

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ANNUAL COST)	
RECOVERY FILING FOR DEMAND)	CASE NO.
SIDE MANAGEMENT BY DUKE)	2017-00427
ENERGY KENTUCKY, INC.)	

ORDER

On March 3, 2018, Duke Energy Kentucky, Inc. (“Duke Kentucky”) filed a Petition for Rehearing (“Petition”) of the Commission’s February 14, 2018 Order requiring the suspension of additional expenditures on demand-side management (“DSM”) programs, except those based on income eligibility, until a determination is made that ratepayer benefits exceed costs. Duke Kentucky presents two basic arguments in support of a rehearing. First, it asserts that the Commission erred by not providing an opportunity for a hearing prior to the decision to suspend additional spending on DSM programs, except those based on income eligibility. Second, it asserts that the Commission relied upon incomplete information in finding that Duke Kentucky has excess generating capacity when it actually will not have sufficient capacity to meet the reserve requirements imposed by PJM Interconnection LLC for the planning year 2020/2021 if the load reductions attributable to ongoing DSM program expenditures are not achieved. The Petition also enumerates the steps that Duke Kentucky has taken to suspend additional expenditures on DSM programs while continuing to honor previously made commitments, not breaching existing contracts, and not entering into new contracts. Finally, the Petition

urges the Commission to clarify the actions that Duke Kentucky should take with respect to its DSM programs during the pendency of the investigation in this case.

Based on a review of Duke Kentucky's petition for rehearing and being otherwise sufficiently advised, the Commission finds good cause to grant a rehearing to allow Duke Kentucky an opportunity to present testimony to demonstrate that its DSM programs provide customer benefits that exceed the costs. As part of its testimony, Duke Kentucky should include an analysis of its ability and costs to secure, by market purchases, bilateral contracts, or other means, any capacity and energy that may be needed in the future due to the termination of non-income based DSM programs. In addition, Duke Kentucky should clarify the statement in its petition for rehearing that "as part of its Application in this case, Duke Kentucky submitted current cost-effectiveness test results for each of its DSM programs,"¹ in light of its data responses stating that its energy and capacity cost-effectiveness inputs are based on data from 2011.²

Further, the Commission reaffirms its finding in the February 14, 2018 Order that, based on the current evidentiary record, Duke Kentucky's non-income based DSM expenditures have not been shown to be reasonable or cost effective. However, the steps taken by Duke Kentucky with respect to its DSM expenditures, as enumerated in its Petition, are reasonable and in compliance with the directive in our February 14, 2018 Order to suspend additional DSM expenditures. Finally, the Commission finds that based on the Petition, there is no longer a need for the informal conference that was to be

¹ Petition for Rehearing, at 17, and n. 28, which references Application Appendix A, titled "Cost Effectiveness Test Results."

² Duke Kentucky Responses to Commission Staff's Second Request for Information, Item Nos. 1 and 2.

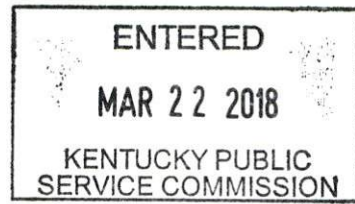
scheduled pursuant to the February 14, 2018 Order to discuss future procedural events, and that subsequent procedural events should now be established.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky's Petition is granted to the extent provided for in the findings above.
2. The Commission's February 14, 2018 Order directing Duke Kentucky to suspend additional DSM expenditures is affirmed on an interim basis subject to the issuance of a final order upon conclusion of the investigation in this case.
3. The procedural schedule set forth in the Appendix shall be followed in this case.

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By the Commission



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00427 DATED **MAR 22 2018**

Duke Kentucky shall file testimony in verified prepared
form no later than 4/12/18

All requests for information to Duke Kentucky shall
be filed no later than 4/23/18

Duke Kentucky shall file responses to requests for
information no later than 5/02/18

Last day for Duke Kentucky to publish notice of hearing To be scheduled

Public Hearing to be held in Hearing Room 1
of the Commission's offices at 211 Sower Boulevard,
Frankfort, Kentucky, for the purpose of cross-examination
of witnesses of Duke Kentucky To be scheduled

Post-Hearing Briefs, if any To be scheduled

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