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Talina R. Mathews
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June 27, 2019

PARTIES OF RECORD

RE: CASE NO. 2018-00370 ELECTRONIC ANNUAL COST RECOVERY FILING
FOR DEMAND SIDE MANAGEMENT BY DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc.

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Andrew Bowker, Staff Attorney, at (502) 782-2580.

Sincerely,

A handwritten signature in blue ink that reads "Gwen R. Pinson".

Gwen R. Pinson
Executive Director

AB/ch

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2018-00370

FROM: Andrew Bowker, Staff Attorney

DATE: June 10, 2019

RE: Informal Conference of June 6, 2019

On May 31, 2019, Duke Energy Kentucky, Inc. (Duke Kentucky), filed a motion requesting that an Informal Conference (IC) be scheduled with Commission Staff to discuss the scope of the upcoming hearing scheduled for Wednesday, July 31, 2019, and to review any other matters that may assist in the facilitation of the instant case and the upcoming hearing. Pursuant to an order entered on June 4, 2019, an IC was conducted on June 6, 2019. Commission Staff and representatives from Duke Kentucky were in attendance. A sign-in sheet identifying all attendees and their affiliation is attached hereto.

Duke Kentucky first discussed its purpose for requesting an IC by noting that this case was consolidated by order of the Commission with Duke Kentucky's gas rate case, Case No. 2018-00261, on April 9, 2019.¹ Regarding the scope of the hearing, Duke Kentucky requested a preliminary list of witnesses. Duke Kentucky also presented for consideration that the scheduled hearing could interfere with its next scheduled annual DSM cost recovery filing. Commission Staff indicated that they did not see an issue with this as the proposed DSM rates in the instant DSM cost recovery filing were only suspended for one day and then allowed to become effective on December 16, 2018 subject to change.² Duke Kentucky indicated a belief that the Commission's purpose for consolidating the cases was in relation to Duke Kentucky's Home Energy Assistance Program (HEA). Duke Kentucky then expressed interest in submitting a proposal to bifurcate the issues of the HEA program from the ongoing Demand Side Management (DSM) cost recovery filing.

Commission Staff noted that Duke Kentucky's recently completed gas rate case was not consolidated with the pending DSM case but, rather, the record from that gas rate case was incorporated by reference into the record of this DSM case. Commission Staff acknowledged that the focus in this case was on the existing HEA Program terms and since evidence had been introduced in the gas rate case on the HEA program, the

¹ Case No. 2018-00261 *Electronic Application of Duke Energy Kentucky, Inc. for Authority to: 1) Adjust Natural Gas Rates; 2) Approval if a Decoupling Mechanism; 3) Approval of New Tariffs; 4) and for All Other Required Approvals, Waivers, and Relief* (Ky. PSC Aug. 31, 2018).

² Duke Kentucky subsequently indicated that the proposed DSM rates were not yet in effect but were placed into effect on June 7, 2019. See TFS2019-00329.

record of that case was incorporated by reference so the parties could rely upon that evidence. It was also noted that the hearing would not interfere with Duke Kentucky's ongoing DSM programs.

Commission Staff also made inquiries regarding the specific details of the HEA program. Duke Kentucky explained that the program is funded through a monthly \$0.10 per meter charge on both gas and electric customers and administered by Northern Kentucky Community Action Council (NKCAC). Duke Kentucky claimed that the meter charge collects approximately \$260,000 annually. They also stated that they had been contemplating changes in the program, such as raising the income level eligibility from 150 percent of federal poverty guidelines to 175 percent or 200 percent. Commission Staff inquired as to what documents are required when verifying this information. Duke Kentucky stated the NKCAC verifies this information by using pay-stubs and other documents, as well as the applicant's Duke Kentucky bill. Duke Kentucky noted that funds collected for the HEA Program are only used after all other assistance funds (such as LIHEAP and WinterCare) are exhausted and that eligible households can only receive a combined total of \$300 annually from WinterCare and HEA. It was also explained that funds are not restricted to usage during certain times of the year.

Commission Staff also requested details on the movement of funds between Duke Kentucky and NKCAC. Duke Kentucky stated that funds for the HEA program are not physically transferred to NKCAC. Rather, NKCAC notifies Duke Kentucky of the eligibility and amount to be credited to the participant's account. Duke then credits the applicable amount to the bill of the program participant.

After an inquiry from Commission Staff regarding the auditing and reporting process in place between NKCAC and the utility, Duke Kentucky explained that an audit of NKCAC's expenses has never been performed, but there is a monthly budget reconciliation between NKCAC and Duke Kentucky. This reconciliation reports on the number of customers assisted, the balance of the fund, the amount of money collected, and the amount of money disbursed. Duke Kentucky also made note of the fact that NKCAC does not report the number of people not served, as they claim not to turn anyone away. Commission Staff asked if Duke Kentucky resources could be used to undertake a more thorough audit of NKCAC. Duke Kentucky responded by suggesting that an audit conducted by Duke Kentucky employees would be an inefficient use of their time and distract them from their other duties. They also indicated that they felt a formal audit was unnecessary due to the monthly reports they receive from NKCAC.

Commission Staff inquired as to why Duke Kentucky felt it appropriate to grant NKCAC a 15 percent fee on administrative costs, when comparable programs generally set the administrative costs at 10 percent or lower. Duke Kentucky clarified that the 15 percent paid to NKCAC is based upon funds disbursed, not funds collected, and indicated that they are reviewing the fee received by NKCAC.

A digital projection of page 3 of Duke Kentucky's response to Commission Staff's Third Request for Information, Item 1 was displayed for attendees to review. Commission

Staff noted that NKCAC appeared to record that balances “roll-over” from one fiscal year into the next. Duke Kentucky stated that for the DSM balancing calculation, any funds left unspent at the end of the fiscal year are credited back to Duke Kentucky’s customer accounts through the DSM balancing adjustment. Duke Kentucky noted the discrepancy between the “roll-over” versus credit and agreed to look into it. Commission Staff also noticed that funds were underspent during some months and overspent during others. Duke Kentucky explained that this occurred because NKCAC knows that the fund would replenish during the next month.

Duke Kentucky again expressed interest in revising the terms of the HEA program. Potential program revisions include:

- Revising the administrative costs associated with the HEA program.
- Increasing the monthly meter charge to \$0.20.
- Allowing funds for the HEA program to “roll-over” into the next fiscal year up to a specific threshold before crediting additional funds back to Duke Kentucky’s customers.
- Raising federal poverty income eligibility criteria to 175 percent or more.
- Spreading awareness of the program through bill inserts and messaging on customer bills.
- Raising the annual maximum dollar amount of assistance per participant from \$300 to \$600.

The Attorney General requested more information on the low-income weatherization programs offered by Duke Kentucky. Duke Kentucky stated that there are a variety of programs available to help low-income families including programs that assist with weatherization and noted that weatherization program funds can be used in conjunction with existing Federal Department of Energy program funds. Duke Kentucky also mentioned energy education classes which provide incentive payments as bill credits to customers.

There being no further discussion, the Informal Conference was then adjourned.

Attachment

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ANNUAL COST RECOVERY FILING)
FOR DEMAND SIDE MANAGEMENT BY DUKE) CASE NO.
ENERGY KENTUCKY, INC.) 2018-00370

6/6/2019

Please sign in:

NAME	REPRESENTING
Lorrie Maggio	Duke KY
Andrew Bowker	PSC - Legal
Patrick Keal	Duke KY
Tian Duff	Duke KY
Minna Sanderman	Duke - KY
Rick Miffin	Duke - KY
Kent Chandler	KYOAG
Chuck Session	Duke - KY
RICHARD RAFF	KY, PSC
MaryBeth Purvis	KY - PSC
Keegan Arnold PSC	KY - PSC
Raco Ascenzo	DE - KY
Trisha Haemmerle	DE - KY

Cindy Spens

JIM ZOLKOWSKI

Elizabeth Stefanski

DE-KY

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FA-PSC

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