COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DUKE ENERGY KENTUCKY, INC. TO AMEND ITS DEMAND SIDE MANAGEMENT PROGRAMS	))))	Case No. 2022-00251

DUKE ENERGY KENTUCKY, INC.'S POST-HEARING REPLY BRIEF

Comes now Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), by counsel, pursuant to the March 31, 2023, Order of the Kentucky Public Service Commission (Commission) and other applicable law, and does hereby tender its post-hearing Reply Brief in support of the approval of its Application in this case, respectfully stating as follows:

I. INTRODUCTION

For the sake of brevity, Duke Energy Kentucky refers back to its initial post-hearing brief for the history and procedural posture of this proceeding, as well as the source of the Commission's jurisdiction.[1] In this reply brief, the Company will respond to the Attorney General's Post-Hearing Brief filed in this proceeding by the Office of the Attorney General (AG) on May 5, 2023.[2] As detailed below, Duke Energy Kentucky submits that, for the reasons given in its initial post-hearing brief and herein, its request to terminate the PTR Pilot Program should be approved by the Commission, along with the remainder of its Application in this case.

[1] *In the Matter of the Application of Duke Energy Kentucky, Inc. to Amend its Demand Side Management Programs*, Case No. 2022-00251, Duke Energy Kentucky, Inc.'s Post-Hearing Brief (Duke Brief), pp. 2-7 (filed April 26, 2023).
[2] Case No. 2022-00251, Attorney General's Post-Hearing Brief (AG Brief) (filed May 5, 2023).

III. ARGUMENT

A. The Commission Should Approve the Termination of the PTR Pilot Program

Although the PTR Pilot Program had many positive aspects, the traditional cost-effectiveness test demonstrated that the benefits achieved were ultimately significantly outweighed by the costs of the program. The PTR Pilot Program, as with a typical "pilot" program, was intended to generate data to consider whether a non-pilot program might be prudent and reasonable to offer and to aid in design of such a program. The positive aspects of the PTR Pilot Program catalogued by the AG in isolation[3] failed, when quantified, to balance the costs incurred. As already detailed in the Company's Post-Hearing Brief, the available evidence does not indicate that the program has promising potential to become cost-effective if offered more broadly or with improved marketing, and Mr. Alvarez's projections to the contrary are based on unduly aggressive numbers drawn selectively from inapposite and easily distinguished secondary studies.[4]

The Attorney General's contention that "an expanded PTR Program with a participation rate of between 8% - 20% will 'easily deliver benefits to customers in excess of costs to customers'"[5] is easily misunderstood in that it omits mention of the other variables being adjusted besides the participation rate. Mr. Alvarez's projected "break-even participation rate" of 8% would only be a break-even rate ***if*** one accepts the additional projected benefits that Mr. Alvarez calculates, such as the 4% energy conservation rate which was unsupported by any data from the actual PTR Pilot Program and which accounts for nearly half of Mr. Alvarez's projected benefits.[6] If program benefits would be calculated consistently with how the Company has always assessed

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[3] *Id.*, pp. 4-5.
[4] Duke Brief, pp. 8-11.
[5] AG Brief, p. 6.
[6] *See* Direct Testimony of Paul Alvarez Testimony (Alvarez Testimony), p. 33 ("[A]s a result of high fixed costs, ***and given all other assumptions I have described***, my projection indicates that a minimum participation rate of 8% is required if a 18 PTR program is to break even on an ongoing basis….") (emphasis added); *Id.*, Appendix B; Paul Alvarez Cross-Examination, Confidential Hearing Video Record (Confidential HVR) at 00:02:07 to 00:02:45.

DSM program cost-effectiveness and based on the actual pilot data, it would require more than 8% participation for the program to break-even.

The "three additional key factors" cited by the AG do not offer any solid basis to expect the program to become cost-effective. The second and third factors are of negligible significance in the analysis; put together, they comprise less than 2.5% of the total benefits projected by Mr. Alvarez over five years.[7] The first factor, energy conservation, is the heavyweight, accounting for nearly half of all projected benefits. The AG does not even attempt to address the specific distinctions and concerns raised by the Company regarding Mr. Alvarez's supporting data and reasoning for his energy conservation estimate, but merely makes the conclusory assertion that "[i]ndustry experience shows such participation rates are indeed achievable."[8] For the reasons already given in the Company's Post-Hearing Brief, the "industry experience" cited for the 4% projection is simply not a plausible source to support a similar projection for the PTR Pilot Program.[9]

Finally, the AG attempts to dismiss the cost-effectiveness analysis as not relevant to a full PTR Pilot Program, claiming that "DEK never attempted to determine the economics of a full program."[10] This is not the case. The Company did perform a projection of a full program, which generated a projected TRC score of 0.32 (more favorable than the PTR Pilot Program score of 0.20),[11] and provided the supporting papers in discovery.[12] The participation assumed in the forward-looking scenario was of 2,005 participants.[13] This figure is actually slightly ***greater*** than

[7] *See* Alvarez Testimony, Exhibit B. The 5-year totals for DRIPE and Energy Shift respectively are $73.9K and $48K, totaling $121.9K, which is less than 2.5% of the total $5.065M in benefits projected.
[8] AG Brief, p 6.
[9] Duke Brief, pp 10-11.
[10] AG Brief, p 6.
[11] Application, Appendix F, p 7.
[12] *See* Response to AG-DR-01-021.
[13] *Id.*, Attachment 2.

the number produced by applying the participation rate achieved in the PTR Pilot Program (1.5%) to the total number of the Company's residential customers used by Mr. Alvarez as the basis for his estimate in the first year (133,079), which would be 1,996 participants.[14] Thus the Company's forward-looking scenario was roughly representative of what would be reasonable to expect in the event that a voluntary full PTR program was implemented.

When applying established cost-effectiveness analysis to the actual data generated by the PTR Pilot Program, the PTR Pilot Program does not pass the test. And the AG does not make any substantive attempt to address the detailed challenges to Mr. Alvarez's alternative projections presented by the Company in its Post-Hearing Brief.

The AG also attempts to shield the PTR Pilot Program's lack of cost-effectiveness from scrutiny by noting that "[t]he Commission does not apply low TRC scores as a bar against continuing weatherization programs for low-income customers."[15] However, as even the AG concedes, the PTR Pilot Program is not a low-income program.[16] The language cited by the AG from Case No. 2022-398 was specifically regarding low-income programs and not the PTR Pilot Program, as is evident when it is viewed in context. The Commission was discussing low-income DSM programs and not the PTR Pilot Program, which it had just set aside in the previous paragraph for discussion in the instant case:

> The Commission would like to note that considering Case No. 2022-00251 is still pending, therefore, a decision regarding the continuation or termination of the PTR Pilot program ***will be deferred to that case***. . . .
>
> The Commission finds that the factors listed in KRS 278.285(1) are supported and the DSM rates for electric and gas service as set forth in the Appendix to this Order are reasonable and should be approved. Furthermore, the Commission has traditionally evaluated DSM effectiveness by primarily focusing on the TRC results. Therefore, ***when discussing Duke Kentucky's <u>low-income</u> programs***, such results are not

[14] *See* Alvarez Testimony, Exhibit B, Assumptions tab.
[15] AG Brief, p 7.
[16] *Id.*, ("DEK's PTR is available to all segments of the residential class….").

> uncommon for low-income programs to not be cost-effective. The Commission has found that ***such*** DSM programs assist low-income customers in lowering their energy bill as well as the impact these programs have on Duke Kentucky's generation load.[17]

Thus, the distinct concerns that justify low-income programs cannot be leveraged to mitigate lack of cost-effectiveness in a non-low-income DSM program.

For all of these reasons, as well as those given in the Company's Post-Hearing Brief, Duke Energy Kentucky's request to terminate the program should be granted.

B. The Traditional and Currently Prevalent Cost-Benefit Test Should Remain the Measure of a DSM Program's Cost-Effectiveness in Kentucky

The AG states, in passing, that "if the Commission is persuaded to keep the DEK PTR as a DSM program, it should require DEK to develop a more thorough benefit-cost analysis methodology such as Mr. Alvarez employed."[18] This recommendation should be rejected, as it would be a departure from industry standard and would reduce the comparability of programs across portfolios and across utilities. Furthermore, Mr. Alvarez's methodology is not "more thorough" simply because it contains more line items. For any future PTR programs, tilting the benefits side of the cost-benefit equation with assumed benefits pulled from inapposite compilations of time-of-use rates studies, would not be more thorough, but rather would obscure the true tradeoffs demonstrated by actual data from the program being measured. The Company believes that any future PTR program should continue to be evaluated with the standard TRC test.

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[17] *In the Electronic Annual Cost Recovery Filing for Demand Side Management by Duke Energy Kentucky, Inc.*, Case No. 2022-00398, Order, p. 7 (Ky. P.S.C. March 7, 2023) (emphasis added).
[18] AG Brief, p. 7.

C. If the Commission Orders the Continuation of the PTR Pilot Program—Which It Should Not—The Commission Should Provide Corresponding Budget Authorization

If the Commission orders the Company to continue the PTR Pilot Program, as the AG requests,[19] the Company respectfully requests appropriate budget authorization as described in its Post-Hearing Brief[20] and also potentially anticipated by the Commission in Case No. 2022-398.[21] The AG does not appear to oppose this, either in principle or in the particulars laid out by Duke with regard to timing and process. Accordingly, Duke Energy Kentucky respectfully requests that the Commission address this need as laid out in the Company's Post-Hearing Brief, if it orders continuation of the PTR Pilot Program in any form.

V. CONCLUSION

For the reasons given herein, and in the Company's initial post-hearing brief, Duke Energy Kentucky respectfully requests that the Commission issue an Order approving the Application in its entirety and without modification, including the request to terminate the PTR Pilot Program. As previously noted, Duke Energy Kentucky appreciates the time and attention the Commission, Staff, and the AG have devoted to this matter and expresses its willingness to continue to be a constructive partner in assuring that Kentuckians' DSM program needs are adequately and safely served at fair, just, and reasonable rates.

WHEREFORE, on the basis of the foregoing, Duke Energy Kentucky, Inc., respectfully requests the Commission:

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[19] AG Brief, p. 9.
[20] Duke Brief, pp. 11-12.
[21] Case No. 2022-00398, Order, p. 7 (Ky. P.S.C. March 7, 2023) ("Additionally, if the program is to be continued, then Duke Kentucky will seek an amendment to its budget with the Commission, accordingly.").

1) Approve the Application in its entirety and without modification; however, if the Commission orders continuation of the PTR Pilot Program, the Company respectfully requests such order provide for the program's budgeting needs.

2) Grant all other relief to which Duke Energy Kentucky may be entitled.

This 12th day of May 2023.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing is a true and accurate copy of the document in paper medium; that the electronic filing was transmitted to the Commission on May 12, 2023; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that submitting the original filing to the Commission in paper medium is no longer required as it has been granted a permanent deviation.[22]

/s/Larisa M. Vaysman
Larisa M. Vaysman

[22] *In the Matter of Electronic Emergency Docket Related to the Novel Coronavirus COVID-19,* Order, Case No. 2020-00085 (Ky. P.S.C. July 22, 2021).