Cumulative number of controlled devices installed. Impacts reflect average capability over the contract period.

4 - Impacts reflect average capability over the contract period.

17. Results of the current cost-effectiveness test results for each of the programs are provided in Appendix A.

Programs 1 and 2: Residential Smart Saver® Energy Efficient Residences and Products Programs

18. The purpose of the Residential Smart Saver® Energy Efficient Residences portion of the Residential Smart Saver® Program is to offer customers prescriptive incentives for a variety of energy conservation measures designed to increase energy efficiency in their homes. The program utilizes a network of participating contractors to encourage the installation of high efficiency equipment and the implementation of energy efficient home improvements with eligible customers. Equipment and services to be incentivized include:

- Installation of high efficiency air conditioning (AC) and heat pump (HP) systems;
- Performance of AC and HP tune-up maintenance services;
- Implementation of attic insulation and air sealing services;
- Implementation of duct sealing and insulation services; and
- Installation of efficient heat pump water heaters.

19. The Residential Smart Saver[®] Program received approval in the Commission's June 7, 2011 Order in Case No. 2010-00445. Duke Energy Kentucky launched the Residential Smart Saver[®] Program into the market on August 15, 2011, but only offered incentives for the installation of the high efficiency AC and HP systems due to an ongoing vendor selection process. Once the vendor selection process and subsequent transition completed in April 2012, the remaining incentives for the additional products and services were launched into the market and offered to residential Kentucky customers. Note, duct insulation received Commission approval June 29, 2012 and was subsequently added to the program. Heat pump water heaters were approved in December 23, 2013 Order in Case No. 2013-00395, and subsequently launched into the market during third quarter of 2014.

20. The Company filed to implement modifications to the Program in Case No. 2015-00277 and received Commission approval February 12, 2016. These modifications were launched into the market during April 2016 and included adding a tier approach to the level of incentives available for AC and HP systems based on the efficiency rating of the system, and delivering the full incentive level to the customer. In addition, two new optional measures, smart thermostat and quality installation, offer customers additional incentives at the time of AC or HP equipment replacement installation. A referral component for eligible trade allies has also been added as a new delivery channel to enhance customer experience. This tier approach to AC and HP systems

promotes higher efficiency equipment and allows customers to add on additional services at the time of installation. The referral component of the Program is a new delivery channel service that simplifies the customer's energy decision-making purchases.

21. The Program successfully transitioned to this new incentive structure during 2016 that offered more choices for customers, but also removed a \$100 incentive that was previously paid to the trade ally dealers, with the full incentive being directed to the customer. After an initial decline in the number of participating trade ally dealers, the program is experiencing application volumes similar or greater than the previous program structure, exceeding the expected decline in volumes. Prior to the Program suspension as ordered by the Commission on February 14, 2018, over 1,150 rebate application submissions had been processed on behalf of eligible customers for the period beginning July 2017. The greater than expected participation has led to increased program costs, with the majority of those costs for customer incentives.

22. Duke Energy Kentucky currently contracts with Blackhawk Engagement Solutions (BES) to administer this program. BES provides services including application processing and fulfillment, data reporting, call center services, and IT support for program tools such as the trade ally portal which allows trade allies to register, check customer eligibility, and submit applications online. These Residential Smart Saver[®] services are jointly implemented with the Duke Energy Indiana, Duke Energy Ohio, and Duke Energy Carolinas territories to reduce administrative costs and leverage promotion. BES has experience in delivering similar utility energy efficiency programs.

23. The purpose of the Residential Smart Saver[®] Energy Efficient Products portion of the Residential Smart Saver[®] Program is to provide high efficiency lighting through various channels, along with other high efficiency products in new or existing residences, including pool

pumps, water measures for single family, and water measures for multifamily.

24. The Free Lighting component of the program was designed to increase the energy efficiency of residential customers by offering customers 9-Watt LEDs to install in high-use fixtures within their homes. The LED offer was available through an on-demand ordering platform, enabling customers to request LEDs and have them shipped directly to their homes. Customers may have the ability to order in quantities of 3, 6, 8, 12, and 15 packs. Quantities offered by the platform are dependent on past participation in free lighting programs that contribute to their free bulb limit.¹¹

25. Through the ordering platform, customers have the flexibility to order and track their shipments through three separate channels; telephone, Duke Energy web site and Online Services.

- Telephone
 - Customers may call a toll-free number to access the IVR (Interactive Voice Response) system which provides prompts to facilitate the ordering process. Both English and Spanish speaking customers may easily validate their account, determining their eligibility and place their order over the phone.
- Duke Energy Web Site
 - Customers can go online to complete the ordering process. Eligibility rules and frequently asked questions are available for reference.
- Online Services (OLS)
 - Customers who participate in the OLS program are encouraged to log into their account and place their order if they are eligible. New OLS customer

¹¹ As approved in Case No. 2016-00112.

registrations and eligible customers may be intercepted upon logging in to make them aware of the program.

26. The benefits of providing these three distinct channels include; improved customer experience, advanced inventory management, simplified program coordination, enhanced reporting, increased program participation and reduced program costs.

27. In addition to serving customers who have not previously met their 15-bulb free bulb limit, the program began offering customers who have met their 15 CFL bulb limit, the ability to order up to 12 Free LEDs if the order(s) for the initial 15 CFL bulbs was greater than 5 years ago. Both sets of customers expressed interest in the program with 15,252 orders accounting for 185,141 LEDs.

28. The Residential Smart Saver[®] lighting program launched an online Saving Store for specialty lighting on April 26, 2013. The Savings Store is an extension of the on-demand ordering platform enabling eligible customers to purchase specialty bulbs and have them shipped directly to their homes. The program offers a variety of LEDs including: Reflectors (indoor and outdoor), Globes, Candelabra, 3 ways, Dimmables and certain A-line type bulbs of wattages not included in the Free LED offer. The incentive levels vary by bulb type and the customer pays the difference, including shipping. The maximum number of incentivized bulbs available for each residential account is 36 lighting products. Customers can check eligibility and shop for specialty bulbs through the Company Web Site and OLS. The Savings Store is managed by a third-party vendor, Energy Federation Inc. (EFI). EFI is responsible for maintaining the Savings Store and fulfilling all customer purchases. The Saving Store landing page provides information about the store, lighting products, account information and order history. Support features include a toll-free number, package tracking and frequently asked questions.

29. Educational information is available to help assist customers with their purchasing decisions. The information discusses bulb types, application types, lighting benefits, understanding watts versus lumens and recycling/safety tips.

30. The Online Savings Store program carefully tracks towards budget by monitoring our marketing activities to customers. The program sold approximately 30,039 bulbs to approximately 2,562 unique customers.

31. The Multifamily Energy Efficiency Program is an extension of the Residential Smart Saver[®] lighting program and allows Duke Energy Kentucky to utilize an alternative delivery channel which targets multifamily apartment complexes. The measures are directly installed in permanent fixtures by the program vendor, Franklin Energy, or the property management staff via the Do It Yourself (DIY) option. The target audience for the program is property managers who have properties that are served on an individually metered residential rate schedule. To receive water measures, apartments must have electric water heating. Properties that have already been served by the Property Manager CFL program are only eligible for water measures and specialty bulbs.

32. The Program helps property managers upgrade lighting with energy efficient LEDs and saves energy by offering water measures such as bath and kitchen faucet aerators, water saving showerheads and pipe wrap. The quantity of lighting measures installed can vary by apartment size but there are no limits on LED installations in permanent fixtures. These measures assist with reducing maintenance costs while improving tenant satisfaction by lowering energy bills.

33. As program implementer, Franklin Energy is responsible for all marketing and outreach for the program. This is primarily done through outbound calls and on-site visits to solicit initial interest in the program from property managers in the Company's service territory.

Additionally, program information and supporting documents are available on the Duke Energy web site for Property Managers to learn more about the program and request applications to participate in the program.

34. Duke Energy Kentucky received approval to replace CFLs with LEDs for the lighting offering associated with the Multi-Family Program.¹² Beginning in July 2017, the Program began installing LED lighting. The Program also added two additional bulb types to bring the LED offering to three types with unlimited quantities per unit. The three bulbs (A-Line, Candelabras, Globes) provide more options for tenants, are more aesthetically appealing and create more bill savings. Property managers and owners also receive benefits with the longer lasting bulbs, which reduce maintenance costs for the properties and make the units more marketable to tenants.

35. Multifamily installations focused activity for the fiscal year in 2017 and completed 6,160 measure installations, achieving 73% of the 2017-2018 fiscal year goal of 8,378 measures. The program was on target to meet goal for the energy efficient measures prior to the Program suspension per Commission Order in February 2018.

36. The Save Energy and Water Kit (SEWK) program is designed to increase the energy efficiency of residential customers by offering customers low flow water devices and insulating pipe tape to install within their homes. The SEWK offer is available through a business reply card (BRC) or through direct email solicitation, enabling customers to request a kit and have it shipped directly to their homes. A website has been established to provide customers with additional information about the program and instructional videos to assist in the installation of items from the DIY kit.

37. To be eligible, customers must have a water heater powered by electricity, have not

¹² In the Matter of the Application of Duke Energy Kentucky, Inc., to Amend its Demand Side Management Programs, Case No. 2016-002892, KY. P.S.C. Order May January 24, 2017.

already participated in SEWK or another Duke Energy Kentucky program offering water saving devices, and live in a single-family, owner-occupied home. Eligible customers, who respond to the BRC or email offer, will receive a kit free of charge. There are two kit sizes to accommodate homes with one or more full bathrooms. The kits size is predetermined based on the square footage of the home. Customers in homes less than or equal to 1,500 square feet receive a one (1) bath kit. Customers in homes greater than 1,500 square feet receive a two (2) bath kit. The kits contain varying quantities of shower heads, bath aerators, kitchen aerators and insulated pipe tape.

38. The Save Energy and Water Kit program is an invitation only program where customers are prequalified and then directly solicited for participation. This allows the program to carefully track performance against budget and adjust marketing efforts as needed. The program shipped 898 kits containing 3,524 kitchen and bath aerators, 1,313 showerheads, and 4,490 feet of insulating pipe wrap.

39. Per the September 13, 2018 order from the PSC, Duke Energy Kentucky will not be implementing a Retail Lighting marketing channel as planned. This upstream, buy-down retail-based lighting program would have worked through lighting manufacturers and retailers to offer discounts to Duke Energy customers selecting incentivized LEDs and energy-efficient fixtures at the shelf for purchase at the register.

Program 3: Residential Energy Assessments Program

40. The primary goal for Home Energy House Call (HEHC) is to empower customers to better manage their energy usage and cost. Duke Energy Kentucky partners with several key vendors to administer the program which an energy specialist completes a 60 to 90-minute walk through assessment of the home and analyzes energy usage to identify energy savings opportunities. The Building Performance Institute (BPI) Building certified energy specialist discusses behavioral and equipment modifications that can save energy and money with the customer. The program targets Duke Energy Kentucky residential customers that own a single family has electric water heater and/or electric heat, or central air. The energy specialist analyzes energy usage, checks air infiltration, examines insulation levels, checks appliances and inspects the heating/cooling system(s). The report focuses on the building envelope improvements as well as low-cost and no-cost improvements to save energy. At the time of the home audit, the customer receives a free efficiency kit containing a variety of energy saving measures energy efficient lighting, low flow shower head, low flow faucet aerators, outlet/switch gaskets and weather stripping. The auditors will install these measures, if approved by the customer, so the customer can begin saving immediately, and to help insure proper installation and use. Example recommendations might include the following:

- Turning off vampire load equipment when not in use;
- Turning off lights when not in the room;
- Using energy efficient lighting in light fixtures;
- Using a programmable thermostat to better manage heating and cooling usage;
- Replacing older equipment with more energy efficient equipment; and

- Adding insulation and sealing the home.

41. The program primarily targets through online channels, electronic mail and direct mail to acquire the proposed participation for this program.

Program 4: Energy Efficiency Education Program for Schools Program

42. The Energy Efficiency Education Program for Schools offers two educational interactions: 1) an in-depth classroom curriculum through the National Energy Education Development (NEED) project; and 2) a live theatrical production by The National Theatre for Children (NTC).

43. The NEED project provides educators with an engaging and exciting energy curriculum for students in classrooms. The NEED project is designed to teach energy concepts of force, motion, light, sound, heat, electricity, magnetism, energy transformations, and energy efficiency. Energy curriculum, based upon State standards, and hands-on kits, provided to teachers for use in their classrooms, emphasize science inquiry and application of energy knowledge. Energy workshops are designed to provide educators (teaching grades K-12) with the content knowledge and process skills to return to their classrooms and communities, energize and educate their students, provide outreach to families and conduct energy education programs that assist families in implementing behavioral changes that reduce energy consumption. Teachers can utilize the classroom energy kits and curriculum over many years. In addition, Duke Energy Home Energy Efficiency Kits are delivered to the classrooms to teach students and families how to install energy efficiency measures in their homes and to record energy savings.

44. Kentucky NEED manages the overall implementation for the Duke Energy Kentucky program and works with individual schools, teachers, and students to gain the maximum impact for the program. Kentucky NEED has received numerous accolades for its support of

energy efficiency and conservation in local schools, for its support of ENERGY STAR's Change the World Campaign, and for the integration of a student/family approach to conservation education. To support, recognize and encourage student energy leadership, Kentucky NEED hosts the annual Kentucky NEED Youth Awards for Energy Achievement in Washington, D.C., honoring teams of students who have successfully planned and facilitated energy projects in their schools and communities. NEED held two teacher workshops on 10/18/17 and 11/2/17 with 36 teachers representing 19 schools in the October training and 14 teachers representing 13 schools participating in the November training.

45. To document the energy savings associated with the program, a home survey is provided for use in the classroom and with the Saving Energy at Home and School Kit, which serves as a companion to the Home Energy Efficiency Kits delivered to families in the Duke Energy Kentucky service area. Data collected from the home survey is collected and provided to Duke Energy Kentucky annually. The data shows that the measures included in the Home Energy Efficiency Kits are being installed and utilized. Pursuant to a notification letter provided to the Kentucky Public Service Commission in March 2016, the Program began providing LEDs in its Home Energy Efficiency Kit in April 2016. The LEDs replace CFLs and offer more advanced lighting technology and greater savings. In addition to LEDs, the Duke Energy Kentucky kit includes an energy efficient shower head, faucet aerators, a hot water temperature gauge card, outlet insulation pads, and a water flow meter bag. During the 2017-18 school year, the NEED program distributed 98 kits to qualified Duke Energy Kentucky customers.

46. The live theatrical production presented by NTC is designed to educate students about energy efficiency. Participating students are eligible to receive a home energy efficiency starter kit that will be sent to the students' homes. The NTC program provides principals and

teachers with innovative curricula that educate students about energy, electricity, ways energy is wasted and how to use resources wisely. Education materials focus on concepts such as energy, renewable fuels, and energy conservation through classroom and take-home assignments, enhanced with a live 25 to 40-minute theatrical production by two professional actors. NTC performances target students in grades K-8. During the school year 2017-2018, NTC performed at 22 Kentucky schools and reached over 6,155 students. As a result, 1,173 kits were delivered to Duke Energy Kentucky qualified customers from participating schools.

47. Both the NEED and Performance aspects of the Energy Efficiency in Education Program have been discontinued going forward, in accordance with the recent order from the KY PSC.

Program 5: Low Income Services Program

Weatherization

48. The Weatherization program portion of Low Income Services is designed to help the Company's income-qualified customers reduce their energy consumption and lower their energy cost. This program specifically focuses on LIHEAP (Low Income Home Energy Assistance Program) customers that meet the income qualification level (*i.e.*, income below 150% of the federal poverty level). This program uses the LIHEAP intake process as well as other community outreach initiatives to improve participation. The program provides direct installation of weatherization and energy-efficiency measures and educates Duke Energy Kentucky's income-qualified customers on their energy usage and other opportunities that can help reduce energy consumption and lower energy costs. The program has provided weatherization services to the following number of customers:

Fiscal Year	Customers Served
1999 - 2000	251
2000 - 2001	283
2001 - 2002	203
2002 - 2003	252
2003 - 2004	252
2004 - 2005	130
2005 - 2006	232
2006 - 2007	252
2007 - 2008	265
2008 - 2009	222
2009 - 2010	199
2010 - 2011	234
2011 - 2012	220
2012 - 2013	228
2013 - 2014	143
2014 - 2015	203
2015 - 2016	162
2016 - 2017	166
2017 - 2018	127

49. The program is structured so that homes needing the most work, and having the highest energy use per square foot, receive the most funding. The program accomplishes this by placing each home into one of two “Tiers.” The tiered process allows the agencies to be cost effective while spending the limited budgets where there is the most significant potential for savings. For each home in Tier 2, the field auditor uses the National Energy Audit Tool (NEAT) to determine which specific measures are cost effective for that home.

The tier structure is defined as follows:

	Therm / square foot	kWh use/ square foot	Investment Allowed
Tier 1	0 < 1 therm / ft2	0 < 7 kWh / ft2	Up to \$600
Tier 2	1 + therms / ft2	7 + kWh / ft2	All SIR* \geq 1.5 up to \$4K

*SIR = Savings - Investment Ratio

Tier One Services

50. Tier 1 services are provided to customers by Duke Energy Kentucky, through its subcontractors. Customers are considered Tier 1, if they use less than 1 therm per square foot per year or less than 7-kilowatt hour (kWh) per square foot per year, based on last year's usage (weather adjusted) of Company supplied fuels. Square footage of the dwelling is based on conditioned space only, whether occupied or unoccupied. It does not include unconditioned or semi-conditioned space (non-heated basements). The total program dollars allowed per home for Tier One services is \$600.00 per home. Tier One services are as follows:

- Furnace / Heating system Tune-up & Cleaning;
- Furnace repair up to \$600;
- Venting check & repair;
- Water Heater Wrap;
- Pipe Wrap;
- Cleaning of refrigerator coils;
- Cleaning of dryer vents;
- Energy Efficient Light Bulbs;
- Low-flow shower heads and aerators;
- Weather-stripping doors & windows;
- Limited structural corrections that affect health, safety, and energy up to \$150;
and,
- Energy Education.

Tier Two Services

51. Duke Energy Kentucky will provide Tier Two services to a customer if they use at least 1 therm or at least 7 kWh per square foot per year based on the last year of usage of Duke Energy Kentucky supplied fuels.

Tier Two services are as follows:

- Tier One services; plus
- Additional cost-effective measures (with $SIR \geq 1.5$) based upon the results of the NEAT audit. Through the NEAT audit, the utility can determine if energy saving measures pay for themselves over the life of the measure as determined by a standard heat loss/economic calculation (NEAT audit) utilizing the cost of gas and electric as provided by Duke Energy Kentucky. Such items can include but are not limited to attic insulation, wall insulation, crawl space insulation, floor insulation and sill box insulation. Safety measures applying to the installed technologies can be included within the scope of work considered in the NEAT audit if the SIR is greater than 1.5 including the safety changes; and
- Replacement of heating system if cannot be repaired.

Regardless of placement in a specific tier, Duke Energy Kentucky provides energy education to all customers in the program.

52. Refrigerator replacement is also a component of this program. To determine replacement, the program weatherization provider performs a two-hour meter test of the existing refrigerator unit. If it is a high-energy consuming refrigerator, as determined by this test, the unit is replaced. Replacing with a new Energy Star qualified refrigerator, with an estimated annual usage of 400 kWh, results in an overall savings to the average customer typically more than 1,000

kWh per year.

Refrigerators tested and replaced:

Year	Refrigerators Tested	Refrigerators Replaced
2002 – 2003	116	47
2003 – 2004	163	73
2004 – 2005	115	39
2005 – 2006	116	52
2006 – 2007	136	72
2007 – 2008	173	85
2008 – 2009	153	66
2009 – 2010	167	92
2010 – 2011	112	76
2011 – 2012	107	64
2012 – 2013	206	69
2013 – 2014	112	37
2014 – 2015	42	24
2015 – 2016	60	22
2016 – 2017	92	54
2017 - 2018	48	18

The existing refrigerator being replaced is removed from the home and destroyed in an environmentally appropriate manner to assure that the units are not used as a second refrigerator in the home or do not end up in the secondary appliance market.

Payment Plus

53. The Payment Plus portion of Low Income Services program is designed to impact participants' behavior (e.g., encourages utility bill payment and reducing arrearages) and to generate energy conservation impacts. The program includes both the early participants and new participants each year.

The program is made up of three components:

- Energy Education & Budget Counseling – to help customers understand how to control their energy usage and how to manage their household bills, a combined education/counseling approach is used;

- Weatherization – to increase the energy efficiency in customers’ homes, participants are required to have their homes weatherized as part of the normal Residential Conservation and Energy Education (low-income weatherization) program unless weatherized in past program years; and,
- Bill Assistance – to provide an incentive for these customers to participate in the education and weatherization, and to help them get control of their bills. Payment assistance credits are provided to each customer once they complete each aspects of the program. The credits are: \$200 for participating in the EE counseling, \$150 for participating in the budgeting counseling, and \$150 for participating in the Residential Conservation and Energy Education program (weatherization services). If all the requirements are completed, a household could receive up to a total of \$500 towards their arrearage. This allows for approximately 200 homes to participate per year. Some customers do not complete all three steps or may have already had weatherization services completed prior to the program.

54. This program is offered twice over six winter months per year (October-March).

55. Duke Energy Kentucky utilizes a community action agency to recruit customers to participate in the Payment Plus program. Using a list of potential customers provided by Duke Energy Kentucky, the agency removes any customer who has participated in the program in years past and sends a letter describing the program to the remaining customers. Included in this letter are various dates, times, and locations of scheduled classes. The courses are designed to accommodate customers with varied schedules and widespread locations. The customer is asked to contact the agency to register for a course. Make-up courses are also offered to those customers who may have missed their initial scheduled time.

56. For the filing period, 70 participants attended energy education counseling, 70 participants attended budget counseling and 31 participants' homes have been weatherized.

57. Consistent with the Commission's September 13, 2018 Order, Duke Energy Kentucky will commence offering the Weatherization Services and Payment Plus program to all income eligible customers regardless of arrearage or participation within the LIHEAP program. Removing these limitations will allow additional income qualified customers to participate in the programs. The change to the program was discussed with the collaborative during the November 1, 2018 meeting.

Program 6: Residential Direct Load Control - Power Manager® Program

58. The purpose of the Power Manager® program is to reduce demand by controlling residential air conditioning usage during periods of peak demand, high wholesale price conditions and/or generation emergency conditions during the summer months. It is available to residential customers with central air conditioning. Duke Energy Kentucky attaches a load control device to the outdoor unit of a customer's air conditioner. This enables Duke Energy Kentucky to cycle the customer's air conditioner off and on under appropriate conditions.

59. Customers selecting the option that moderately cycles their air conditioner, receive a \$25 credit at installation. Customers selecting the longer cycling option, receive a \$35 credit at installation.

60. Customers also receive annual credits during the months of May - September depending on the program they signed-up for. Customers that signed-up for the moderate control option receives an annual, minimal event credit of \$2.40 per month for each year they are on the program and customers that signed-up for the longer control option receive an annual event credit of \$3.60 per month each year they are on the program.

61. Duke Energy Kentucky continues to use load control devices manufactured by Eaton's Cooper Power Systems for new installations and replacement of existing load control devices. The load control devices have built-in safe guards to prevent the "short cycling" of the air-conditioning system. The air-conditioning system will always run the minimum amount of time required by the manufacturer. The cycling simply causes the air-conditioning system to run less, which is no different than what it does on milder days. Additionally, the indoor fan will continue to run and circulate air during the cycling event.

62. The Company continued its primary Power Manager® marketing during the past fiscal year through outbound telephone calling. Providing customers with an opportunity to ask questions before deciding to participate has proven to be a significant attribute in making this the most effective sales channel.

63. Ongoing measurement and verification (M&V) is conducted through a sample of Power Manager® customers with devices that record hourly run-time of the air conditioner unit and with load research interval meters that measure the household kWh usage. Operability studies are also used to measure the performance of Power Manager® load control devices in Kentucky. In addition, Duke Energy Kentucky has reviewed the statistical sampling requirements of PJM Interconnection, LLC (PJM) for demand response resources of this type. The Duke Energy Kentucky studies comply with all PJM requirements.

64. There were ten Power Manager® events that took place from July 2017 through June 2018 event season. There was a PJM required one-hour test on September 7, 2017.

65. The events on average saved 11 Megawatts per event during peak periods of demand.

Program 7: Smart Saver® Prescriptive Program

66. The Smart Saver® Non-residential Prescriptive Incentive Program provides incentives to commercial and industrial consumers for installation of high efficiency equipment in applications involving new construction, retrofit, and replacement of failed equipment. The program also uses incentives to encourage maintenance of existing equipment in order to reduce energy usage. Incentives are provided based on Duke Energy Kentucky's cost effectiveness modeling to assure cost effectiveness over the life of the measure.

67. Commercial and industrial consumers can have significant energy consumption, but may lack knowledge and understanding of the benefits of high efficiency alternatives. The Program provides financial incentives to help reduce the cost differential between standard and high efficiency equipment, offer a quicker return on investment, save money on customers' utility bills that can be reinvested in their business, and foster a cleaner environment. In addition, the Program encourages dealers and distributors (or market providers) to stock and provide these high efficiency alternatives to meet increased demand for the products.

68. The program promotes prescriptive incentives for the following technologies – lighting, HVAC, pumps, variable frequency drives, food services, process equipment, and IT measures. The eligible measures, incentives and requirements for both equipment and customer eligibility are listed in the applications posted on Duke Energy's website.

69. The program has developed multiple approaches to reaching the very broad and diverse audience of business customers, consisting of incentive payment applications, with paper and online options, and instant incentives offered through the midstream marketing channel and the Online Energy Savings Store. The 2017-2018 fiscal year results include:

- Customers continue to have high interest in energy efficiency and have significant

funds to invest in efficiency along with the requested rebates which offset a portion of the cost;

- More applicants are using the online application, an easier way to apply;
- Outreach continued to support Trade Allies working with the program;
- Due to funding limitations, marketing activities were limited to program updates only;
- High levels of customer service were provided by a dedicated team of representatives answering customer questions via phone and email; and,
- Large account management continue to provide large businesses with personalized relationships to identify and support new EE projects.

Many changes for the program occurred in early 2018. More information is provided below.

70. During the fiscal year of 2017-2018, 286 applications, consisting of 821 measures, were paid for Duke Energy Kentucky prescriptive incentives. New application activity was 54% lower than the previous fiscal year due a slowdown in activity that started in May 2017 after incentive reductions took effect that year, as well as due to the program suspension beginning in February 2018. During 2017-2018, 59% of applications have been submitted via the new online application portal. The average payment per paid application was \$5,045.

71. In 2017-2018, approximately 29% of the Smart Saver[®] impacts were from participation through the midstream marketing channel. The midstream marketing channel provided instant incentives to eligible customers at a participating distributor's point of purchase. Approved midstream distributors validated eligible customers and selected lighting, HVAC, food service and IT products through an online portal, and use that information to show customers the incentive-reduced price of equipment that would provide higher efficiency versus the standard.

Upon purchase, the distributor reduces the customer's invoice for eligible equipment by the amount of the Smart Saver[®] Prescriptive incentive. Distributors then provided the sales information, including validated Duke Energy Kentucky account number, installation address, and products incentivized, to Duke Energy electronically for reimbursement. Considering the need to cap program expenditures, the growth provided by the midstream channel was determined to be unsustainable and the channel was ended. Customers that purchase from distributors that participated in midstream can still work with the distributor to submit an application for incentives.

72. Duke Energy also offers the Business Savings Store on the Duke Energy website, with orders fulfilled by the third-party EFI. The site provides customers the opportunity to take advantage of a limited number of incentive measures by purchasing qualified products from an on-line store and receiving an instant incentive that reduces the purchase price of the product. The incentives offered in the store are consistent with current program incentive levels. The online application store has been well received by the DIY niche market and allows customer a path for instant incentives without the burden of paperwork.

73. Over the years, the program has worked closely with Trade Allies (TA) to promote the program to our business customers at the critical point in time when customers are considering standard or high efficiency equipment options. The Smart Saver[®] outreach team provides training and technical support to the Trade Ally network. The outreach team also recruits new TAs to participate in the program. TA company names and contact information appears on the TA search tool located on the Smart Saver[®] website. This tool was designed to help customers who do not already work with a TA, to find someone in their location who can serve their needs. The Company continues to look for ways to engage the TAs in promotion of the Program as well as more effective targeting of TAs based on market opportunities.

74. Duke Energy Kentucky continues to evaluate changes to existing measures, to take into consideration changes to market conditions and energy efficiency standards, and the addition of measures in order to offer customers additional options for energy savings. Any future measures will be presented to the Commission ten days before going into effect in accordance with Case No. 2014-00280. The total change in measures will not exceed \$75,000.

75. As outlined in Case No. 2017-00427, Duke Energy Kentucky will update the program to include a reservations system, remove several measures, and adjust some incentives. These efforts are designed to maximize the impact of the limited fiscal year budget. New application forms apply to the 2018-2019 program year, with the following changes:

- Measure additions and removals: In order to identify a program offer that would help stay within capped program costs, and have the best chance of achieving kWh goals, the program team analyzed the list of measures offered by the program. The analysis results identified those measures that are highly cost effective, provide the greatest potential for achieving kWh goals, and have lower costs. 165 existing measures will remain in the program based on this selection criterion; 19 of these measures have reduced incentive amounts due to updated data on equipment costs. 221 existing measures are removed from the program based on this criterion. Prior to the planned program changes, the program team worked with a consultant to identify new cost-effective measures. Of those identified, 36 new measures were selected for addition to the program, bringing the total number of measures offered to 201. All technology groups are represented in this list, except for information technology measures.
- Policy for measure updates: In the past, the program operated with a “grace period” policy for changes to incentive level and changes to equipment eligibility. The past grace period

allowed customers to purchase equipment up to 90 days after the change and qualify for the previous, higher incentive. Demand for rebates has surged during past grace periods due to new projects being sold during the period to meet the old rebate and/or eligibility. The new policy for changes to incentives and/or equipment eligibility will implement an effective date for all changes. The lower incentive (or changed eligibility requirement) will apply to all equipment purchased on and after the effective date.

- Reservation system: To ensure that program expenditures will not exceed the cap, a reservation system was implemented in 2018. Customers and trade allies seeking a prescriptive reservation should submit a Pre-Application in advance of starting an energy efficiency project. The Pre-Application will determine equipment qualification and reserve program funds, if available. A waiting list was established when funds became fully subscribed in early May. Applications received that were not previously reserved will be reviewed and paid if unreserved funds are available.

76. Duke Energy Kentucky also continues to reach out to those customers who have not yet participated in the Smart Saver® program.

77. The Company continues to work with outside consultants and internal resources to develop strategies to understand equipment supply/value chains and increase awareness of these measures going forward.

78. Nonresidential customers are informed of programs via targeted marketing material and communications. Information about incentives is also distributed to TAs, who in turn sell equipment and services to all sizes of nonresidential customers. Large business or assigned accounts are targeted primarily through assigned Duke Energy Kentucky account managers. Accounts that do not have an assigned account manager receive information about the program through direct

mail, electronic mail and other direct marketing efforts including outbound call campaigns.

79. The internal marketing channel is comprised of assigned Large Business Account Managers, Segment Managers, and Local Government and Community Relations, who all identify potential opportunities as well as distribute program collateral and informational material to customers and TAs. In addition, the Economic and Business Development groups also provide a channel to customers who are new to the service territory.

80. During 2017-2018, the Company had two business energy advisors to the team to perform outreach to unassigned small and medium business customers. The business energy advisors followed up on customer leads to assist with program questions and steer customers to the TA search tool who are not already working with a TA. In addition, the business energy advisors contacted customers with revenue between \$60,000 and \$250,000 to promote the Smart Saver® programs. During the program suspension in 2018, the business energy advisors shifted to other offers and markets. If the program becomes fully reserved quickly during the 2018-2019 year, the business energy advisors will remain focused elsewhere.

Program 8: Smart Saver® Custom Program

81. The purpose of this program is to encourage the installation of high efficiency equipment in new and existing nonresidential establishments. The program provides incentive payments to offset a portion of the higher cost of energy efficient equipment.

82. Duke Energy Kentucky contracts with a third party to perform technical review of applications as part of implementation of this program. This program is jointly implemented with the Duke Energy Indiana, Duke Energy Ohio, and Duke Energy Carolinas territories to reduce administrative costs and leverage promotion.

83. During the current reporting period of July 2017 through June 2018, the Kentucky

Smart Saver[®] Custom Incentive program provided incentives totaling \$650,125 to approximately 13 customers. While the number of customers participating is similar to previous reporting periods, the level of participation in terms of incentives and impacts has increased considerably. High levels of participation and incentives continued through January of 2018 – with incentive offers in excess of \$300,000. It is hoped that this momentum will return as with late 2018 program relaunch.

84. This high level of participation is being driven primarily by high customer interest in LED lighting upgrades, industrial process upgrades, and HVAC projects. This resulted in the program exceeding filed costs by approximately 90%, while surpassing filed impact goals by 130%. The program has insight into the pipeline of future customer projects and, as required by recent PSC orders, will implement an incentive funds reservation system to manage the program to a spending cap.

85. During the current reporting period of July 2017 through June 2018, the Kentucky Smart Saver[®] Custom Incentive program was found to have a TRC cost-effectiveness score of 0.99. It should be noted the Custom Incentive program was significantly impacted during this period due to the PSC-ordered DSM suspension on February 14, 2018.

86. Upon receiving a Custom Incentive application, Duke Energy Kentucky reviews the application and performs a technical evaluation as necessary to validate energy savings. Measures submitted by the customer are then modeled to ensure cost effectiveness to the program overall, given the energy savings, and improves a customer's payback to move them to invest in energy efficiency. Third party evaluation follow-up and review includes application review, site visits and/or onsite metering and verification of baseline energy consumption, customer interviews, and/or use of loggers/sub-meters.

Program 9: Smart Saver® Energy Assessments Program

87. The purpose of this program is to assist customers with the evaluation of energy usage within a specific building(s) and to provide recommendations for energy savings projects. The program may provide up to a 50% subsidy for an energy efficiency audit completed in partnership with a Duke Energy contracted professional engineering organization or a third-party engineering firm of the customer's choice. This program is jointly implemented within the Duke Energy Indiana, and Duke Energy Carolinas territories to reduce administrative costs and leverage resources.

88. Various types of assessments are offered and tailored to the customer's needs as well as the type and complexity of the facility to be audited. The standard assessment offered mirrors the ASHRAE (American Society of Heating, Refrigeration, and Air-Conditioning Engineers) Level II energy audit criteria. Additionally, ASHRAE Level III assessments (Investment Grade) are also offered when warranted. Other varieties of assessments are available but are not limited to new construction/renovation energy performance simulation, system energy study, and retro-commissioning study.

89. There are two main customer deliverables for all assessments. The first is an energy report complete with details on how energy is being used and how efficiently the energy infrastructure operates. The report provides Energy Conservation Measures (ECM) that recommend specific projects that can save energy. Each ECM includes estimated energy savings, estimated cost to implement, and estimated payback period. The second deliverable provided by the assessment is the engineering data that is collected and can be utilized to support a Smart Saver® Prescriptive or Smart Saver® Custom Incentive application. The Duke Energy contracted professional engineering firm or selected third-party firm will assist the customer in completing

the Smart Saver[®] application.

90. During the current reporting period, July 2017 to June 2018, two customers participated.

91. Starting in 2018, Smart Saver[®] Energy Assessments will only be conducted as necessary to increase participation in the Smart Saver[®] Custom program.

Program 10: Peak Load Manager (Rider PLM) - PowerShare[®] Program

92. PowerShare[®] is the brand name given to Duke Energy Kentucky's Peak Load Management Program (Rider PLM, Peak Load Management Program KY.P.S.C. Electric No. 2, Sheet No. 77). Rider PLM was approved pursuant as part of the settlement agreement in Case No. 2006-00172. In the Commission's Order in Case No. 2006-00426, approval was given to include the PowerShare[®] program within the DSM programs. The PLM program is voluntary and offers customers the opportunity to reduce their electric costs by managing their electric usage during the Company's peak load periods. Customers and the Company will enter into a service agreement under Rider PLM, specifying the terms and conditions under which the customer agrees to reduce usage. There are two product options offered for PowerShare[®] - CallOption[®] and QuoteOption[®]:

- CallOption[®]:
 - A customer served under a CallOption[®] product agrees, upon notification by the Company, to reduce its demand;
 - Each time the Company exercises its option under the agreement, the Company will provide the customer a credit for the energy reduced;
 - For the 2017/2018 program year, there was one type of event;
 - Emergency events are implemented due to reliability concerns. Participants are required to curtail during emergency events.

- In addition to the energy credit, customers on the CallOption® will receive an option premium credit;
- For the 2017/18 PowerShare® programs associated with the fiscal year of this filing, there were three enrollment choices for customers relative to CallOption. The first choice, “Summer Only”, required participants to be able to curtail during the months of June thru September 2017, with a maximum event length of 6 hours and maximum number of curtailments of 10 during the program year. The second choice, “Extended Summer”, required participants to be able to curtail during the months of June through October 2017 plus May 2018, with a maximum event length of 10 hours and no maximum number of curtailment events. The third choice, “Annual”, requires participants to be able to curtail during the full contract term of June 2017 through May 2018, with a maximum event length of 10 hours and no maximum number of curtailment events.
- Only customers able to provide a minimum of 100 kW load response qualify for CallOption®.
- QuoteOption®:
 - Under the QuoteOption® products, the customer and the Company agree that when the average wholesale market price for energy during the notification period is greater than a pre-determined strike price, the Company may notify the customer of a QuoteOption® event and provide a price quote to the customer for each event hour;
 - The customer will decide whether to reduce demand during the event period.

If they decide to do so, the customer will notify the Company and provide an estimate of the customer's projected load reduction;

- Each time the Company exercises the option, the Company will provide the participating customer who reduces load an energy credit;
- There is no option premium for the QuoteOption[®] product since customer load reductions are voluntary; and
- Only customers able to provide a minimum of 100 kW load response qualify for QuoteOption[®].

PowerShare[®] 2017-2018 Summary

93. Duke Energy Kentucky's customer participation goal for 2017 was to retain all customers that currently participate and to promote customer migration to the CallOption[®] program. The table below displays monthly account participation levels for July 2018 through June 2019, as well as MWs enrolled in the program.

Kentucky PowerShare® Participation Update				
Month	CallOption®		QuoteOption®	
	Enrolled Customers*	Summer Capability**	Enrolled Customers*	Summer Capability**
Jul-17	16	16.79	0	0
Aug-17	16	16.79	0	0
Sep-17	16	16.79	0	0
Oct-17	16	16.79	0	0
Nov-17	16	16.79	0	0
Dec-17	16	16.79	0	0
Jan-18	16	16.79	0	0
Feb-18	16	16.79	0	0
Mar-18	16	16.79	0	0
Apr-18	16	16.79	0	0
May-18	16	16.79	0	0
Jun-18	18	19.53***	0	0
*Enrolled Customers represents the number of parent accounts participating.				
**Summer Capability is consistent with the associated program year. Numbers reported are adjusted for losses.				
***Estimated Summer capability				

(Note that Duke Energy Kentucky has signed 18 contracts for the 2018/2019 PowerShare® CallOption®. Measured and verified MW values for the summer of 2018 will be available and presented in next year's update filing.)

94. During the July 2017 through June 2018 period, there were zero PowerShare® events for economic or emergency reasons. However, there were curtailment tests performed to meet PJM requirements. The table below summarizes event participation.

Duke Energy Kentucky - PowerShare CallOption and QuoteOption Economic, Emergency, and Test Events June 2017 - May 2018 Activity - Reduction Values in MWs							
Date	Event Hours (EDT)	Event Type	Event Participants	Participants Reducing Load Partially or Fully	Average Hourly Load Reduction Expected - At the Meter	Average Hourly Load Reduction - At the Meter	Average Hourly Load Reduction - At the Plant
9/7/2017	4 pm to 5 pm	PJM Test	14	13	15.62	19.113	20.59
9/21/2017	4 pm to 5 pm	PJM Re-Test	1	1	0.30	0.31	0.34
9/26/2017	4 pm to 5 pm	PJM Re-Test	2	2	0.29	0.28	0.30

(Note that for the summer period of June 2018 through September 2018, zero PowerShare® events have been called. The annual, required, PJM test event was conducted on September 6, 2018 at 4 pm. Information on these events will be available and presented in next year’s update filing.)

Program 11: Low Income Neighborhood Program

95. The Duke Energy Kentucky Residential Neighborhood Program takes a non-traditional approach to serving income-qualified areas of the Duke Energy Kentucky service territory by directly installing energy efficiency measures in customer homes. The program engages targeted customers with personal interaction in a familiar setting while ultimately reducing energy consumption by installing energy efficient measures and educating customers on ways to manage and lower their energy bills. Examples of direct installed measures include energy efficient bulbs, water heater and pipe wrap, low flow shower heads/faucet aerators, window and door air sealing and a year supply of HVAC filter replacements. Targeted low-income neighborhoods qualify for the program if at least 50% of the households are at or below 200% of the federal poverty guidelines. Duke Energy Kentucky analyzes census and internal data to select and prioritize neighborhoods that have the greatest need and propensity to participate. While the goal is to serve neighborhoods where most

residents are low income, the program is available to all Duke Energy Kentucky customers within the selected boundary. This program is available to both homeowners and renters occupying single family and multi-family dwellings in the target neighborhoods that have electric service provided by Duke Energy Kentucky.

96. A community-based kick-off event is held in targeted neighborhoods. The kick-off events feature local community leaders, community organizations, weatherization companies, vendor and technical crew. The program manager and vendor provide attendees detailed information on program components and neighborhood schedule. The purpose of the kick-off event is to rally the neighborhood around energy efficiency and educate customers on steps that will contribute to lowering their energy bills. Additionally, attendees have the opportunity to meet technical staff and view measures. Following the kick-off event, customers receive in-home energy assessments (walk-through) and the appropriate energy saving measures are installed if the customer elects to have the work completed. Direct mail and call center support supplement community based outreach.

97. For fiscal year 2017-2018, with a participation goal of 605 homes we have completed 606 homes in Duke Energy Kentucky's territory. Services have been completed in neighborhoods located in Newport and Covington. Duke Energy Kentucky has collaborated with the Northern Kentucky Community Action Commission, People Working Cooperatively and other local businesses to rally around our efforts. The program provides residents information about the program and capitalizes on additional services available in their communities. The program has been well received and neighbors are sharing their experience with others.

Program 12: My Home Energy Report Program

98. The My Home Energy Report (MyHER Report) compares household electric usage to similar, neighboring homes, and provides recommendations and actionable tips to lower energy

consumption. The report also informs a customer of the Company's other energy efficiency programs when applicable. These normative comparisons are intended to induce customers to adopt more efficient energy consumption behavior. The MyHER Report will be delivered in printed or online form to targeted customers with desirable characteristics who are likely to respond to the information. The printed reports are distributed up to 12 times per year (2 printed reports and 12 electronic reports if the customer provides their email address). Currently to qualify to receive the MyHER Report, customers must be living in a single metered, single family home with 13 months usage history.

99. The MyHER program, originally an opt out program, has been changed to an opt in program beginning in 2019-2020, the next fiscal term following the Commission's September 13, 2018 Order. The Company provides information on every report as to how a customer may request to stop receiving the reports. Since the program began in September 2012, only 210 customers (as of March 2018) of roughly 56,000 KY customers participating in the program have chosen to opt out.

100. The Company has designed an interactive portal and enabled email technology to further engage with customers with the intention of increasing the level of engagement with customers and hence their efficiency. This portal is available online and through mobile channels. The portal was rolled out in March 2015 with a small email campaign for MyHER customers for whom we have an email address. As of September 30, 2018, there were 1,520 Kentucky MyHER customers enrolled in the portal.

101. The Company has developed a MyHER program for multifamily dwellings that was available in January 2017. However, the multifamily program was not implemented in KY due to restrictions on program spending.

102. The Company is developing a dual fuel report for Duke Energy Kentucky customers who receive electricity and gas from the Company. Due to restrictions on program spending, KY customers will no longer receive the dual fuel report and will revert to receiving the electric usage only report. The Company rolled out a new and improved design of the report including a view of disaggregated usage in third quarter 2017.

Program 13: Small Business Energy Saver Program

103. The purpose of Duke Energy's Small Business Energy Saver program (SBES Program) is to reduce energy usage through the direct installation of energy efficiency measures within qualifying small non-residential Duke Energy Kentucky customer facilities. All aspects of the SBES Program are administered by a single Company-authorized vendor. The SBES Program measures address major end-uses in lighting, refrigeration, and HVAC applications.

104. The SBES Program participants receive a free, no-obligation energy assessment of their facility followed by a recommendation of energy efficiency measures to be installed in their facility along with the projected energy savings, costs of all materials and installation, and up-front incentive amount from Duke Energy Kentucky. Upon receiving the results of the energy assessment, if the customer decides to move forward with the proposed energy efficiency project, the customer makes the final determination of which measures will be installed. The energy efficiency measure installation is then scheduled at a convenient time for the customer and the measures are installed by electrical subcontractors of the Duke Energy Kentucky-authorized vendor.

105. The SBES Program is designed as a pay-for-performance offering, meaning that the Duke Energy Kentucky-authorized vendor administering the SBES Program is only compensated for kWh energy savings produced through the installation of energy efficiency

measures.

106. The SBES Program is available to existing Duke Energy Kentucky non-residential customer accounts with an actual average annual electric demand of 180 kW or less. An individual business entity's participation is limited to no more than five premises on the Company's system during a calendar year.

107. The SBES Program launched in late February 2015, after receiving the Order of Approval from the Commission on January 28, 2015.¹³ SmartWatt Energy Inc. (SmartWatt), a company that specializes in administering utility energy efficiency programs nationwide like Small Business Energy Saver, was awarded the contract to administer the Program in the Duke Energy Ohio & Kentucky territories after a lengthy competitive bid and vendor evaluation process.

108. For the July 2017 to June 2018 period, 163 SBES projects were completed in Kentucky, which was a volume lower than what was projected due to the Program suspension, which was ordered by the Commission on February 14, 2018.

109. While LED lighting measures are expected to remain the primary driver of kWh savings in the Program for the foreseeable future, the Company has been actively working this year with our vendor SmartWatt to implement initiatives focused on increasing refrigeration and HVAC measure adoption.

110. Duke Energy Kentucky will continue to evaluate the opportunity to add incentivized measures suitable for the small business market to the approved Program which fit the direct install program model. The Company would ultimately like to ensure that small business customers are given the opportunity to maximize their energy savings by being offered a comprehensive energy efficiency project through the SBES Program wherever possible.

¹³ Case No. 2014-00280

Program 14. Smart Saver® Non-Residential Performance Incentive Program (Formerly filed as Pay for Performance)

111. Duke Energy Kentucky received approval of this non-residential program: Smart Saver® Non-Residential Performance Incentive Program in Case No 2016-00289. The purpose of this program is to encourage the installation of high efficiency equipment in new and existing non-residential establishments. The program will provide incentive payments to offset a portion of the higher cost of energy efficient installations that are not offered under either the Smart Saver® Prescriptive or Custom programs. The types of measures covered by the program include retro-commissioning and projects with some combination of unknown building conditions or system constraints, coupled with uncertain operating, occupancy, or production schedules. The specific type of measures is included in the contract with the Customer.

112. During the filing period of the fiscal year 2017-2018, the Performance Incentive program was approved to launch in Duke Energy Kentucky, and plans to market the program were in place. However, the Company did not market the program due to the high success of our Prescriptive and Custom programs. The result was a lack of participation during this filing period. Similarly, for 2018-2019, unless participation in other Non-Residential programs declines, the Company does not plan to offer the Performance Incentive program.

Program 15. Power Manager® for Business

113. Power Manager® for Business is a non-residential program that provides business customers with the opportunity to participate in demand response, earn incentives and realize optional energy efficiency benefits. This program is designed as a flexible offer that provides small-to-medium size business customers with options on device types as well as level of demand response participation. Customers first select the type of device from two available options:

thermostat or switch.

114. Customers who opt for the thermostat will have the ability to manage their thermostat remotely via computer, tablet or smartphone. The thermostat comes with presets designed to help the business manager/owner set an efficient schedule that works for their business. This realizes additional benefits in the form of EE impacts/savings. Customers then select one of three levels of summer demand response (DR) participation, and earn an incentive based upon that selection.

115. Both thermostat and switch customers have the same DR participation options, and receive the same DR incentives.

116. Power Manager[®] for Business will be offered to business customers with qualifying air conditioning systems, summer weekday energy usage and broadband/Wi-Fi internet. Customers must agree to have the control device installed on their A/C system and to allow Duke Energy Kentucky to control their A/C system during Power Manager[®] events. Qualifying air conditioning systems include:

- Individual split air conditioning systems;
- Rooftop Units; and,
- Packaged terminal air conditioners (PTACs).

Customers participating in this Program receive an incentive based on upon the level of demand response cycling they select:

- 30% cycling: \$50 per DR summer season (per device);
- 50% cycling: \$85 per DR summer season (per device); or
- 75% cycling: \$135 per DR summer season (per device).

The incentive will be paid out after installation of the device(s) and then annually. Devices are

installed at the customer premise at no charge to the customer.

117. Power Manager® for Business will be marketed through targeted direct mail campaigns, targeted e-mail campaigns, outbound telemarketing, on Duke Energy Kentucky's Web site and via cross selling with the Small Business Energy Saver Program.

118. Customers can enroll in Power Manager® for Business by: phone call, returning the enrollment form included in the marketing material or through Duke Energy Kentucky's web site. Duke Energy Kentucky will contract with a third-party entity to install and perform field work associated with the load control devices and thermostats.

119. Due to the timely approval of this program in 2017, Duke Energy Kentucky was able to get a faster start on the billing system changes needed to implement this program than had been anticipated. This resulted in some "overspend" during the July 2016 to June 2017 timeframe, but means that the program became available for customers in July 2017 and information technology expenditures that had been budgeted for the 2017-18 program year were primarily spent in the previous timeframe.

120. During the 2017-18 Program year, the Program enrolled 40 accounts and completed installation at 16 of those locations with 25 devices. The 25 devices include 18 thermostats and 7 switches. Due to the minimal savings from the program, the program will not continue beyond 2018.

Evaluation, Measurement, and Verification

121. The evaluation, measurement, and verification (EM&V) schedule for each program for program years 2017 – 2019 is available in Appendix E.

Calculation of the 2017 DSM Cost Recovery Mechanism, Rider DSMR

122. The reconciliation of the cost recovery mechanism (Rider DSMR) involves a

comparison of projected versus actual program expenses, lost revenues, and shared savings, as well as inclusion of the prior year's reconciliation. The actual cost of residential and non-residential program expenditures, lost revenues, and shared savings for this reporting period was \$11.87 million. The projected level of program expenditures was \$14.31 million. The primary driver of the variance in projections versus the actual costs was the order in Case No. 2017-00427 requiring a suspension in programs for the filing period. However, there was also a higher than expected participation for the Non-Residential Smart Saver[®] Prescriptive lighting program during this timeframe.

123. Lost revenues are computed using the applicable marginal block rate net of fuel costs and other variable costs times the estimated kWh savings for a three-year period from installation of the DSM measure. The estimate of kWh savings is based upon the results from any recently completed impact evaluation studies and actual customer participation. Lost revenues accumulate over a three-year period from the installation of each measure, unless a general rate case has occurred.

124. With respect to shared savings, Duke Energy Kentucky utilized the shared incentive of 10% of the total savings net of the costs of measures, incentives to customers, marketing, impact evaluation, and administration. The savings are estimated by multiplying the program spending times the Utility Cost Test (UCT) value and then subtracting the program costs. Shared savings are only valued for installation of new DSM measures.

Home Energy Assistance Program

125. The Company is also offering the Home Energy Assistance (HEA) Program as recently approved by the Commission in its June 4, 2014 Order in Case No. 2014-0094 and approved to continue for a three-year period through December 31, 2017. On June 21, 2017 the

program received approval to continue through December 31, 2020.¹⁴ The program reconciliation is in this application in Appendix B. This program was implemented and began collecting funds in November of 2008. During the term of the current reporting period, a total of \$261,398 was collected from Duke Energy Kentucky customers (\$151,925 electric and \$109,473 gas) from July 2017 - June of 2018. For this reporting period, the HEA program provided assistance to approximately 1,016 customers. The total disbursement between electric and gas accounts was approximately \$124,432 (electric) and \$89,662 (gas) based on the number of electric and gas customers contributing to the fund. These funds are distributed throughout the year by Northern Kentucky Community Action Commission to assist low income customers' energy bill payments. The administrative costs for this period (2017-2018) totaled \$27,925.¹⁵

2017 DSM Riders

126. Duke Energy Kentucky submits the proposed adjustments to its Rider DSMR for both electric and gas programs (Appendices C and D respectively). The two Rider DSMRs are intended to recover projected July 1, 2019 – June 30, 2020¹⁶ (2020) program costs, lost revenues and shared savings and to reconcile the actual DSM revenue requirement, as previously defined, to the revenue recovered under the riders for the period July 1, 2017 through June 30, 2018. The spreadsheet model contained in Appendix B has been used by the Company for a number of years in its Rider DSMR update filings.

127. Appendix B, page 1 of 6, tabulates the reconciliation of the DSM revenue requirement associated with the prior reconciliation, Duke Energy Kentucky's program costs, lost revenues, and shared savings between July 1, 2017 and June 30, 2018, and the revenues collected

¹⁴ Case No. 2017-00189

¹⁵ Administrative costs are based on funds distributed.

¹⁶ The projected July 1, 2018 – June 30, 2019 program expenditures used in this filing will be trued-up as part of the 2019 annual status report and will be described as 2019 throughout the document.

through the DSMR Riders over the same period. The true-up adjustment is based upon the difference between the actual DSM revenue requirement and the revenues collected during the period July 1, 2017 through June 30, 2018.

128. The DSM revenue requirement for the period July 1, 2017 through June 30, 2018 consists of: (1) program expenditures, lost revenues, and shared savings; and (2) amounts approved for recovery in the previous reconciliation filing.

129. Appendix B, page 6 of 6, contains the calculation of the 2017 – 2018 residential cost allocation factors for gas and electric, as approved in Case No. 2014-00388. These factors are the Electric Percent of Total Percent of Sales, and the Gas Percent of Total Percent of Sales, and are calculated by program. The calculation includes the residential kWh and ccf sales for July 2017 – June 2018, along with the kWh and ccf savings achieved for July 2017 – June 2018. The factors are used in Appendix B, page 1 of 6, columns 5 and 6.

130. Appendix B, page 7, has been removed for the Appendix. Duke Energy Kentucky suggests the removal of the gas allocations to the residential programs.

131. Appendix B, page 5 of 6 contains the calculation of the 2018 Residential DSMR Riders. The calculation includes the reconciliation adjustments calculated in Appendix B, page 1 of 6 and the Residential DSM revenue requirement for 2020. The Projected Residential DSM revenue requirement for 2019 includes the costs associated with the Residential DSM programs: My Home Energy Report, Low Income Neighborhood, Low Income Services, Residential Energy Assessments, Residential Smart Saver[®], Power Manager[®], and any applicable net lost revenues and shared savings (Appendix B, pages 2 and 3 of 6). Total revenue requirements are incorporated along with the projected electric and gas volumes (Appendix B, page 4 of 6) in the calculation of the Residential DSM Rider.

132. Appendix B, page 5 of 6 also contains the calculation of the 2018 Commercial and Industrial DSM Rider. The calculation includes the reconciliation adjustments calculated in Appendix B, page 1 of 6 and the DSM revenue requirement for 2020. The Commercial & Industrial DSM revenue requirement for 2020 includes the costs associated with the Commercial and Industrial DSM programs: Smart Saver[®] Custom, Smart Saver[®] Prescriptive, Small Business Energy Saver, Smart Saver[®] Non-Residential Performance Incentive Program, and PowerShare[®] the associated net lost revenues and shared savings (Appendix B, pages 2 and 3 of 6). The 2018 Commercial and Industrial DSMR Rider is calculated in two parts. One part (Part A) is based upon the revenue requirements for Smart Saver[®] Custom, Smart Saver[®] Prescriptive, Small Business Energy Saver, Smart Saver[®] Non-Residential Performance Incentive Program, Power Manager[®] for Business and PowerShare[®]. This part is only recovered from all non-residential rate classes except rate TT. The other part (Part B) is based upon the revenue requirements for the PowerShare[®] program and is recovered from all non-residential rate classes including rate TT.

133. Total revenue requirements are incorporated along with the projected electric volumes (Appendix B, page 4 of 6) in the calculation of the Commercial and Industrial DSM Rider.

134. The Company's proposed DSMR Riders, shown as Appendices C and D, replace the current DSMR Riders, which were implemented in February 2018 in Case No. 2017-00427 and modified in October 2018 in the same case. The electric DSMR rider, proposed to be effective with the first billing cycle in the month following Commission approval, is applicable to service provided under Duke Energy Kentucky's electric service tariffs as follows:

- Residential Electric Service provided under:
 - Rate RS, Residential Service, Sheet No. 30.
- Non-Residential Electric Service provided under:

- Rate DS, Service at Secondary Distribution Voltage, Sheet No. 40;
- Rate DT, Time-of-Day Rate for Service at Distribution Voltage, Sheet No. 41;
- Rate EH, Optional Rate for Electric Space Heating, Sheet No. 42;
- Rate SP, Seasonal Sports, Sheet No. 43;
- Rate GS-FL, Optional Unmetered General Service Rate for Small Fixed Loads, Sheet No. 44;
- Rate DP, Service at Primary Distribution Voltage, Sheet No. 45;
- Rate RTP-M, Real Time Pricing – Market-Based Pricing, Sheet No. 59;
- Rate RTP, Experimental Real Time Pricing Program, Sheet No. 99;
- and,
- Rate TT, Service at Transmission Voltage, Sheet No. 51.

The gas DSM rider is applicable to service provided under the following residential gas service tariff:

- Rate RS, Residential Service, Sheet No. 30.

Calculation of the Residential Charge

135. The proposed residential charge per kWh for 2018 was calculated by dividing the sum of: (1) the reconciliation amount calculated in Appendix B, page 1 of 6; and (2) the DSM revenue requirement associated with the DSM programs projected for 2020, by the projected sales for calendar year 2019. DSM program costs for 2020 include the total implementation costs plus program rebates, lost revenues, and shared savings. The calculations in support of the residential recovery mechanism are provided in Appendix B, page 5 of 6. Based on the updated rider amounts,

the estimated annual cost for the average residential customer would be a refund of about \$0.69 for electric, and a refund of about \$11.72 for gas.¹⁷ The estimated average annual cost for electric and gas per customer decreased due to an over collection for electric of approximately \$5.2 million and gas of approximately \$1.1 million. Beginning with the July 2018 – June 2019 program year, the Company requests to eliminate allocating DSM costs to its gas customers. With the removal of the Energy Efficiency Education Program for Schools and changes to the Residential Smart Saver[®] measures, the only program that remains within the Company’s DSM portfolio that contains natural gas savings is the income qualified program. Given the limited opportunity for gas customer participation in the Company’s DSM programs following the Commission’s September 13, 2018 Order, and the fact that the only natural gas savings attributes are limited to low income/income qualified program,¹⁸ the Company requests Commission authorization to allocate all costs, except for the HEA charge, to the electric rider DSMR.

136. In the 2019 Annual Cost Recovery filing, a new pilot program will be included as part of the 2020 – 2021 program forecast. In Case No. 2016-00152 Duke Energy Kentucky committed to filing a Peak Time Rebate pilot with costs collected through the DSM rider. The filing will be submitted no later than six months after full AMI deployment within the service territory. Upon approval, Duke Energy Kentucky intends to enroll approximately 1,000 eligible customers. The Company presented the pilot and the EM&V plans to the Collaborative on November 1, 2018.

Calculation of the Non-Residential Charge

137. The proposed non-residential charge per kWh for 2018 was calculated in two parts. The first part (Part A), applicable to all non-residential rate classes except Rate TT, is calculated by

¹⁷ The cost for average customer was calculated by using the 2019 forecasted sales of Appendix B page 4 divided by the number of residential electric or gas customers multiplied by the cost per kWh or cost per CCF respectively of Appendix B page 5. The costs are estimates and will vary by customer based on usage.

¹⁸ Gas customers will still participate in the Home Energy Assistance program as approved in Case No. 2017-00189.

dividing the sum of: (1) the reconciliation amount calculated in Appendix B, page 1 of 6; and (2) the DSM revenue requirement associated with the Smart Saver[®] Custom, Smart Saver[®] Prescriptive, Small Business Energy Saver, and Smart Saver[®] Non-Residential Performance Incentive Program programs projected for 2019, by the respective projected sales for calendar year 2019. The second part (Part B), applicable to all non-residential rate classes including Rate TT, is calculated by dividing the DSM revenue requirement associated with the PowerShare[®] program projected for 2020, by total non-residential projected sales for calendar year 2019. DSM program cost for 2020 includes the total implementation costs plus program rebates, lost revenues and shared savings.

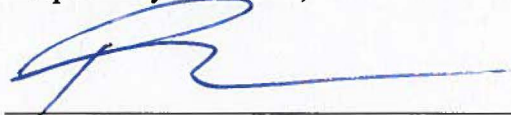
138. The rider applicable to all non-residential rate classes except Rate TT is the sum of Part A and Part B. The rider applicable to all non-residential rate classes including Rate TT is only Part B.

Allocation of the DSM Revenue Requirement

139. As required by KRS 278.285(3), the DSM Cost Recovery Mechanism attributes the costs to be recovered to the respective class that benefits from the programs. The costs for the Power Manager program are fully allocated to the residential electric class, since this is the class benefiting from the implementation of the program. As required, qualifying industrial customers are permitted to “opt-out” of participation in, and payment for, Smart Saver[®] Custom and Smart Saver[®] Prescriptive, Small Business Energy Saver, Smart Saver[®] Non-Residential Performance Incentive Program and Power Manager[®] for Business. All of Duke Energy Kentucky’s Rate TT customers met the “opt-out” requirements prior to the implementation of the DSM riders in May 1996, and are not subject to this portion of the DSM Cost Recovery Mechanism (*i.e.* Rider DSMR). However, all non-residential customers, including Rate TT customers, will be charged for the PowerShare[®] program.

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission review and approve this Application and Duke Energy Kentucky gives notice that the new rates will take effect 30 days from the date of this Application.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served on the following via overnight mail, this 15th day of November 2018:

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Rocco O. D'Ascenzo

Appendix A Cost Effectiveness Test Results

Program Name		UCT	TRC	RIM	PCT
Residential Programs					
Energy Efficiency Education Program for Schools		1.14	1.44	0.60	
Low Income Neighborhood		0.57	1.40	0.41	
Low Income Services		0.34	0.97	0.27	
My Home Energy Report		1.69	1.69	0.72	
Residential Energy Assessments		1.53	1.66	0.68	
Residential Smart \$aver®		1.87	2.01	0.67	5.14
Power Manager®		3.15	5.19	3.15	
Power Manager® for Apartments	1	N/A	N/A	N/A	N/A
Total		1.73	2.24	0.82	6.98
Non-Residential Programs					
Small Business Energy Saver		2.27	1.42	0.85	2.55
Smart \$aver® Custom		4.58	0.99	0.92	1.63
Smart \$aver® Non-Residential Performance Incentive Program	1	N/A	N/A	N/A	N/A
Smart \$aver® Prescriptive - Energy Star Food Service Products		2.28	1.57	0.75	3.51
Smart \$aver® Prescriptive - HVAC		1.25	0.92	0.86	1.24
Smart \$aver® Prescriptive - IT	1	N/A	N/A	N/A	N/A
Smart \$aver® Prescriptive - Lighting		3.39	1.92	0.98	2.87
Smart \$aver® Prescriptive - Motors/Pumps/VFD		3.23	2.04	0.85	3.88
Smart \$aver® Prescriptive - Process Equipment	1	N/A	N/A	N/A	N/A
Power Manager® for Business		0.31	0.32	0.28	
PowerShare®		3.00	10.40	3.00	
Total		3.24	1.64	1.03	2.41
Overall Portfolio Total		2.64	1.76	0.97	2.88

1 - NA is not applicable due to no participation in the program

Kentucky DSM Rider

Comparison of Revenue Requirement to Rider Recovery

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Projected Program Costs 7/2017 to 6/2018 (A)	Projected Lost Revenues 7/2017 to 6/2018 (A)	Projected Shared Savings 7/2017 to 6/2018 (A)	Program Expenditures 7/2017 to 6/2018 (B)	Program Expenditures (C) Gas	Electric	Lost Revenues 7/2017 to 6/2018 (B)	Shared Savings 7/2017 to 6/2018 (B)	2017 Gas (D)	Reconciliation Electric (E)	Rider Collection (F) Gas	Electric	(Over)/Under Gas (G)	Collection Electric (H)
Residential Programs														
Appliance Recycling Program	\$ -	\$ 15,665	\$ -	\$ -	\$ -	\$ -	\$ 12,052	\$ -						
Energy Efficiency Education Program for Schools	\$ 275,930	\$ 67,148	\$ (495)	\$ 155,368	\$ 33,228	\$ 122,140.11	\$ 47,817	\$ 1,910						
Low Income Neighborhood	\$ 306,206	\$ 37,488	\$ (15,051)	\$ 221,100	\$ -	\$ 221,100.45	\$ 28,800	\$ (9,556)						
Low Income Services	\$ 925,461	\$ 51,905	\$ (46,167)	\$ 431,011	\$ 187,756	\$ 243,254.65	\$ 29,436	\$ (16,081)						
My Home Energy Report	\$ 798,061	\$ 706,256	\$ 25,078	\$ 372,001	\$ -	\$ 372,000.83	\$ 395,323	\$ 25,456						
Residential Energy Assessments	\$ 278,410	\$ 79,984	\$ 8,280	\$ 136,433	\$ -	\$ 136,433.40	\$ 46,714	\$ 7,164						
Residential Smart Saver®	\$ 2,503,271	\$ 1,026,020	\$ 85,565	\$ 1,446,170	\$ -	\$ 1,446,169.64	\$ 780,687	\$ 126,113						
Power Manager®	\$ 708,922	\$ -	\$ 840,878	\$ 527,636	\$ -	\$ 527,635.84	\$ -	\$ 111,905						
Power Manager® for Apartments	\$ 58,552	\$ -	\$ 5,795	\$ (8,399)	\$ -	\$ (8,399.05)	\$ -	\$ 840						
Home Energy Assistance Pilot Program (I)	\$ 258,401	\$ -	\$ -	\$ 214,095	\$ 89,662	\$ 124,432	\$ -	\$ -						
Revenues collected except for HEA											\$ 106,473	\$ 151,925	\$ (1,472,706)	\$ 9,903,802
Total	\$ 6,109,214	\$ 1,984,494	\$ 903,882	\$ 3,495,415	\$ 310,646	\$ 3,184,768	\$ 1,340,630	\$ 247,742	\$ (2,724,719)	\$ 46,144	\$ (1,363,233)	\$ 10,055,527	\$ (1,050,839)	\$ (5,236,244)

- A) Amounts identified in report filed in Case No. 2015-00368 and Case No. 2016-00289.
- B) Actual program expenditures, lost revenues (for this period and from prior period DSM measure installations), and shared savings for the period July 1, 2017 through June 30, 2018.
- C) Allocation of program expenditures to gas and electric in accordance with the Commission's Order in Case No. 2014-00388.
- D) Recovery allowed in accordance with the Commission's Order in Case No. 2012-00085.
- E) Recovery allowed in accordance with the Commission's Order in Case No. 2012-00085.
- F) Revenues collected through the DSM Rider between July 1, 2017 and June 30, 2018.
- G) Column (5) + Column (8) - Column(11).
- H) Column (6) + Column (7) + Column (8) + Column (10) - Column(12).
- I) Revenues and expenses for the Home Energy Assistance Pilot Program.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Projected Program Costs 7/2017 to 6/2018 (A)	Projected Lost Revenues 7/2017 to 6/2018 (A)	Projected Shared Savings 7/2017 to 6/2018 (A)	Program Expenditures 7/2017 to 6/2018 (B)	Lost Revenues 7/2017 to 6/2018 (B)	Shared Savings 7/2017 to 6/2018 (B)	2017 Reconciliation (C)	Rider Collection (D)	(Over)/Under Collection (E)
Commercial Programs									
Small Business Energy Saver	\$ 1,077,726	\$ 232,139	\$ 127,508	\$ 883,115	\$ 166,761	\$ 111,408			
Smart Saver® Custom	\$ 435,565	\$ 109,814	\$ 64,889	\$ 841,404	\$ 133,475	\$ 291,228			
Smart Saver® Non-Residential Performance Incentive Program	\$ 44,593	\$ 14,278	\$ 8,908	\$ -	\$ -	\$ -			
Smart Saver® Prescriptive - Energy Star Food Service Products	\$ 40,177	\$ 14,711	\$ 7,236	\$ 44,817	\$ 6,895	\$ 5,718			
Smart Saver® Prescriptive - HVAC	\$ 224,282	\$ 27,306	\$ 20,926	\$ 107,753	\$ 10,808	\$ 2,712			
Smart Saver® Prescriptive - IT	\$ 15,537	\$ 5,272	\$ (1,553)	\$ 5,647	\$ 3	\$ (565)			
Smart Saver® Prescriptive - Lighting	\$ 1,223,636	\$ 283,247	\$ 125,607	\$ 2,309,504	\$ 359,979	\$ 552,075			
Smart Saver® Prescriptive - Motors/Pumps/VFD	\$ 30,337	\$ 10,489	\$ 3,034	\$ 38,759	\$ 6,526	\$ 8,629			
Smart Saver® Prescriptive - Process Equipment	\$ 9,832	\$ 2,331	\$ (983)	\$ 5,139	\$ 2,043	\$ (514)			
Power Manager® for Business	\$ 143,872	\$ 6,906	\$ (2,021)	\$ 46,632	\$ 131	\$ (3,224)			
Total	\$ 3,245,539	\$ 706,291	\$ 351,552	\$ 4,282,770	\$ 686,815	\$ 997,465	\$ 5,576,651	\$ 5,490,906	\$ 6,022,795
PowerShare®	\$ 924,919	\$ -	\$ 80,183	\$ 709,527	\$ -	\$ 141,236	\$ 178,273	\$ 463,782	\$ 565,255

- A) Amounts identified in report filed in Case No. 2015-00368 and Case No. 2016-00289.
- B) Actual program expenditures, lost revenues (for this period and from prior period DSM measure installations), and shared savings for the period July 1, 2017 through June 30, 2018.
- C) Recovery allowed in accordance with the Commission's Order in Case No. 2012-00085.
- D) Revenues collected through the DSM Rider between July 1, 2017 and June 30, 2018.
- E) Column (4) + Column (5) + Column (6) + Column (7) - Column (8)

Kentucky DSM Rider

2019-2020 Projected Program Costs, Lost Revenues, and Shared Savings

Residential Program Summary (A)

	Residential Program Summary (A)				Allocation of Costs (B)			Budget (Costs, Lost Revenues, & Shared Savings)		
	Costs	Lost Revenues	Shared Savings	Total	Electric	Gas	Electric Costs	Electric	Gas Costs	
Low Income Neighborhood	\$ 371,468	\$ 7,935	\$ (15,844)	\$ 363,559	100.0%	0.0%	\$ 371,468	\$ 363,559	\$ -	
Low Income Services	\$ 810,628	\$ 11,128	\$ (30,069)	\$ 791,688	100.0%	0.0%	\$ 810,628	\$ 791,688	\$ -	
My Home Energy Report	\$ 210,062	\$ 255,115	\$ 27,331	\$ 492,508	100.0%	0.0%	\$ 210,062	\$ 492,508	\$ -	
Residential Energy Assessments	\$ 326,678	\$ 15,180	\$ 7,262	\$ 349,120	100.0%	0.0%	\$ 326,678	\$ 349,120	\$ -	
Residential Smart Saver®	\$ 2,047,087	\$ 260,010	\$ 243,331	\$ 2,550,429	100.0%	0.0%	\$ 2,047,087	\$ 2,550,429	\$ -	
Power Manager®	\$ 564,560	\$ -	\$ 131,418	\$ 695,978	100.0%	0.0%	\$ 564,560	\$ 695,978	\$ -	
Total Costs, Net Lost Revenues, Shared Savings	\$ 4,330,484	\$ 549,368	\$ 363,430	\$ 5,243,282			\$ 4,330,484	\$ 5,243,282	\$ -	
Home Energy Assistance Pilot Program	\$ 261,425							\$ 151,925	\$ 109,500	

NonResidential Program Summary (A)

	NonResidential Program Summary (A)				Allocation of Costs (B)			Budget (Costs, Lost Revenues, & Shared Savings)		
	Costs	Lost Revenues	Shared Savings	Total	Electric	Gas	Electric Costs	Electric	Gas	
Small Business Energy Saver	\$ 874,529	\$ 36,499	\$ 116,303	\$ 1,027,331	100.0%	0.0%	\$ 874,529	\$ 1,027,331	NA	
Smart Saver® Custom	\$ 675,415	\$ 36,816	\$ 155,383	\$ 867,615	100.0%	0.0%	\$ 675,415	\$ 867,615	NA	
Smart Saver® Non-Residential Performance Incentive Program	\$ -	\$ -	\$ -	\$ -	100.0%	0.0%	\$ -	\$ -	NA	
Smart Saver® Prescriptive (C)	\$ 1,588,696	\$ 58,728	\$ 563,229	\$ 2,210,653	100.0%	0.0%	\$ 1,588,696	\$ 2,210,653	NA	
PowerShare®	\$ 908,290	\$ -	\$ 153,191	\$ 1,061,481	100.0%	0.0%	\$ 908,290	\$ 1,061,481	NA	
Total Costs, Net Lost Revenues, Shared Savings	\$ 4,046,929	\$ 132,044	\$ 988,106	\$ 5,167,079			\$ 4,046,929	\$ 5,167,079	NA	
Total Program	\$ 8,377,413	\$ 681,412	\$ 1,351,536	\$ 10,410,361						

A) Costs, Lost Revenues (for this period and from prior period DSM measure installations), and Shared Savings for Year 8 of portfolio.

B) Allocation of program expenditures to 100% electric, see Annual Cost Recovery for Demand Side Management Application

C) Smart Saver® Prescriptive consists of the following technologies: Energy Efficient Food Service Projects, HVAC, Lighting, IT, Pumps and Motors, and Process Equipment.

Kentucky DSM Rider

Duke Energy Kentucky
Demand Side Management Cost Recovery Rider (DSMR)
Summary of Calculations for Programs

July 2019 to June 2020

	Program Costs (A)
<u>Electric Rider DSM</u>	
Residential Rate RS	\$ 5,243,282
Distribution Level Rates Part A DS, DP, DT, GS-FL, EH & SP	\$ 4,105,599
Transmission Level Rates & Distribution Level Rates Part B	\$ 1,061,481
<u>Gas Rider DSM</u>	
Residential Rate RS	\$ -

(A) See Appendix B, page 2 of 5.

Kentucky DSM Rider

Duke Energy Kentucky
Demand Side Management Cost Recovery Rider (DSMR)
Summary of Billing Determinants

Year	2019
Projected Annual Electric Sales kWH	
Rate RS	1,436,685,800
Rates DS, DP, DT, GS-FL, EH, & SP	2,333,287,003
Rates DS, DP, DT, GS-FL, EH, SP, & TT	2,570,138,003
Projected Annual Gas Sales CCF	
Rate RS	57,859,338

Kentucky DSM Rider

Duke Energy Kentucky
Demand Side Management Cost Recovery Rider (DSMR)
Summary of Calculations

July 2017 to June 2018

Rate Schedule Riders	True-Up Amount (A)	Expected Program Costs (B)	Total DSM Revenue Requirements	Estimated Billing Determinants (C)	DSM Cost Recovery Rider (DSMR)
<u>Electric Rider DSM</u> Residential Rate RS	\$ (5,331,020)	\$ 5,243,282	\$ (87,738)	1,436,685,800 kWh	\$ (0.000061) \$/kWh
Distribution Level Rates Part A DS, DP, DT, GS-FL, EH & SP	\$ 6,131,808	\$ 4,105,599	\$ 10,237,406	2,333,287,003 kWh	\$ 0.004388 \$/kWh
Transmission Level Rates & Distribution Level Rates Part B TT	\$ 575,486	\$ 1,061,481	\$ 1,636,966	2,570,138,003 kWh	\$ 0.000637 \$/kWh
Distribution Level Rates Total DS, DP, DT, GS-FL, EH & SP					\$ 0.005024 \$/kWh
<u>Gas Rider DSM</u> Residential Rate RS	\$ (1,069,860)	\$ -	\$ (1,069,860)	57,859,338 CCF	\$ (0.018491) \$/CCF
Total Rider Recovery			\$ 10,716,775		
Customer Charge for HEA Program <u>Electric No. 4</u> Residential Rate RS			Annual Revenues \$ 151,925	Number of Customers 126,604	Monthly Customer Charge \$ 0.10
<u>Gas No. 5</u> Residential Rate RS			\$ 109,500	91,250	\$ 0.10
Total Customer Charge Revenues			\$ 261,425		
Total Recovery			\$ 10,978,200		

(A) (Over)/Under of Appendix B page 1 multiplied by the average three-month commercial paper rate for 2017 to include interest on over or under-recovery in accordance with the Commission's order in Case No. 95-312. Value is:
(B) Appendix B, page 2.
(C) Appendix B, page 4.

Summary of Load Impacts July 2017 Through June 2018*

Allocation Factors
based on July 2017-
June 2018

Residential Programs	kWh	% of Total Res		ccf	% of Total Res		Elec % of Total Sales	% of Gas Sales
		Sales			Sales			
Energy Efficiency Education Program for Schools	361,289	0.0240%		4,214	0.0065%		79%	21%
Low Income Neighborhood	226,273	0.0150%		-	0.0000%		100%	0%
Low Income Services	197,878	0.0132%		6,549	0.0102%		56%	44%
My Home Energy Report	9,221,319	0.6129%		-	0.0000%		100%	0%
Residential Energy Assessments	294,049	0.0195%		-	0.0000%		100%	0%
Residential Smart \$aver®	4,933,960	0.3280%		-	0.0000%		100%	0%
Power Manager®	-	0.0000%		-	0.0000%		100%	0%
Power Manager® for Apartments	-	0.0000%		-	0.0000%		100%	0%
Total Residential	15,234,768	1.0126%		10,763	0.0167%			
Total Residential (Rate RS) Sales For July 2017 Through June 2018	1,504,451,330	100%		64,504,698	100%			

*Load Impacts Net of Free Riders at Meter

Duke Energy Kentucky
4580 Olympic Blvd.
Erlanger, KY 41018

KY.P.S.C. Electric No. 2
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RIDER DSMR

DEMAND SIDE MANAGEMENT RATE

The Demand Side Management Rate (DSMR) shall be determined in accordance with the provisions of Rider DSM, Demand Side Management Cost Recovery Rider, Sheet No. 75 of this Tariff.

The DSMR to be applied to residential customer bills is (\$0.000061) per kilowatt-hour.

(R)

A Home Energy Assistance Program (HEA) charge of \$0.10 will be applied monthly to residential customer bills through December 2020.

The DSMR to be applied to non-residential distribution service customer bills is \$0.005024 per kilowatt-hour.

The DSMR to be applied for transmission service customer bills is \$0.000637 per kilowatt-hour.

Issued by authority of an Order by the Kentucky Public Service
Commission dated ____ in Case No. 2018-____.

Issued: November 15, 2018

Effective: December 15, 2018

Issued by Amy B. Spiller, President /s/ Amy B. Spiller

No. 78
Duke Energy Kentucky
4580 Olympic Blvd.
No. 78
Erlanger, KY 41018

KY.P.S.C. Electric No. 2
Twenty-~~Third~~-Fourth Revised Sheet

Cancel and Supersedes
Twenty-~~Second~~-Third Revised Sheet

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RIDER DSMR

DEMAND SIDE MANAGEMENT RATE

The Demand Side Management Rate (DSMR) shall be determined in accordance with the provisions of Rider DSM, Demand Side Management Cost Recovery Rider, Sheet No. 75 of this Tariff.

The DSMR to be applied to residential customer bills is ~~(\$0.003035-000061)~~ per kilowatt-hour.

(R)

A Home Energy Assistance Program (HEA) charge of \$0.10 will be applied monthly to residential customer bills through December 2020.

The DSMR to be applied to non-residential distribution service customer bills is ~~\$0.005091-005024~~ per kilowatt-hour.

The DSMR to be applied for transmission service customer bills is ~~\$0.000463-000637~~ per kilowatt-hour.

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Duke Energy Kentucky
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KY.P.S.C. Gas No. 2
Twenty-Fourth Revised Sheet No. 62
Cancels and Supersedes
Twenty-Third Revised Sheet No. 62
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RIDER DSMR

DEMAND SIDE MANAGEMENT RATE

The Demand Side Management Rate (DSMR) shall be determined in accordance with the provisions of Rider DSM, Demand Side Management Cost Recovery Rider, Sheet No. 61 of this Tariff.

The DSMR to be applied to residential customer bills is \$(0.018491) per hundred cubic feet.

(R)

A Home Energy Assistance Program (HEA) charge of \$0.10 will be applied monthly to residential customer bills through December 2020.

The DSMR to be applied to non-residential service customer bills is \$0.00 per hundred cubic feet.

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No. 62
Duke Energy Kentucky
4580 Olympic Blvd.
No. 62
Erlanger, Kentucky 41018

KY.P.S.C. Gas No. 2
Twenty-~~Third~~-Fourth Revised Sheet

Cancel and Supersedes
Twenty-~~Second~~-Third Revised Sheet

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RIDER DSMR

DEMAND SIDE MANAGEMENT RATE

The Demand Side Management Rate (DSMR) shall be determined in accordance with the provisions of Rider DSM, Demand Side Management Cost Recovery Rider, Sheet No. 61 of this Tariff.

The DSMR to be applied to residential customer bills is \$(0.~~040856~~018491) per hundred cubic feet. (R)

A Home Energy Assistance Program (HEA) charge of \$0.10 will be applied monthly to residential customer bills through December 2020.

The DSMR to be applied to non-residential service customer bills is \$0.00 per hundred cubic feet.

Issued by authority of an Order by the Kentucky Public Service
Commission dated ~~September 13, 2018~~ in Case No. ~~20172018-004~~

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Status Update for Duke Energy Kentucky Energy Efficiency and Demand Response Programs; 2018-2020

Planned, Evaluation, Measurement and Verification Activities and Evaluation Reports

Residential Customer Programs	Program/Measure	Last Evaluation completion	Next Evaluation ==>	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Low Income Neighborhood	Neighborhood	2/27/2015																	
Low Income Services	Refrigerator Replace		TBD											M&V	M&V	M&V	M&V	Report	
	Weatherization & Payment Plus	7/31/2013																	
My Home Energy Report	MyHER	2/1/2014															M&V	M&V	M&V
Residential Energy Assessments	HEHC	7/29/2013									M&V	M&V	M&V	M&V	M&V	M&V	Report		
Residential Smart Saver*	HVAC	9/21/2015															M&V	M&V	M&V
	CFL, now LED	CFL 5/13/14																	
	Specialty Bulbs/Online	6/22/2015															M&V	M&V	M&V
	Water Measures	N/A									M&V	M&V	Report						
Power Manager	Multi-Family	8/1/2014									M&V	M&V	Report						
		5/30/2014									M&V	M&V	M&V	M&V	Report				
Non-Residential Customer Programs	Program/Measure			Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Small Business Energy Saver		4/7/2017		M&V	Report														
Smart Saver* Non-Res, Custom		3/1/2016								M&V	M&V	M&V	M&V	M&V	Report				
Smart Saver* Non-Res, Prescriptive		11/21/2013										M&V	M&V	Report					
PowerShare		2/14/2017													M&V	M&V	M&V	Report	
Pay For Performance		N/A	TBD																

* Future Evaluation Report dates are projections only. Actual report dates will vary depending on program participation, time to achieve a significant sample and the time needed to collect adequate data.

LEGEND	
M&V	Data collection (surveys, interviews, onsite visits, billing data) and analysis
Report	Evaluation Report