

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ANNUAL COST RECOVERY)	CASE NO.
FILING FOR DEMAND SIDE MANAGEMENT BY)	2023-00354
DUKE KENTUCKY, INC.)	

ORDER

On November 15, 2023, Duke Energy Kentucky, Inc. (Duke Kentucky) electronically filed its Annual Status Report, Adjustment of the Demand Side Management (DSM) Cost Recovery Mechanism, and Amended Tariff Sheets for Gas Rider DSMR and Electric Rider DSMR. Duke Kentucky stated in its application that on October 20, 2023, it met with the Residential Collaborative¹ and the Commercial & Industrial Collaborative,² and that the members in attendance agreed with the application.³

On December 7, 2023, the Commission entered an Order suspending the effective date of the proposed tariff for five months, up to and including May 14, 2024. Duke Kentucky responded to one round of discovery on December 8, 2023. There are no intervenors. The case now stands submitted for a decision based on the written record.

¹ The Residential Collaborative members in attendance were Lawrence Cook (Office of the Kentucky Attorney General), Mary Cook-Reneau (Boone County), Jock Pitts (People Working Cooperatively), and Trisha Haemmerle (Duke Energy).

² The Commercial & Industrial Collaborative members in attendance were Lawrence Cook (Office of the Kentucky Attorney General) and Trisha Haemmerle (Duke Energy).

³ Application at 3.

LEGAL STANDARD

KRS 278.285(1) authorizes the Commission to review and approve the reasonableness of DSM programs proposed by any utility under its jurisdiction. The Statute lists multiple factors the Commission can consider when determining the reasonableness of the DSM programs. The listed factors in KRS 278.285(1) are:

- (a) The specific changes in customers' consumption patterns which a utility is attempting to influence;
- (b) The cost and benefit analysis and other justification for specific demand-side management programs and measures included in a utility's proposed plan;
- (c) A utility's proposal to recover in rates the full costs of demand-side management programs, any net revenues lost due to reduced sales resulting from demand-side management programs, and incentives designed to provide positive financial rewards to a utility to encourage implementation of cost effective demand-side management programs;
- (d) Whether a utility's proposed demand-side management programs are consistent with its most recent long-range integrated resource plan;
- (e) Whether the plan results in any unreasonable prejudice or disadvantage to any class of customers;
- (f) The extent to which customer representatives and the Office of the Attorney General have been involved in developing the plan, including program design, cost recovery mechanisms, and financial incentives, and if involved, the amount of support for the plan by each participant, provided however, that unanimity among the participants developing the plan shall not be required for the commission to approve the plan;
- (g) The extent to which the plan provides programs which are available, affordable, and useful to all customers; and
- (h) Next-generation residential utility meters that can provide residents with amount of current utility usage, its cost,

and can be capable of being read by the utility either remotely or from the exterior of the home.

KRS 278.285(1) also states the factors listed are not exhaustive; therefore, the Commission can consider anything that will help determine whether the programs are reasonable.

DUKE KENTUCKY DSM PROGRAM PORTFOLIO

The portfolio of DSM programs offered by Duke Kentucky were originally approved in Case No. 2012-00085⁴ and amended in subsequent annual DSM filings. 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, 2023:⁵

1. Income Qualified Services Program;
2. Home Energy House Call;
3. Residential Smart \$aver® Efficient Residences Program;
4. Residential Smart \$aver® Energy Efficient Products Program;
5. Smart \$aver® Prescriptive Program;
6. Smart \$aver® Custom Program;
7. Power Manager® Program;
8. PowerShare®;
9. Income Qualified Neighborhood Energy Saver Program;
10. Duke Kentucky Energy Home Report;
11. Non-Residential Small Business Energy Saver Program;

⁴ Case No. 2012-00085, *Application of Duke Energy Kentucky, Inc. for an Energy Efficiency Cost Recovery Mechanism and for Approval of Additional Programs for Inclusion in Its Existing Portfolio* (Ky. PSC June 29, 2012).

⁵ Application at 15.

12. Non-Residential Pay for Performance; and
13. Peak Time Rebate Pilot Program.⁶

In its application, Duke Kentucky provided brief descriptions of each program, a review of the status of each program, and information on any changes made to the programs. In Case No. 2023-00269,⁷ the Commission approved expanding the scope and budgets to the following DSM programs: Home Energy House Call (formerly known as the Residential Energy Assessments Program); Duke Energy Home Energy Report (formerly known as My Home Energy Report); Income Qualified Neighborhood (formerly known as the Low-Income Neighborhood); Income Qualified Services Program (formerly known as the Low Income Services Program); Power Manager Program; Non-Residential Small Business Energy Saver Program; and Peak Time Rebate (PTR) Pilot Program.

COST-EFFECTIVENESS

Duke Kentucky provided in Appendix A of its application the forecasted cost-effectiveness results performed on its individual residential and non-residential DSM programs. In measuring the cost-effectiveness of its DSM programs, Duke Kentucky utilized the Utility Cost Test (UTC), Total Resource Cost Test (TRC), Rate Impact Measure Test (RIM), and Participant Cost Test (PCT). The following table shows the result of the cost-effectiveness tests as provided by Duke Kentucky:⁸

⁶ Case No. 2019-00277, *Electronic Application of Duke Energy Kentucky, Inc. to Amend its Demand Side Management Programs* (Ky. PSC Apr. 27, 2020), Order. See also Case No. 2022-00251, *Electronic Application of Duke Energy Kentucky, Inc. to Amend Its Demand Side Management Programs* (Ky. PSC June 13, 2023), Order.

⁷ Case No. 2023-00269, *Electronic Application of Duke Energy Kentucky, Inc. to Amend Its Demand Side Management Programs* (Ky. PSC Nov. 20, 2023), Order.

⁸ Application, Appendix B.

<u>Residential Programs</u>	<u>UCT</u>	<u>TRC</u>	<u>RIM</u>	<u>PCT</u>
Income Qualified Neighborhood Energy Saver	0.37	0.37	0.26	2.02
Income Qualified Services	0.49	0.49	0.33	1.97
Duke Energy Home Energy Report	4.73	4.73	0.98	N/A
Home Energy House Call	1.53	1.44	0.53	32.61
Residential Smart \$aver®	1.25	1.05	0.52	3.86
Power Manager	2.30	3.11	2.30	N/A
Peak Time Rebate Pilot	0.17	0.17	0.17	N/A
Total	1.31	1.35	0.79	3.63
<u>Non-Residential Programs</u>				
Small Business Energy Saver	1.83	1.25	0.63	3.02
Small \$aver® Non-Residential	3.22	2.12	0.64	5.77
PowerShare®	1.96	4.72	1.96	N/A
Total	2.27	2.34	0.88	5.02
Overall Portfolio Total	1.70	1.74	0.84	4.35

As illustrated above, regarding the Residential Programs, the results indicated that the total resource cost (TRC) for both of the residential low-income programs and the Peak Time Rebate Pilot Program were less than 1.00, indicating that both programs are not cost-effective. For the Non-Residential Programs, all programs are shown to be cost-effective.

COST AND COST ALLOCATION

Duke Kentucky explained that it discovered that the three-month commercial paper rate used in its cost-recovery mechanism was incorrect and that this value should have been 1.0425 instead of 1.425.⁹ Duke Kentucky stated that due to this correction, the true-up amounts changed for all rate classes. Consequently, this changed the DSM rates as well.¹⁰ Therefore, Duke Kentucky's updated DSM revenue requirement (including projected 2024-2025, program costs, lost revenues, and shared savings) is approximately \$10.739 million.¹¹ This level of expenditure, along with under-recoveries and over-recoveries from the prior period, results in a total DSM revenue requirement of approximately \$9.566 million, of which \$10.179 million is allocated to electric operations and (\$0.613) million is allocated to gas operations.¹²

The Commission previously approved a total DSM revenue requirement of approximately \$10.476 million, of which \$10.254 million is allocated to electric operations and (\$0.221) million is allocated to gas operations in Case No. 2023-00269.¹³ The \$10.739 million net amount allocated to electric operations consists of a (\$3.585) million over-recovery from the residential, \$2.869 million under-recovery from the distribution, and \$0.480 under-recovery from transmission.¹⁴ Additionally, the approximately (\$0.613)

⁹ Duke Kentucky's Response to Staff's First Request for Information (Staff's First Request), Item 4.

¹⁰ Duke Kentucky's Response to Staff's First Request, Item 4.

¹¹ Application, Appendix C at 2.

¹² Duke Kentucky's Response to Staff's First Request, Item 4. See STAFF-DR-01-004_Attachment at 5.

¹³ Case No. 2023-00269, *Electronic Application of Duke Energy Kentucky, Inc. to Amend Its Demand Side Management Programs* (Ky. PSC Nov. 20, 2023), Order.

¹⁴ Duke Kentucky's Response to Staff's First Request, Item 4. See STAFF-DR-01-004_Attachment at 5.

million allocated to gas operations consists of a (\$0.937) million over-recovery from the prior period and \$0.324 million of expected DSM program costs.

DISCUSSION AND FINDINGS

The Commission notes that Case No. 2022-00251 is still pending; therefore, a decision regarding the outline of the PTR Pilot program will be addressed in that case.

The Commission has traditionally evaluated DSM effectiveness by primarily focusing on the TRC results. Therefore, when discussing the cost-effectiveness results of Duke Kentucky's low-income programs, a TRC score lower than 1.00 is not uncommon for these programs. The Commission has found that such DSM programs assist low-income customers in lowering their energy bills in ways which may be otherwise economically challenging them for them to achieve. The potential reduction of power usage also has a direct impact on Duke Kentucky's overall generation load and is therefore a benefit to all customers.

Based upon the case record and being otherwise sufficiently advised, the Commission finds that the proposed DSM rates for electric and gas service should be denied, and the rates set forth in the Appendix to this Order are reasonable and should be approved. The Commission notes that the rates in the Appendix to this Order reflect the correct three-month commercial paper rate.

Further, the Commission finds that 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. The Commission notes that it expects Duke Kentucky to file the DSM Rider worksheets in excel format with all cells and tabs unlocked in future filings. The Commission also finds that 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 that 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. Additionally, the Commission notes that Duke Kentucky will change the annual filing date from November 15 to November 1 to allow the Commission adequate time to review Duke Kentucky's annual filings and issue a final order. Finally, Duke Kentucky should continue the practice of not including DSM or energy-efficiency-related costs in base rates.

IT IS THEREFORE ORDERED that:

1. The DSM rates proposed by Duke Kentucky are denied.
2. The DSM rates set forth in the Appendix to this Order are approved as fair, just and reasonable rates for Duke Kentucky, and these rates are approved for service rendered on and after the date of service of this Order.
3. Duke Kentucky will file its Annual Cost Recovery filing for Demand Side Management on November 1 following the issuance of this Order.
4. Duke Kentucky shall comply with the requirements of the findings found herein.
5. 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.

6. Within 20 days of the date of service 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.

7. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
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KENTUCKY PUBLIC SERVICE COMMISSION rcs

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00354 DATED DEC 21 2023

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 the authority of this Commission prior to the effective date of this Order.

<u>Rate Schedule Riders</u>	<u>Demand Side Management Rider (DSMR)</u>
<u>Electric Rider DSM</u>	
Residential Rate	\$0.001352 per kWh
Non-Residential Distribution Rate	\$0.002989 per kWh
Transmission Rate	\$0.000514 per kWh
<u>Gas Rider DSM</u>	
Residential Rate	\$(0.010030) per Ccf

*Debbie Gates
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201

*Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45202

*Larisa Vaysman
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201

*Minna Sunderman
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201