

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ANNUAL COST RECOVERY)	CASE NO.
FILING FOR DEMAND SIDE MANAGEMENT BY)	2024-00352
DUKE ENERGY KENTUCKY, INC.)	

ORDER

On November 1, 2024, Duke Energy Kentucky, Inc. (Duke Kentucky) electronically filed its Annual Status Report, Adjustments to the Demand-Side Management (DSM) Cost Recovery Mechanism for both gas and electric services as well as Amended Tariff Sheets for Gas Rider DSMR and Electric Rider DSMR. Duke Kentucky stated in its application that on October 14, 2024, it met with the Residential Collaborative¹ and the Commercial & Industrial Collaborative,² and that the members in attendance agreed with the application.³

On November 27, 2024, the Commission entered an Order suspending the effective date of the proposed tariff for five months, up to and including April 30, 2025.⁴ Duke Kentucky responded to one round of discovery on December 26, 2024. There are

¹ The Residential Collaborative members in attendance were Lawrence Cook (Office of the Kentucky Attorney General), Laura Pleiman (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 2.

⁴ Order (Ky. PSC Nov. 27, 2024) at 2, ordering paragraph 2.

no intervenors. The case now stands submitted for a decision based on the written record.

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. 2012-00085⁵ 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, 2024:⁶

1. Residential Smart \$aver® Energy Efficient Residences Program;
2. Residential Smart \$aver® Energy Efficient Products Program;
3. Residential Energy Assessments Program (Residential Home Energy House Call);
4. Income Qualified Services Program;
5. Power Manager® Program;
6. Non-Residential Smart \$aver® Program;

⁵ 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).

⁶ Application at 15.

7. PowerShare® Program;
8. Income Qualified Neighborhood Program;
9. Home Energy Report Program;
10. Business Energy Saver Program;
11. Non-Residential Pay for Performance; and
12. Peak Time Rebate Pilot Program.

In its application, Duke Kentucky provided brief descriptions of each program, including a status update and information on any changes made to the programs. In Case No. 2024-00264,⁷ the Commission approved expanding the scope and budgets to the following DSM programs: Residential Smart Saver Program; Non-Residential Smart Saver Program; Peak Time Rebate Pilot Program; Business Energy Saver Program; and PowerShare Program.

COST-EFFECTIVENESS

Duke Kentucky provided in Appendix B 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

Program Name	<u>UTC</u>	<u>TRC</u>	<u>RIM</u>	<u>PCT</u>
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Residential Programs

⁷ Case No. 2024-00264, *Electronic Application of Duke Energy Kentucky, Inc. to Amend Its Demand Side Management Programs* (Ky. PSC Dec. 30, 2024), Order.

⁸ Application, Appendix B.

Income Qualified Neighborhood	0.55	0.55	0.34	2.78
Income Qualified Services	0.36	0.36	0.27	1.75
Home Energy Report	2.96	2.96	0.87	N/A
Residential Energy Assessments	1.43	1.38	0.53	40.32
Residential Smart \$aver®	1.44	1.25	0.59	3.87
Power Manager	2.57	3.36	2.57	N/A
Peak Time Rebate Pilot Program	0.27	0.28	0.27	N/A
Total	1.49	1.56	0.88	4.54
<u>Non-Residential Programs</u>				
Business Energy Saver	1.86	1.29	0.67	3.07
Smart \$aver® Non-Residential	7.04	1.50	0.81	2.78
PowerShare®	1.89	3.88	1.89	N/A
Total	3.66	1.62	0.86	2.93
Overall Portfolio Total	2.52	1.60	0.86	3.17

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, demonstrating that the programs are not cost-effective. For the Non-Residential Programs, all programs are shown to be cost-effective.

COST AND COST ALLOCATION

Duke Kentucky's DSM revenue requirement, including projected July 1, 2025 through June 30, 2026 program costs, lost revenues, and shared savings is

approximately \$16.180 million.⁹ This level of expenditure, along with under-recoveries and over-recoveries from the prior period, results in a total DSM revenue requirement of approximately \$11.527 million, of which \$11.449 million is allocated to electric operations and \$0.078 million is allocated to gas operations.¹⁰

The Commission previously approved a total DSM revenue requirement of approximately \$10.221 million, of which \$10.834 million is allocated to electric operations and (\$0.613) million is allocated to gas operations in Case No. 2024-00264.¹¹ In this case, the \$11.527 million net amount allocated to electric operations consists of a (\$4.421) million over-recovery from the residential, (\$0.099) million over-recovery from the distribution, and \$0.122 million under-recovery of the transmission rates.¹² Additionally, the approximately \$0.078 million allocated to gas operations consists of a (\$0.255) million over-recovery of the prior period and \$0.333 million of expected program costs.¹³

DISCUSSION AND FINDINGS

The Commission finds that the factors listed in KRS 278.285(1) are supported and the DSM rates for electric and gas service as set forth in the Appendix to this Order are reasonable and should be approved. Furthermore, the Commission has traditionally evaluated DSM effectiveness by primarily focusing on the TRC results. When discussing

⁹ Application, Appendix C at 2.

¹⁰ Application, Appendix C at 5.

¹¹ Case No. 2024-00264, *Electronic Application of Duke Energy Kentucky, Inc. to Amend Its Demand Side Management Programs* (Ky. PSC Aug. 15, 2024), Order.

¹² Application, Appendix C at 5.

¹³ Application, Appendix C at 5.

Duke Kentucky's low-income programs, it is not uncommon for these programs to not be as cost-effective, as indicated by a TRC score lower than 1.00. However, when considering similar issues such as in Case No. 2021-00424, the Commission found that such DSM programs assist low-income customers in reducing their energy bill, thus reasonable.¹⁴ Additionally, the potential reduction of energy usage also has a direct impact on Duke Kentucky's overall generation load and is therefore a benefit to all customers. For the same reason, the Commission finds that Duke Kentucky's low-income program as presented here is reasonable and should be approved.

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. Furthermore, the Commission 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 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. 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 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.

¹⁴ Case No. 2021-00424, *Electronic Annual Cost Recovery Filing for Demand Side Management by Duke Energy Kentucky, Inc.* (Ky. PSC Dec. 27, 2021), Order.

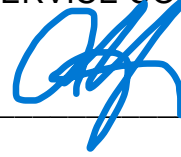
2. Duke Kentucky shall comply with the reporting requirements set forth in the findings found herein.

3. 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.

4. 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.

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

PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ENTERED
FEB 07 2025 AH
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00352 DATED FEB 07 2025

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.

Rate Schedule Riders	Demand Side Management Rider (DSMR)
<u>Electric Rider DSM</u>	
Residential Rate	\$0.002418 per kWh
Non-Residential Rate	\$0.003409 per kWh
Transmission Rate	\$0.000674 per kWh
<u>Gas Rider DSM</u>	
Residential Rate	\$0.001249 per Ccf

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