

September 15, 2022

To: LG&E-KU DSM team members

Re: Recommendations to the DSM Advisory Group

This letter is written on behalf of several organizations that have participated in LG&E-KU's DSM Advisory Committee. To begin, we want to express our appreciation for the opportunity to participate in the process of developing LG&E-KU's DSM programs. DSM, energy efficiency, and distributed energy resources (DER's) have great potential for improving the lives of utility customers, their communities, and the environment, while also benefiting the utilities. As LG&E-KU have documented in their recent IRP filings, their DSM programs have achieved many successes and we wish to play an active, constructive role expanding on those successes.

Our organizations represent and work within a diverse community – residential and commercial customers, low-income and disadvantaged communities, renters and homeowners, rural and urban residents – and have experience with many DSM strategies. We offer the following recommendations to strengthen the work of the DSM Advisory Group and LG&E-KU's DSM planning process.

1. Establish measurable objectives for the Companies' DSM programs:
 - a. Amount of capacity to be avoided annually and by specified dates.
 - b. Amount of carbon emission reductions attributable to DSM, by specified dates.
 - c. Target efficiency savings as a percent of total annual energy sales (we propose at least 2% annual savings, striving to join the most successful utility efficiency programs in the US).[1]
 - d. Participation of low-income customers in DSM programs.
2. Enable Advisory Group participants to be more engaged in the DSM planning process by sharing all data, inputs, and other assumptions used in DSM models and cost-testing. This would allow participants to engage with their own experts to analyze and understand in-depth the Companies' DSM modeling, and to dialogue more constructively with the Companies about these models and cost-tests.
3. Be proactive about inviting other stakeholders into the DSM Advisory Committee and ensuring that past participants are receiving invitations and communications.

4. Continue analysis of PAYS (Pay As You Save) inclusive financing programs, and allow members of this Advisory Group to fully participate in the process by sharing assumptions, inputs, models, and results with this group and their paid experts.
5. Prioritize Equity and Community Development. Energy bills are a major burden for many families and small businesses, especially in low-income and marginalized communities. By helping to reduce this burden through effective DSM programs, electric utilities can improve the quality of life in their communities. Designing DSM programs to reach these communities can bring down the barriers that prevent people from using DSM programs and energy efficiency. PAYS is a prime example of a comprehensive program designed to address those barriers.
6. Leverage the Inflation Reduction Act's numerous incentives to expand DSM programs and support low-income customers' ability to access these incentives. The IRA will make numerous financial incentives available for home improvements, but many families cannot afford the capital investments required to access these incentives and may not have the tax liability allowing them to benefit from tax credits. Furthermore, renters have limited access to many incentives and therefore the benefits of energy efficiency. DSM programs designed to overcome these barriers (like PAYS, which can also greatly benefit landlords) will make the IRA available to many more people in our communities.
7. Include the Societal Cost Test when evaluating DSM programs, alongside the other Cost Tests currently used. Electric utilities impact their customers' lives in multiple significant ways. The Societal Cost Test is important for gaining a broader view of the costs and benefits DSM programs can provide to customers and can support the development of programs that better serve customers and their communities.
8. Evaluate net metering and distributed energy resources (DERs) as resources on par with DSM programs and supply-side resources. The Companies' 2021 IRP noted that net metering had the potential to supply more than 500 MW of new capacity by 2030.[2] Net metering has many similarities to traditional DSM programs like home insulation and lighting retrofits – the resource is deployed at the customer-meter level, reduces the customer's energy requirements, provides direct benefits to the participating customer, and in the aggregate provides measurable energy and capacity savings for the utility. If treated as a resource on par with traditional DSM programs and supply-side resources, net metering may be found to be a very cost-effective resource option.
 - a. Statute enables utilities to stop offering net metering service after the installed capacity of net metering systems reaches 1% of a utilities' annual peak load. As LG&E-KU noted in their 2021 IRP, capping net metering growth at 1% would limit distributed solar capacity to under 100 MW through 2036. However, enabling net metering to grow beyond 1% would enable distributed solar to supply more than 500 MW of capacity by 2030. As LG&E-KU acknowledged during the recent IRP proceedings, the 1% figure is not a cap, but a threshold that the utilities have the discretion to exceed.

b. Evaluating net metering as a resource similar to other DSM programs and permitting it to grow beyond the 1% threshold would open up hundreds of MW of additional, low-cost capacity that would be built by customers, on their own properties, using their own funds, at the distribution level.

In closing, thank you again for the opportunity to engage with LG&E-KU in the development of their DSM programs. We look forward to continuing this collaboration.

Sincerely,

Apogee - Climate & Energy Transitions

Homeless and Housing Coalition of Kentucky

Kentucky Conservation Committee

Kentucky Interfaith Power & Light

Kentucky Resources Council

Kentucky Solar Energy Society

Mountain Association

[1] *2020 Utility Energy Efficiency Scorecard*, American Council for an Energy Efficient Economy, 2020, p. 26.

[2] Integrated Resource Plan, LG&E-KU, 2021, Volume I, p. 5-29.