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**VIA OVERNIGHT DELIVERY**

January 30, 2017

Talina Matthews  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

**RECEIVED**

**JAN 31 2017**

**PUBLIC SERVICE  
COMMISSION**

**Re: Case No. 2015-00368  
In the Matter of the Annual Cost Recovery Filing for Demand Side  
Management by Duke Energy Kentucky, Inc.**

Dear Mr. Greenwell:

Pursuant to the April 4, 2016 Order, Paragraph 7 in the above captioned case; Duke Energy Kentucky, Inc. hereby submits notice for the DSM programs that have reached 95 percent of its budget during the current fiscal year. The April 4<sup>th</sup> Order was received nine months into the current program year (July 1, 2015 – June 30, 2016). Beginning with the fiscal year starting July 1, 2016, a quarterly review of costs has been conducted to provide more timely updates to the Commission. This letter is in reference to the second quarter review for the July 1, 2016 – December 31, 2016 timeframe. Some of the programs listed are not yet to the 95% threshold of costs but will be by the third quarter review and Duke Energy Kentucky wanted to share this information.

**Residential Programs Over 95%**

Residential Smart Saver – 83%

- Participation is currently over 200% of the forecast, resulting in over a 100% increase of kwh. This number will continue to increase with the popularity of the lighting program and the added eligibility of customers who have not received lighting in over five years becoming eligible for the updated technology of LEDs.
- The water kit participation is also higher than forecasted by 20 – 30% depending on the measure

- Actual participation in new tiered HVAC measures, and optional Smart Thermostat measure, has been higher than forecast, resulting in higher kWh achieved.
- Delayed launch of new tiered HVAC measures resulted in participation of previous measures through September. Delayed launch of new tiered HVAC measures resulted in participation of ‘old’ measures through September vs anticipated these would have been phased-out by June 30, 2016 in original budget.

The measures within Residential Smart Saver (LEDs, Smart Thermostat, etc.) offer new technologies allowing us to reach into parts of the market not previously participating.

### **Power Manager 81%**

- Based on the fact that the incentive is paid mostly in the July – October timeframe, which weights cost heavily into the first 6 months of the program year.
- Also, switches for 2017 installation were purchased in December 2016.
- Program sales went well in 2016 and forecasted to continue in first half of 2017.

### **Non-Residential Programs Over 95%**

Non-Residential Smart Saver Prescriptive (Lighting) – 199%

- Participation is over 30% higher than forecasted resulting in an 80% increase of forecasted kwh achieved.
- Duke Energy Kentucky forecasts this increased level of participation to continue in the remaining six months of the fiscal year.
- In late 2015, Duke Energy Kentucky started offering incentives on LED linear fluorescent and panel fixtures, and the participation has far exceeded expectations. The costs are being driven directly by the incentive payment requests. Duke Energy Kentucky will be reducing the incentives on those measures this year, but those reductions will most likely only increase interest between now and April when the new lower incentive rates are effective. This is because there is a 90 day grace period when we change an incentive rate to allow any projects that are in-process to be completed.

**Non-Residential Smart Saver Custom – 55%**

- Currently this program is in line with spending for the six months of the fiscal year.
- kWh and kW achievements are around 65% of the forecast.
- Duke Energy Kentucky currently has two application in progress that will include incentives and put the program over budget by about 25%.

The measures within the Non-Residential Smart Saver programs offers new technologies such as LEDs allowing us to reach into parts of the market not previously participating.

Please date-stamp the extra two copies of this letter and return them to me in the enclosed self-addressed envelope.

Respectfully submitted,



Rocco D'Ascenzo  
Associate General Counsel

cc: Kent Chandler