

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ANNUAL COST RECOVERY	)	
FILING FOR DEMAND SIDE MANAGEMENT BY	)	CASE NO.
DUKE ENERGY KENTUCKY, INC	)	2016-00382

ORDER

On November 15, 2016, Duke Energy Kentucky, Inc. (“Duke Kentucky”) electronically filed its Annual Status Report, Adjustment of the DSM Cost Recovery Mechanism, and Amended Tariff Sheets for Gas Rider DSMR and Electric Rider DSMR (“Application”). According to the Application, Duke Kentucky met with the Residential Collaborative<sup>1</sup> and the Commercial and Industrial Collaborative,<sup>2</sup> and with the exception of the Office of the Kentucky Attorney General (“AG”), the members in attendance had no objection to the Application.

On November 23, 2016, the Commission entered an Order suspending the effective date of the proposed tariffs for five months, up to and including May 14, 2017. Duke Kentucky was subjected to two rounds of discovery. On December 22, 2016, the

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<sup>1</sup> The Residential Collaborative members in attendance were: Jock Pitts (People Working Cooperatively), Peter Nienaber (Legal Aid of the Bluegrass), Kenya Stump (Department of Energy Development and Independence), Florence Tandy (Northern Kentucky Community Action), and Tim Duff and Trisha Haemmerle (Duke Energy).

<sup>2</sup> The Commercial and Industrial Collaborative members in attendance were: Jock Pitts (People Working Cooperatively), Kenya Stump (Department of Energy Development and Independence), and Time Duff and Trisha Haemmerle (Duke Energy).

AG, by and through his Office of Rate Intervention, untimely moved to intervene in this proceeding. In an Order dated January 11, 2017, the Commission found that the AG demonstrated good cause for his late intervention into the case and granted the AG's motion to intervene. The AG did not supply intervenor testimony or submit any requests for information during discovery.

On March 10, 2017, the Commission issued an Order requiring Duke Kentucky and the AG to file individually or jointly a statement of whether there were any material issues of fact that warrant a hearing or whether this case should be submitted for adjudication based on the existing record. On March 15, 2017, both Duke Kentucky and the AG filed individual statements requesting that this case be submitted. The case now stands submitted for a decision based on the evidentiary record.

#### DUKE KENTUCKY DSM PROGRAM PORTFOLIO<sup>3</sup>

Duke Kentucky's DSM portfolio, for which the costs are recoverable through the DSM Cost Recovery Rider mechanism, includes the following programs through June 30, 2016:<sup>4</sup>

1. Residential Smart Saver Energy Efficient Residences Program;
2. Residential Smart Saver Energy Efficient Products Program;
3. Residential Energy Assessments Program;
4. Energy Efficiency Education Program for Schools;
5. Low Income Services Program;
6. Residential Direct Load Control - Power Manager Program;

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<sup>3</sup> Application, paragraph 16.

<sup>4</sup> This Application serves as the annual true-up of the fiscal year ended June 30, 2016, and therefore covers the portfolio of programs in effect July 1, 2015, through June 30, 2016.

7. Smart Saver Prescriptive Program;
8. Smart Saver Custom Program;
9. Smart Saver Energy Assessments Program;
10. PowerShare;
11. Appliance Recycling Program;
12. Low Income Neighborhood Program;
13. My Home Energy Report ("MyHER"); and
14. The Small Business Energy Saver Program.

The Application contained brief descriptions of each current program, a review of the current status of each program, and information on any changes made to the programs. Additionally, the Application included the evaluation report for the program's Energy Efficiency Education for Schools Program for the National Energy Education Development ("NEED") component.<sup>5</sup>

#### COST-EFFECTIVENESS

Duke Kentucky provided in Appendix A of its Application the results of cost-effectiveness tests performed on its individual residential and non-residential DSM programs. The test results showed that, with the exception of the Low Income Services Program, all of the residential programs are projected to be cost-effective, with scores greater than 1 for the Total Resource Cost ("TRC") Test. The majority of programs had scores greater than 1 for the Utility Test, and half had scores greater than 1 for the Ratepayer Impact Measure ("RIM"). The Utility Test, TRC Test, RIM, and Participant

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<sup>5</sup> This report was to be included in Case No. 2016-00289, *Electronic Application of Duke Energy Kentucky, Inc. to Amend Its Demand Side Management Programs*, (Ky. PSC Jan. 25, 2017) but was not completed in time.

Test results were greater than 1 for the non-residential programs except for the Smart Saver Prescriptive IT program.<sup>6</sup>

### COSTS AND COST ALLOCATION<sup>7</sup>

Duke Kentucky's DSM revenue requirement, including projected July 1, 2017–June 30, 2018 program costs, lost revenues, and financial incentives, is \$14.048 million. This level of expenditure, along with under- and over-recoveries from the prior period, results in a total DSM revenue requirement of \$17.031 million, of which \$17.810 million is allocated to electric operations and (\$0.779) million is allocated to gas operations. The \$17.810 million net amount allocated to electric operations consists of a \$4.224 million under-recovery from the prior period and \$13.586 million of expected DSM program costs. In addition, the electric operations receive a customer meter charge totaling \$148,230 for Home Energy Assistance (“HEA”).

The (\$0.779) million net amount allocated to gas operations consists of a \$1.241 million over-recovery from the prior period and \$0.462 million of expected DSM program costs. Additionally, the gas operations receive a customer meter charge totaling \$107,492 for HEA.

### CONCLUSIONS

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

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<sup>6</sup> Duke Kentucky's Response to Staff's Initial Request for Information, Item 7. In the prior year, there were no IT measures. Since then, three were added in the 2015–2016 time period, resulting in a valid cost-effectiveness score.

<sup>7</sup> Application, Appendix B at 5.

1. Duke Kentucky has adequately kept the Commission informed of the progress and status of its DSM programs by timely filing summary status reports on its programs.

2. In addition to summary status reports currently filed, Duke Kentucky should continue to file with the Commission notices for: (1) any DSM program once it reaches 95 percent of its budget during a fiscal year; and (2) any DSM program Duke Kentucky projects will exceed its budget by 25 percent. Any notice filed for a budget overrun should include an explanation regarding the cause of the budget overrun.

3. Duke Kentucky's revised DSM surcharge factors contained in the Appendix to this Order are reasonable and should be approved.

4. The Commission continues to find that Duke Kentucky should be vigilant in its scrutiny of the results of each existing DSM program measure's cost-effectiveness tests and provide those results in future DSM cases along with detailed support for future DSM program expansions and additions. Duke Kentucky should also continue to be mindful of the increasing saturation of energy-efficient products and should be watchful for the opportunity to scale back programs offering incentives for behavior that may be dictated by factors other than the incentives. The Commission remains concerned about the increasing number of utility DSM programs and the associated increase in costs to ratepayers, particularly as the costs of the programs are borne by all customers in a rate class and are not limited to the participants in the DSM programs. Therefore, the Commission will continue to apply greater scrutiny in its review of all future DSM filings, with a particular emphasis on reviewing the cost-effectiveness of each program and measure.

5. Duke Kentucky should continue the practice of not including DSM or energy-efficiency-related costs in base rates.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky's proposed DSM programs and associated costs are approved effective with the first billing cycle of the month following the issuance of this Order.

2. Duke Kentucky's Amended Tariff Sheets for Gas Rider DSMR and Electric Rider DSMR are approved.

3. Duke Kentucky shall comply with the requirements of finding paragraphs 2 and 5.

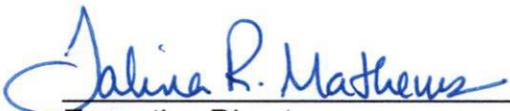
4. In its next filing for Commission approval of its DSM programs, Duke Kentucky shall provide analyses of the impact of DSM charges on its electric and gas customers' bills, and detailed evaluations of the cost-effectiveness of its existing programs and any proposed programs in light of the attendant cost burdens to the residential and commercial classes.

5. Within 20 days of the date of this Order, Duke Kentucky shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

By the Commission

ENTERED  
MAR 28 2017  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2016-00382

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2016-00382 DATED **MAR 28 2017**

The following rates and charges are prescribed for the customers in the area served by Duke Energy Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Duke Energy Kentucky, Inc. – Electric and Gas Customers

<u>Rate Schedule Riders</u>	<u>DSM Cost Recovery Rider (DSMR)</u>
<u>Electric Rider DSM</u>	
Residential Rate RS	\$0.007967 per kWh
Distribution Level Rates Part A DS, DP, DT, GS-FL, EH & SP	\$0.002393 per kWh
Transmission Level Rates & Distribution Level Rates Part B TT	\$0.000183 per kWh
Distribution Level Rates Total DS, DP, DT, GS-FL, EH & SP	\$0.002576 per kWh
<u>Gas Rider DSM</u>	
Residential Rate RS	(\$0.013241) per Ccf

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